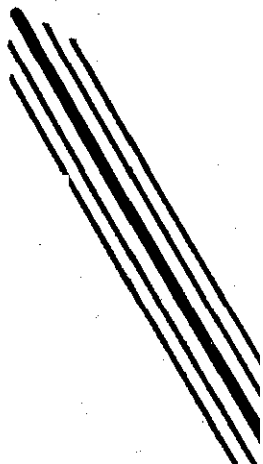




**Agricultural
Co-operation in
Fascist Italy**

FREPPÉ COTTA



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**AGRICULTURAL CO-OPERATION
IN FASCIST ITALY**

AGRICULTURAL CO-OPERATION IN FASCIST ITALY

*With a Full Account of the
General Organisation of Co-operation*

BY

FREPPÉ COTTA

Honours Diploma in Co-operation and Social Science

WITH A PREFACE BY

C. R. FAY, M.A., D.Sc.

Chairman, The Horace Plunkett Foundation

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TO
THE KING AND LORD
OF
THE EARTH, THE FIELD OF AGRICULTURE,
HUMBLY AND GRATEFULLY

PREFACE

THIS work of Mr. Cotta gives chapter and verse for the study of an agricultural renaissance that is one of the most remarkable, indeed paradoxical, social phenomena of these days. This well-documented account of it is, in this respect, a very timely and necessary amplification of the short study of Italian Co-operation issued earlier in the year by the Horace Plunkett Foundation. Mr. Cotta shows how the results therein outlined have been achieved, and presents a detailed picture of the unexpectedly free initiative and democratic control by which Italian agriculture has been rejuvenated under a political régime of dictatorship. He gives a new insight into the underlying economic purpose of the Fascist régime and brings evidence to show that the Italian Government, far from restricting the development of Co-operation, is encouraging it in every way—provided that this way does not lead to the political arena.

The main value of this volume may be that of a textbook for students of agricultural economics, and it is in particular a notable contribution to the growing literature of Agricultural Co-operation, but it should not escape the attention of the wider public which, not only in Great Britain but in other democratic countries, is watching with some apprehension the growing encroachment of the State upon the economic, and particularly the agricultural economic, life of the community. Here we have a clear contrast with what is happening in British and Scandinavian countries; where political liberties are felt to be secure, planned economy in agriculture is being adopted with a varied measure of statutory compulsion; in Italy, even for the great national effort of the annual wheat campaign, no coercive means are used and brilliant results are achieved by methods in which Horace Plunkett himself would have found no Co-operative

flaw. Possibly a sense of national discipline, such as England only knew during the War, is the genius of this and other voluntary organisations described by Mr. Cotta; but this picture of an agricultural economic democracy, illustrated by the essential texts of the rules and regulations of its more important bodies, is none the less striking. Much of the data is available here for the first time in English, and since agriculture is by far the most important of the new Corporations or Guilds, it will be studied with interest by those who are trying to see what, if any, new economic significance there is in the Italian conception of a Corporative State.

Mr. Cotta is an Indian of Goa, whose native language is Portuguese, and his success in dealing with Italian documents in English is remarkable. He came to England to study Co-operation, first in the Manchester College, then here at the Foundation, and chose Italian Co-operation for his field of research. His publication of this volume is a generous parting gesture, and we are glad to be able to recommend it on its merits; but this endorsement, it should be clearly stated, in no way carries with it an endorsement of political dictatorship and in no way signifies a loss of faith in the principles of democracy to which the membership of the International Co-operative Alliance remains faithful.

THE HORACE PLUNKETT FOUNDATION.

C. R. FAY,

Chairman.

INTRODUCTION

AN outstanding fact of the world economy of to-day is the paramount importance now given to agriculture.

One of the causes of this agricultural revival is the growing economic nationalism, which with high tariffs, quotas, import and export control is restricting international trade and endeavouring to make each country self-sufficient.

A second cause is the breakdown of unbridled Industrialism and Capitalism, which has brought in its wake unparalleled unemployment, a solution, or at least a partial solution, for which can be found by taking men back to the land.

A third cause lies, perhaps, much deeper. Before the Industrial Revolution agriculture was the chief industry. The wisest thinkers, philosophers and writers of all ages had stressed the primary importance of agriculture. Napoleon, great conqueror and empire-builder, had said: "Agriculture is the soul, the foundation of the kingdom; industry ministers to the comfort and happiness of the kingdom; foreign trade ought to be the servant of agriculture and home industry. These last ought never to be subordinate to trade."

Dazzled by the glitter of the achievements of Industrialisation men had wandered away from Mother Earth. With the crash of 1929 a definite reaction against the Industrial System set in. On the other hand, the consequences of the Great War were becoming more pronounced. It was said that that war had been fought to end war. But the old rivalries have not disappeared. National self-consciousness has definitely increased. In some countries the desire for rehabilitation, greatness, expansion has become the motive power of the national life. And these countries have been the first and the foremost to realise the truths to which Napoleon gave expression. They have, therefore, given agriculture the first place in their nation-building programme.

In Germany Herr Darré is endeavouring to settle the

unemployed in the sparsely populated parts of East Prussia, and his policy is to root them to the soil. It is outside our present scope to discuss the philosophy and the ultimate aims of the *Blut und Boden* (Blood and Soil) motto underlying the land policy of the Nazis. What matters to us here and now is simply the fact that the new régime in the Fatherland is endeavouring by means of a most intensive propaganda to impress upon the German people that their future lies on the soil, and is sparing no facilities in agricultural purchasing, marketing and credit to make farming attractive.

In Spain, too, peasant proprietorship has been one of the main objectives of the new republic. Huge estates have been divided into peasant holdings. Here again we shall not stop to discuss the methods used by the Spanish Government to effect that change. What we desire simply to note is that peasant proprietorship is being created and agriculture is being intensified.

In America, the Tennessee Valley Experiment has been called the most striking example of social and economic planning to be found anywhere in the world to-day outside Soviet Russia. But while in Russia direct and indirect compulsion has been used to bring the *kulaks* into the collective *kolkhozy*, in the Tennessee Valley land improvement, cheap electric power, credit facilities, better housing and cultural attractions have drawn more families to more and better farming. Similar experiments with the object of providing subsistence farms to the teeming urban unemployed are being tried in West Virginia and other regions.

Here in England, Mr. Stanley Baldwin, speaking at a Conservative Rally at Spetchley Park, near Worcester, on Saturday, the 23rd June, 1934, said that he was proud to belong to the first Government for three generations which had made the interests of agriculture one of its principal occupations.¹ Mr. Walter Elliot, the present Minister of Agriculture, introducing on the 9th July, 1934, in the House of Commons, the estimates for his Department, said that agriculture was no longer a minor issue in Britain, and that the industry had to be taken seriously as one of the greatest

¹ Cf. *Manchester Guardian* of 25th June, 1934.

questions of the day, both for its economic importance and for its place in the national life.¹

But is agriculture to be developed and protected indefinitely by marketing boards and subsidies? Or can agriculture be made permanently more attractive without a modification of the prevailing system of land tenure? Or can such voluntary bodies as the Distributist League of Mr. G. K. Chesterton and the Catholic Land Associations² bring a definite contribution to the solution of the problems of agriculture and unemployment? These are some of the questions which will receive an answer when the British long-term policy is worked out. That there is widespread dissatisfaction with the present conditions there is no doubt.

In Italy the Land Movement has been glorified into a Religion, and Signor Mussolini has become its greatest apostle. Said he: "To-day, thanks to Fascism, one breathes in Italy an atmosphere that might be called of *rurality*. Everywhere one speaks of the return to the land. Everywhere one wants to deflate the urbanism so deleterious to life and to the race. In the fields there is death, but there is much more life; in the cities—specially in the great ones—it is death that dominates in the midst of an enervating and feeble life."³ And true to this gospel the Fascist régime had planned a "new reclamation scheme to which 3,800,000,000 lire has been allotted, to be spread over thirty years (an equal sum being spent by the landowners), while the scheme itself is to be completed in fourteen years. . . . 5,962,508 acres are to be reclaimed. . . . Five million acres more have been declared to be fit for more intense cultivation, and if the landowners do not undertake this in accordance with the plans of the Government experts, so that the transformation of agriculture may be carried out

¹ Cf. *Manchester Guardian*, 10th July, 1934.

² Cf. *Flee to the Fields*, Heath Cranton, Ltd.—Professor W. G. S. Adams (Warden of All Souls), in a paper read before the Agricultural Section of the British Association at the recent Aberdeen meeting, said that "he believed that even in this country the small farm would increase and would become a more rather than a less important factor in rural community life." Cf. *The Times*, 11th September, 1934, p. 6.

³ Cf. *Agenda del Cooperatore*, 1934. XII. p. 353. *Ente Nazionale Fascista della Cooperazione*, Rome.

with the least possible delay, the Prefect of the province may step in and take the work over."¹

Through the *Opera Nazionale per i Combattenti* (the National Association for Ex-Soldiers) alone, one of the organisations specially favoured by the *Duce* (recently he spent three hours threshing corn with them at Sabaudia with the thermometer at 98° F. in the shade), during the ten years ended in 1932, 450,000 hectares (1 hectare=2.471 acres) of marshy land have been reclaimed, nearly 89,000 hectares brought under cultivation, 24,000 hectares cleared, 705 kilometres of canals and 931 kilometres of roads made, 258 million lire spent, and 14,166 new peasant proprietors created, each holding in the average nearly 5 acres.²

No wonder, then, that, undaunted by the Malthusian theory, Signor Mussolini could exclaim: "In an Italy entirely reclaimed, cultivated, irrigated, and disciplined, that is Fascist, there is room and bread for another ten million people."³

Enough has been said, I think, however limited and cursory our survey may have been, of modern world tendencies and developments⁴ in agriculture and agrarian policies to demonstrate the opportuneness of a careful study of agricultural co-operation. The English Marketing Boards, which are meant to help agriculture, are a kind of co-operation from the top. But if the benefits conferred by them on the producer are to be made permanent, with a better reconciliation with the interests of the consumer and the whole body of taxpayers, the Marketing Boards will have to give place, sooner or later, to the more orthodox, more simple and less expensive co-operation from the bottom, co-ordinated, and helped, if necessary, by the Government.

Present developments in Germany, Spain, the United States of America and Italy are all for an increase of peasant proprietorship. Tendencies almost throughout the world

¹ Cf. *Encyclopædia Britannica*, 14th edition, Vol. XII, p. 760.

² Cf. *L'Opera Nazionale per i Combattenti*, pp. 8-9. Stabilimento Tipografico Ditta Carlo Colombo, Roma, Aprile 1933.

³ Cf. *Agenda del Cooperatore*, 1934, XII, p. 328.

⁴ *The Times* of the 14th August last reported the project of a big rural colonisation scheme to relieve unemployment, on which \$10,000,000 was to be spent, in Quebec, Canada.

are in the same direction. Now, the peasant proprietor is born, economically, with the original sins of poverty and dependence, from which only co-operation can redeem him. It is scarcely necessary to labour this point, which has almost become an axiom. For, be he only a subsistence farmer, he will require at least seeds and manures; and unless he buys them co-operatively he will be at the mercy of the middleman, and will not obtain the best in quality and the cheapest in price. Then he will require a surplus to sell in order to enable him to pay interest and amortisation charges, taxes, rates, to buy clothes, etc.; and unless he sells co-operatively he will again be at the mercy of the middleman. He may want credit if he is, say, to avoid a glut on the market at harvest time; and unless he obtains co-operative credit he may fall into the hands of the usurer. He will surely desire to insure his live stock against accidents, disease and death; and any but co-operative insurance may be beyond his means. To prove that co-operation is the necessary complement of small-scale farming, one recent instance may be quoted. The Federal Emergency Relief Administration has made a grant of \$300,000 to the Tennessee Valley Associated Corporation, Inc., formed at the beginning of the current year to promote and foster co-operation in the great Tennessee Valley Settlement to which reference was previously made.¹

During a visit to Italy last April, of three weeks' duration (the original object of which was to investigate her famous *affittanze collettive*), the writer found that her organisation of agricultural co-operation, in the branches above referred to and in others, was on the whole so complete and so rich as to be fully worth a special study. That study is the object of these pages. No attempt will be made to give a detailed history of the evolution of the various types of societies. Besides a very profuse literature in Italian, a good deal has been written on the subject in English, especially in many publications of the International Institute of Agriculture in Rome. To gather it all in one volume, with the amount of detail and analysis necessary to make the publication

¹ Cf. *Cooperations Rurals*, May 1934, p. 42.

useful, would be a very big task indeed. It would, moreover, be beyond our present limited purpose.

This work will, therefore, restrict itself to a careful examination of the whole structure of the organisation of agricultural co-operation as at present constituted, from the primaries to the federals. But before that, we shall carefully examine from its beginning the general organisation of co-operation created by the Fascist régime. Such a treatment will enable us to grasp first of all the whole concept, the plan and the aims of the whole organisation. If in the course of our study we go into details it will be with two distinct objects in view. First, by an objective examination of the structure we shall endeavour to see to what extent Italian agricultural co-operation has, by its incorporation in the corporative organisation and by its co-ordination with other legitimate national interests, lost, if at all, that democratic control and freedom which are necessary to make it co-operative in the orthodox sense. Secondly, the examination of detail will serve the purpose of enabling those who have co-operative problems to face in the present agriculturally minded world, to take such leaves out of the Italian book as will suit their particular case. The principles will be found to be the same; the details may vary.

Professor C. R. Fay says in the Preface to *Co-operation at Home and Abroad* that information for that work was obtained in three ways: 1. Observation of co-operative establishments. 2. Conversation with leaders and officials of the movements. 3. Books, reports and pamphlets. And he goes on to say that while he did not find the first very valuable, the second served chiefly to direct to, and to elucidate, the groundwork provided by the third. The little experience that the writer has gained in his co-operative pilgrimages to Ireland and to Italy has been similar to that of Professor Fay: printed matter, which can be obtained only by such visits, is the best and surest source of information.

This essay will be based, therefore, on the mass of literature, books, pamphlets, reviews, periodicals, in Italian, French

and English, so lavishly and so generously placed at my disposal by the *Ente Nazionale Fascista della Cooperazione*, by the International Institute of Agriculture and by the International Labour Office in Rome. The knowledge gained from these sources will be sifted, processed and weighed in the light of the information and impressions obtained in my visits to some of the typical primary societies and to the federal organisations, and in my many and long conversations with the officials of the organisations mentioned, and with other responsible persons not connected with the Movement. Nine months' systematic study of British and International Co-operation at the Co-operative College, Manchester, and further study at the Plunkett Foundation will be brought to bear on the whole.

I should like to record here my gratitude to the officials of the organisations visited for their great courtesy, kindness and help. And while it would be too long (so really numerous they are) to name them all, I must not omit to mention the names of Doctors Fabbricci, Labadessa, and D'Angelo of the *Ente Nazionale Fascista della Cooperazione*, Mr. Montgomery of the International Institute of Agriculture, and Dr. Cabrini of the Rome branch of the International Labour Office, to all of whom I am more particularly indebted. My thanks are due also to Professor Hall of the Co-operative College, Manchester, Mr. Karl Walter of the Horace Plunkett Foundation and Mr. May of the International Co-operative Alliance, whose very kind letters of introduction opened the way to make my visit to Italy so pleasant and so fruitful.

London,
October 11, 1934.

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CHAPTER I

THE GENESIS OF THE PRESENT ORGANISATION

IN the British Consumers' Movement the existence of overlapping and waste in some places, the existence in Manchester, for instance, with its population of about three-quarters of a million, of six retail distributive societies, gives rise to bitter complaints. The fact that the primary societies, which form otherwise one compact federated whole, do not transact the major portion of their wholesale trade through the federal societies,¹ and the further fact that the local societies have different price and dividend policies, cause earnest, eloquent and pressing appeals to be made for the unification and the co-ordination of the Movement.

In Italy, before the advent of Fascism, in a small village of less than 5,000 inhabitants there were to be found three or four societies all competing with one another. Instead of one, there were three distinct federations, with warring party allegiances, distinct policies and clashing objectives. The problem of overlapping and waste was, therefore, much more serious, the necessity of unification and co-ordination much more pressing, than in Great Britain.

Independent British writers who visited Italy at the time had noted and condemned the factions which were the very negation of Co-operation. Lloyd, one of them, wrote: "One of the chief weaknesses of the Italian Movement, indeed, lies in the rapid and excessive multiplication of

¹ In 1932 the total sales of the Retail Distributive Societies amounted to £201,221,581, those of the Co-operative Wholesale Society to £82,769,119 and of the Scottish Wholesale Society to £16,141,553. (Cf. Report of the Central Board for the Congress year 1933-34, pp. 156, 291 and 293.) Therefore less than half of the wholesale trade of the primaries was done through the federal organisations, the purpose of which is to do that wholesale trade. Moreover, out of the turnovers of the two wholesale societies only £27,939,792 and £4,954,169, respectively, represented their own productions. Their works could certainly produce more, if only the primaries would buy that production. (For the latter figures cf. *A Review of the Annual Co-operative Statistics for the year 1932*, p. 32.)

societies having the same aims and, inevitably, competing with one another. This wasteful multiplication has led to internal strife where there should be collaboration, and has resulted in general weakness, many failures and the discouragement of the whole movement. There is doubtless, as has been pointed out by Professor Pantaleoni, such a thing as excessive centralisation; but all co-operators must realise that the greatest need of Italian Co-operation to-day is a large measure of unification and co-ordination."¹

Strickland, referring to the same trouble, said: "The only possible comment is that the waste of effort is enormous."²

Multiplicity of societies, overlapping and waste, passionate rivalry, instead of co-operation, were not the only sores eating into the Italian Movement. The very middlemen and profiteers whom Co-operation was out to fight had taken advantage of the deplorable situation to steal themselves into the Movement, there to prosecute their selfish ends. Edmondo del Bufalo, Director of the National Federation of Productive and Labour Co-operative Societies, a man who has been considered one of the greatest leaders and benefactors of Italian Co-operation, speaking at the first National Convention of that Federation, held in Rome on the 18th-20th June, 1922, found it necessary to refer to this trouble in the following scathing terms: "Unfortunately many false co-operators, ex-middlemen and ex-private-contractors swarmed around this movement, and immediately after the war, new co-operative societies teemed in thousands upon thousands, and, instead of attaching themselves to the experienced organisations already existing, they were swept into the various currents of politics, and there arose such a medley, such a confusion, such a mass of scandals, as to justify in many cases those enemies of the movement who accused it of incompetence."³

Incompetence, speculation and parasitism, then, vitiated and corrupted Italian co-operation. Co-operative societies had been formed by incompetent and dishonest men not

¹ Cf. Lloyd, *The Co-operative Movement in Italy*, p. 2.

² Cf. Strickland, *Studies in European Co-operation*, p. 52.

³ Cf. Lloyd, *op. cit.*, p. 23.

for the good of the community but for their own selfish ends, and many times merely in order to enjoy State subventions, to which Lloyd again refers as "the constant recourse to State funds which had encouraged the growth of unhealthy societies and kept life in many unsound organisations."¹ There was, to make matters still worse, "the carrying of religious and political quarrels into the Co-operative organisation."²

It will be useful at this stage to consider whether politics may enter into orthodox Co-operation. On this question an endless controversy has raged around the following *law* of the Rochdale Pioneers: "That as soon as practicable, this Society shall proceed to arrange the powers of production, distribution, education and government; or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies."³

The partisans of politics have seized on the word "government" to contend that that *law* not only allows, but recommends political action. Had the rule ended with the word quoted, there might have been justification for their contention; but the explanation that follows surely excludes that interpretation. Only by a wide stretch of the imagination can the establishment of a self-supporting home colony of united interests, or the assistance given to other societies in establishing such societies, be called a form of government, or a near approach to it.

In support of this point of view may be quoted an extract from an official letter from A. Howard, President of the Pioneers' Society, 1861, to the Press: "The principles of the Rochdale co-operators are, 1st, Not to inquire into the political or religious opinions of those who apply for membership with ours or any other co-operative societies in our town. 2nd, That the consideration of the various political and religious differences of the members who compose our societies should prevent us from allowing into our councils or practices anything which might be construed into an advantage to any single one of each sect or opinion."⁴

¹ Cf. Lloyd, *op. cit.*, p. 109.

² *Ibid.*

³ Cf. Webb, *Industrial Co-operation*, p. 69.

⁴ Cf. Holyoake, *History of the Rochdale Pioneers*, p. 161.

This policy was also evidenced by the following statement in the almanac of the Rochdale Pioneers published in 1860: "The present Co-operative Movement does not intend to meddle with the various religious or political differences which now exist in society, but by a common bond, namely, that of self-interest, to join together the means, the energies and the talents of all for the common benefit of each."¹

In other words, ignoring religious and political differences, the Pioneers aimed at uniting men of all creeds and parties on the ground of economic interests, which are common to all; and on that solid and essential basis they set to work for the social uplift of the whole community. It is true that since the time of the Pioneers conditions have changed so as to warrant or even necessitate political action, in order to defend the interests of Co-operation. But the very sound principle of the Pioneers may be maintained by undertaking that action on non-party lines; otherwise Co-operation must either be limited to a section, or it must be a warring movement, as it is in the nature of party politics to create strife.

To resume our main point, then, Italian Co-operation was like a house divided against itself; it was tied and made subservient to party politics. At its Congress held on the 8th February, 1920, the *Lega Nazionale delle Cooperative*, the "Red League" as it was called, definitely allied itself with the Parliamentary Socialist Party by passing the following resolution: "The Congress authorises the Governing Council of the League to come to an agreement with the General Confederation of Labour and with the Italian Socialist Party with the object of strengthening the respective movements in the international, national and local spheres and with the further object of entrusting to a single body, the Parliamentary Socialist Group, legislative and parliamentary action relating to the desires of the Congresses of the National League of Co-operative Societies."²

After this, the *Confederazione Cooperativa Italiana*, the "White League" of the Catholic *Partito Popolare*, which

¹ Cf. Holyoake, *ibidem*.

² Cf. Lloyd, *The Co-operative Movement in Italy*, p. 98.

had been formed in the previous year with its headquarters in Rome, definitely separated itself from the Socialist *Lega Nazionale*, which had its headquarters at Milan. As might be expected in a Catholic country, the "White League," based as it was on Christian Socialist principles, obtained a great following.¹ And as if two were not enough to destroy the co-operative brotherhood, there arose, in 1921, a third organisation, of Fascist allegiance, the *Sindacato Italiano delle Cooperative*, with its headquarters in Milan, and it quickly gained members in increasing numbers.

Those readers who know the splendid British Consumers' Movement could no doubt visualise what would be its position if, instead of the compact organisation under the one Co-operative Union and the two wholesales working in perfect unison, the Movement were split up into Conservative, Liberal and Labour sections, all competing with, and working against, one another. And even that picture would not be true to the conditions that prevailed in Italy at that time. All the British parties are orderly parties, working more or less in accordance with constitutional methods. The Italian Socialist co-operators preached openly class war, which is the very negation of co-operation. They were for "direct action," they seized many landed estates, they occupied many great factories—"the Fiat Motor Works at Turin, the Pirelli Rubber Works at Milan, the Ansaldo Shipbuilding Works at Sampierdarena. It was the intention of the workers to take over these and other great industrial undertakings and to run them on co-operative lines, but, as was inevitable from the violence of the change and the lack of preparation, the workers soon realised that they were doomed to failure, and the project fizzled out,

¹ The figures for the two federations are: The "Red League" in 1922: Consumers' societies 3,600; societies of production and labour 2,700; agricultural societies 700; miscellaneous societies 1,000; members 2,000,000; capital and reserves 600,000,000 lire; turnover 1,500,000,000 lire. The "White League" in 1921: Consumers' societies 3,200; rural credit societies 2,200; societies of production and labour 2,550. (Cf. *La Cooperazione nell'Italia Fascista*, pp. 50 and 51.) The Fascist League, which in December 1921 had a membership of 150 societies with capital of 8,325,000 lire and turnover of 120 million lire, showed in December 1922 a phenomenal growth with a membership of 715 societies, with capital of 22,834,000 lire, and turnover of 350 million lire. (Cf. Lloyd, *The Co-operative Movement in Italy*, p. 110.)

and any repetition on so great a scale was effectually barred by the advent of Fascismo." ¹ Lloyd, who was in Italy at that time, and who investigated Italian conditions under the auspices of the Fabian Society, sums up in one sentence the tragic consequences of the party politics of Italian Co-operation: "Political influences, indeed, have played a fatal part in bringing about the tragedy of Italian Co-operation." ²

The records of the time supply ample proof that the principles and ideals of Co-operation had been entirely perverted and subverted. The movement was considered the "milch cow" of, and the stepping-stone to, Socialism. Violence and spoliation were openly preached. Fratricidal war had introduced anarchy and almost paralysed the economic life of the country.

Such, then, was the state of Co-operation when the Fascists came into power, with the avowed object of purifying, unifying and regenerating the country. They knew the brilliant traditions of Italian Co-operation inherited from Buffoli and Luzzati and Wollemborg. They knew that it had been a potent factor in relieving unemployment, in stimulating production, reclaiming land, extending cultivation, and in reviving arts and crafts. They had a definite agrarian and agricultural policy, aiming at creating the peasant proprietor, and increasing the production of food-stuffs; a policy which they had placed at the head of their programme. They knew that co-operation of production and of distribution would be a powerful instrument for the economic uplift of the masses. They knew, moreover, that successful Co-operation, with the economic and social benefits which it confers, would be invaluable as a factor in favour of the new régime.

Realising all this, Fascists set about purging, reconstructing and co-ordinating Italian Co-operation. Excesses were certainly perpetrated in the process. But does the blame attach to one side only? Let Lloyd speak again: "It was inevitable that many of the recruits to the new movement were unworthy of the high ideals by which its founders

¹ Cf. Lloyd, *The Co-operative Movement in Italy*, p. 62. ² *Ibid.*, p. 63.

claimed to be inspired. Many of its disciples brought with them abundance of enthusiasm and a high sense of romance, but little restraint and experience. On the other hand, the co-operative societies of the *Lega Nazionale* were by that time, as we have seen, definitely allied with the Socialist political party, and when, by the force of circumstances, the *Fascisti* and the Socialists were at open war, the co-operative societies had, in many cases, to bear the brunt of the attack. They were accused, rightly or wrongly, of being the centres of Communist and anti-nationalist propaganda, and the refuge of disloyalists and traitors.”¹

It is not claimed that the Fascist party is any better than other political parties when party interests are affected. The very efficiency of the Fascist State, the discipline it enforces, the observance it demands of its own views to the exclusion of all others, may make Fascism more exacting than most other political systems. But we should not allow that to make our judgment one-sided, or to prevent us from judging each case on its own merits. This will, therefore, be the principle followed throughout this work: as we are treating of Co-operation and not of political systems, any praise or blame attached to the Fascist or any other régime will relate solely to the facts which form the subject of our study.

Fascism, then, decided to recreate and to reorganise Italian Co-operation, and in that work it took as its basis two fundamental principles, laid down by Signor Mussolini in a meeting of the Grand Council, held in November 1925. The two principles are:

1. The unity of the Movement in the sense that Fascist Co-operation, naturally unitary, aims at creating an organisation, the voluntary character of which does not exclude efficient co-ordination.

2. The supremacy of the State in the sense that the State must intervene to regulate and to supervise the development of Co-operation.

To study how that work has been carried out forms the subject of succeeding chapters.

¹ Cf. Lloyd, *op. cit.*, p. 107.

CHAPTER II

LEGISLATION GOVERNING CO-OPERATION

BEFORE we proceed to acquaint ourselves with the specific laws governing the present organisation, it will be well to have a conspectus of the general ¹ legal and fiscal provisions to which Co-operation is subject in Italy.

Co-operative societies may in Italy assume any form allowed by common law for private, civil or commercial societies. In actual practice, the three forms at present recommended are :

1. *Anonima*, limited liability societies, the obligations being guaranteed up to a certain sum only, represented by the members' contributions or shares.

2. *In nome collettivo*, societies with unlimited liability, the obligations being guaranteed by the joint and several liability of the members.

3. *In accomandita*, the obligations being guaranteed on one side by one or more members with unlimited joint and several liability, and on the other side by one or more members with limited liability, which may be represented by their shares.

First of all, co-operative societies have according to Italian law a variable capital and an unlimited number of members. In view of this and in order to avoid abuses, the law provides that societies must be formed by a public deed, and that a Court of Law must certify to the legality of their foundation. The public deed, the registration of the rules and any public notices relating thereto are exempted from any fiscal charges.

As the societies have a variable capital the conditions for the admission, withdrawal and expulsion of members must be laid down in the rules of the society. Suitable provisions

¹ I am indebted to a considerable extent to *La Coopération Agricole*, of the International Institute of Agriculture, Rome, for the general provisions.

must prevent mass withdrawals that might endanger the interests of the creditors, as they must prevent also an excessive influx of members that might create a capital exceeding the needs of the society. But if societies may impose conditions for admission, they may not restrict membership unconditionally, for instance, by limiting the number of members. They have, therefore, the open membership principle of the British Industrial and Provident Societies' Act.

Owing to variable capital again, the co-operative societies are exempted from the obligation of having and maintaining a given capital. So, they are not bound to issue the whole capital announced in the prospectus or to dissolve the society if two-thirds of the capital has been lost. In actual practice the rules provide that the society must go into liquidation if one-half or two-thirds of the capital has been lost. And, as we shall see later, in virtue of a special law to which they are subject, rural credit societies may not be started with a capital of less than 30,000 lire; and if one-third thereof has been lost, measures must be taken to reinstate it.

Formerly the shareholding of a member could not exceed 5,000 lire. Owing to the depreciated currency, however, the maximum was raised by a royal decree of February 1927, since converted into law, to 30,000 lire. The face value of each share of new societies may not be less than 100 lire or more than 500 lire, rural credit societies excepted, the minimum for which may be 50 lire. The increase of the maximum limit of shareholding has been particularly beneficial to agricultural societies, which require considerable capital for their undertakings.

To avoid speculation on the Stock Exchange the law provides that shares must always be registered in the name of the member, that they may not be transferred unless they have been fully paid (with certain exceptions, as in the case of death, removal from the district and financial difficulties) and unless previous sanction of the General Assembly or the Council of Administration has been obtained. The special reason for providing against speculation is that the

market values of shares of co-operative societies in Italy rise in proportion to their reserves. We shall understand this better later when we speak of entrance fees.

The law provides that the boards of administration must be elected from among the members, that they may be exempted from giving security and that the members must attend a minimum number of meetings, failing which their mandate ceases.

In fiscal matters the policy of the new régime has been to restrict facilities given to co-operative societies, the idea being that they must be self-supporting, without any privileges or artificial props. Specially as regards direct taxation there is no difference in favour of co-operative societies, as in the Italian law there are no provisions granting any of them, even the agricultural ones (mutual insurance societies excepted, as we shall see when dealing with them), special exemptions or reductions. Co-operative societies pay land and building tax as anybody else, and as regards income tax they are treated similarly: the law takes notice only of the existence of surplus, and ignores its nature and origin, as the British Government has ignored them in the recent imposition of taxation under Schedules "C" and "D" (taxation of surplus) on the Movement.

The restrictive tendency was first evidenced by the royal decree No. 2882 of the 30th December, 1923, which introduced general restrictions and special restrictions. The former reduce all fiscal exemptions or reductions of fees and stamp fees for registration and amendments, mortgage or Government conversion taxes, deed and contract taxes, and all privileges granted to private persons, societies or any moral entities and institutions, other than charitable institutions, to a period of ten years as from the date of their inception, any previous provision to the contrary notwithstanding. Therefore, the unlimited exemption until then granted, in accordance with the Commercial Code, to co-operative societies as regards charges for amendment of rules, and for admission or withdrawal of members must cease at the end of ten years, beginning from the foundation of the society. These privileges cease even

before ten years should the society have at the end of a financial year a net surplus which allows, on the paid-up or on the original capital, interest at a rate higher than the official rate. The assumption underlying the restriction is that within ten years a society should be sufficiently consolidated to pay the ordinary fiscal charges.

As regards restrictions applying specifically to agricultural co-operative societies, the law prescribes that the transactions relating to their operations shall be subject to the minimum charge only provided that all the following conditions are present :

1. That they be governed by the principle of mutuality.
2. That the paid-up capital does not exceed 30,000 lire.
3. That the transactions take place within ten years ¹ from the date of the foundation of the society.
4. That proper trading accounts be kept.
5. That the transactions relate to operations provided for in the rules.
6. That the amount of the transaction does not exceed twenty times the paid-up capital.

For the fulfilment of condition (1) above, the following provisions must be made in the rules of the society :

(a) In case of distribution of interest, same must not be at a rate higher than the official rate, and must be calculated on the paid-up capital only.

(b) The reserves must not be distributed among the members as long as the society remains in force.

(c) In case of dissolution all the funds of the society, after refunding the paid-up capital, must be made over to purposes of public utility, at the discretion of the financial authorities.

The above benefits are limited only to the first assignment of land; all further assignments or retrocessions to the society must pay the full charges. The object of this provision is to avoid speculative sales when prices rise.

The same privileges are allowed within the said period to Cattle Insurance Societies provided that they restrict

¹ For other than agricultural societies this period is limited to five years.

themselves in the rules, and in practice, to underwrite risks not exceeding 300,000 lire in all.

In order that no subterfuges may be employed to continue in the enjoyment of these privileges, the date of the original foundation of the society is to be considered as the inception date for the purposes of the ten-year period, and no dissolution followed by reconstitution, reconstruction or any other form of revival for the original purposes of the society is to be considered a new society.

Other privileges enjoyed by agricultural societies are :

(a) Co-operative collective farming, dairy, wine-making, distillery, consortia, grain pools, and all other agricultural societies having production as their object or as one of their objects are entitled to register themselves in the books of the Prefecture as eligible to public contracts of the maximum value of one million lire, either by private treaty or by open competition. To enjoy this privilege the society must have at least nine members. (Royal Decree of 8th February, 1933, No. 422.)

(b) All legally constituted agricultural co-operative societies may be allowed by the Minister of Agriculture to undertake rural credit operations. (Royal Decree Law dated 29th July, 1927, No. 1509.)

(c) Similarly, societies may obtain credit from Government to finance the supply of agricultural requisites to members, or to make advances against their products whilst being processed or awaiting collective disposal. (Same law, No. 1509.)

(d) The construction of wine-making premises, distilleries, dairies and the like may be declared to be of public utility if the needs of the district make them necessary. (Law of 29th December, 1930, No. 1737.)

(e) Co-operative wine-making or wine-selling societies may, for the purposes of better organisation of production or of better marketing, be granted subsidies either for the extension or improvement of their plant. (Law of 6th January, 1931, No. 22.)

(f) The Ministry of Agriculture may relieve all farmers of the interest due by them up to a maximum of 4 per cent.

per annum, on loans taken from the agricultural consortia, marketing societies or the Italian Federation of Agricultural Consortia, against products delivered for sale. (Law of 30th May, 1932, No. 752, the one that set up the *Ente Finanziario dei Consorzi Agrari*, Financial Organ of the Agricultural Consortia, a credit institution.)

We shall now touch on the measures responsible for the present organisation. The first was the Royal Decree Law of the 30th December, 1926. It gave the Minister of National Economy power to order inspections or inquiries into the working of co-operative societies if they functioned irregularly, did not observe the rules or the law, or went against their social aims; to dissolve, if necessary for the same reasons, their Councils of Administration, and to appoint a Government Commissioner to administer societies. Another article created the *Ente Nazionale per la Cooperazione* (the National Organism of Co-operation), which was to be charged with the inspections and inquiries, and which took the place of the *Sindacato Italiano delle Cooperative*, the Fascist League already spoken of, and continued the process of elimination and consolidation which the latter had been carrying on since the advent of Fascism.

Several other transitory measures were issued, in the form of Royal Decrees and Orders in Council, providing for the formation of the co-operative societies into associations, as distinct from the capitalist organisations, according to their various categories; the affiliation of these associations to a central directing body, which, however, had no power to interfere with the business matters of the affiliated societies; the drawing up and the application of collective labour contracts between co-operative organisations and Workers' Unions, in accordance with their respective categories throughout the whole hierarchy, local, provincial and national; and finally, the inter-representation of the various organisations in the controlling bodies, so as to watch and protect each one's interests and produce a unitary and co-ordinated whole.

The final measure which gave permanent shape (minor changes since effected will be seen) to the present co-operative

organisation is the Royal Decree Law of the 2nd March, 1931. It was issued in conformity with the following leads¹ given by the Fascist National Council after mature deliberation. They are :

1. The union of the co-operative societies into various national federations strictly in accordance with their categories.

2. The application to co-operative societies of labour contracts stipulated with Workers' Unions of identical category and jurisdiction.

3. The union of the co-operative federations with the labour confederations of the respective category and with organisations interested in the development of Co-operation by reciprocal representation in the controlling bodies and mutual agreements of collaboration.

4. The affiliation of the co-operative federations with the *Ente Nazionale Fascista della Cooperazione*, a public body, subject to the Ministry of Corporations, and in the controlling body of which all the central organisations referred to in the preceding No. 3 shall be duly represented.

The avowed object was to *fascistise* and to unify the whole of the Co-operative Movement, to make it an instrument of moral education and national propaganda, and in the economic sphere an efficacious stimulus to increased production and a more rational instrument of distribution. The resulting organisation in the limited field² with which we are dealing was as follows :

(1) The *Ente Nazionale Fascista della Cooperazione*.

(2) Five categories of primary societies, viz. :

(a) Agricultural Labour and Cultivation.

(b) Collective Purchase and Marketing.

(c) Processing.

(d) Rural or Agricultural Credit.

(e) Cattle Insurance.

(3) National Federations of each of the five categories, with organising and moral functions only.

¹ Cf. Acerbo, *La Cooperazione Agraria in Italia*, p. 29.

² We shall know what are the other categories of co-operative societies in the next chapter.

4. The *Federazione Italiana dei Consorzi Agrari*, a national federation of the first three categories, with commercial functions.

We shall deal with each component part, in the order mentioned, as we proceed with our study.

CHAPTER III

ENTE NAZIONALE FASCISTA DELLA COOPERAZIONE

At the head of the Italian Co-operative organisation is the *Ente Nazionale Fascista della Cooperazione*, which might literally be translated as the Fascist National Organism of Co-operation, and to which we shall in the following pages refer simply as the *Ente*, for brevity's sake. It is not a counterpart of the British Co-operative Union or the Irish Agricultural Organisation Society. These two bodies are from within the Co-operative Movement itself, and there is not in them any representation other than co-operative. The *Ente* is what might be called a public body. It is parallel to the recently reconstituted Polish Co-operative Council. When the writer was in Dublin at the beginning of the current year he was given to understand that the Irish Free State had drafted a Bill to bring a Government-controlled organism into being, but the matter had not as yet been proceeded with. In view of the growing importance attached by Governments to Co-operation, and in view of the wider acceptance that the Corporative idea is obtaining almost everywhere, such organisms are likely to be more general. A detailed examination of the *Ente* will, therefore, be useful.

OBJECTS AND FUNCTIONS

The Royal Decree of the 28th August, 1931,¹ which until recently governed the Statutes of the *Ente*, has now been replaced by the Royal Decree of the 22nd March, 1934.² According to the latter, the objects and the functions of the *Ente* are :

¹ Cf. *Agenda del Cooperatore*, pp. 355 et seq. *Ente Nazionale Fascista della Cooperazione*, Rome.

² Cf. *Vita Cooperativa*, May 1934, pp. 287 et seq. Do.

I. Beyond the movement itself :

- (a) To co-ordinate the activities of the co-operative federations and of the related syndical organisations with the object of securing unity of effort and collaboration among them, and to see that they operate within the law and the rules.
- (b) To arbitrate, on request, on any disputes that may arise among the component organisations.
- (c) To promote unions of co-operative and mutualistic societies.

2. Within the movement itself, the *Ente* :

- (a) Provides by suitable means for the professional instruction of co-operators and for their moral, religious and national education.
- (b) Organises special services to prepare statistics, to help in the organisation of accounts, and in the administrative and technical matters of the affiliated societies.
- (c) Audits the accounts and checks the administration of the affiliated societies, should they so request.¹
- (d) Carries out, by order of the Minister of Corporations, inspections and inquiries into the working of societies, not only as regards the fulfilment of the Rules and the Law but also as regards the attainment of moral aims.
- (e) All other functions confided by Law, Rules and the Minister of Corporations.

The functions of the *Ente* go, therefore, beyond those of the British Co-operative Union in two main respects :

First : Owing to the corporative character of the Italian State, the co-ordinating function of the *Ente* extends to organisations which are outside Co-operation, but which have with it necessary relations.

Second : Owing to its semi-official character, the *Ente*

¹ It should be noted that only federations of primary societies may be members of the *Ente*. We shall see later that the affiliation of a primary with the federation of the respective category is voluntary. Affiliation with the *Ente* is, therefore, voluntary. Even those affiliated are free to use or not to use the auditing service of the *Ente*.

has functions which in the British Movement pertain to the Registry of Friendly Societies. The affiliated societies must send to the *Ente*, within a month of their approval, their balance sheets and reports, which are then forwarded by the Board of Directors of the *Ente* to the Minister of Corporations. The *Ente* is charged with inspections and inquiries into the working of societies in case of mismanagement or irregularities.

The difference will become all the more noticeable if we study the constitution of the *Ente*. The two chief central organs of the Co-operative Union are the Central Board and the National Executive Committee. The National Authority is an organ not of the Union but of the British Movement. The National Educational Council, the Educational Executive, the Joint Parliamentary Committee and the Co-operative Party Committee are subsidiary bodies, or they might be called sub-committees of the Central Board or the National Executive of the British Co-operative Union.

CONSTITUTION, CONTROL AND ADMINISTRATION

The *Ente* has four distinct organs :

1. The National or General Council.
2. The Board of Directors.
3. The President.
4. The College of Syndics.

NATIONAL COUNCIL

The National Council may be said to correspond to the Central Board of the British Co-operative Union. But while the latter is composed of all the members of the nine Sectional Boards or Provincial Federations, who are 77¹ in number, and who are elected to those boards by the Consumers' Societies of the respective areas, the former has a very composite membership consisting of the following :

(a) The Secretary (or President) of each of the ten national federations or associations of co-operative and mutualistic societies, viz. : 1. Consumers; 2. Production and Labour;

¹ Cf. Topham, *Your Co-operative Union*, p. 6. The Co-operative Union, Limited, Manchester.

3. Fishermen; 4. Internal Communications; 5. Agricultural Labour and Cultivation; 6. Buildings; 7. Collective Purchase and Marketing; 8. Processing; 9. Mutual Aid; 10. Cattle Insurance.

(b) Delegates nominated by the said federations in the proportion of one delegate for each 300 primary societies affiliated, with the minimum of one delegate for each federation.

(c) The President of any national organisation like the *Federazione Italiana dei Consorzi Agrari*.

(d) One representative of each of the following bodies :

- *1. The Fascist General Confederation of Italian Industry.
- *2. The National Confederation of Farmers.
- *3. The National Confederation of Merchants.
- *4. The National Confederation of Internal Communications.
- *5. The National Confederation of Sea and Air Transport.
- †6. The National Confederation of Fascist Syndicates of Industry.
- †7. The National Confederation of Fascist Syndicates of Agriculture.
- †8. The National Confederation of Fascist Syndicates of Commerce.
- †9. The National Confederation of Fascist Syndicates of Internal Communications.
- †10. The National Confederation of Fascist Men of the Sea and Air.
- 11. The National Association of Rural or Agricultural Credit Societies and Auxiliary Bodies.
- 12. The National Syndicate of Popular Banks.
- 13. The National Fascist Party.
- 14. The National Fascist Federation of Insurance Organisations.
- 15. The National Association of Ex-Soldiers.
- 16. The Association of War Maimed and Invalids.

* These are Employers' syndical unions.

† These are Workers' syndical unions.

The organisations referred to under (a), (b) and (c) above are members of the *Ente*. Those under (d) are outside bodies represented on the Council on account of the cor-porative character of the State. Each representative has one vote only.

On the above basis, as against 15 representatives from outside (rural credit being taken as co-operative), the representatives of Co-operation would be over 50, arrived at as follows: The Secretaries (or Presidents) of the ten co-operative federations already mentioned; the Federation of Consumers, which had 3,173¹ societies, 10 representatives; the Federation of Co-operative Societies of Production and Labour, with 1,146 members, 3 representatives; the Federation of Agricultural Processing Societies, with its 3,462 members, 11 representatives; the Federation of Mutual Aid Societies, with 3,480 members, 11 representatives; making in all, together with 1 representative from each of the other six federations, 51 co-operative representatives on the National Council of the *Ente*. But it might be argued, and with reason, that representation on the basis of the number of the affiliated societies was inequitable. The 3,462 primaries composing the above referred to Federation of Processing Societies, for instance, had a total membership of 310,248 persons, whereas the 400 societies of the Federation of *Consorti Agyari* (collective purchase and marketing) had 500,000 members. And yet the latter was entitled to one representative only, whereas the former had eleven. The difficulty might have been overcome by basing the representation on the number of members of the primaries composing the federations, as it is done for representation to the British Co-operative Congress, and to the General Assembly of the Irish Agricultural Organisation Society.

As outside bodies are represented on a co-operative body, so is Co-operation represented on the various Corporations² which came into force on the 1st of July of

¹ These figures are in accordance with a leaflet issued by the *Ente* in 1931. They are used merely for a rough computation.

² Three groups of Corporations have been formed. The guiding principle in their classification and formation has been the productive cycle which

this year, as it is represented also on the controlling bodies of the outside organisations represented on the *Ente*. Thus, the various federations of agricultural societies have representatives on the Corporations of (a) Cereals; (b) Agro-flori-horticulture; (c) Vine-growing; (d) Zootechny (cattle insurance societies); (e) Textile products (cocoon-drying societies); (f) Mechanical industries; (g) Chemical industries (*consorzi agrari*). Other types of societies have representatives on other Corporations. Of course this representation is very much in the minority, but the *Lavoro Cooperativo*, the organ of the *Ente*, writing in this regard, gives the whole concept of the Corporative State when it says:

“Representatives of the co-operative societies of agricultural labour, of production, of transformation, of collective purchasing, of distribution, of transport and of mutual benefit are in the various Corporations, and a still greater representation may be given in the future. The contribution that co-operators, who have always made their interests coincide with the collective interests and with the superior interests of the State, can bring to the Corporations will undoubtedly be an important one, even though their numbers be limited; for, in the Corporations there is no preponderance of persons, but simply the function of groups, and the opinions that will be accepted by the Government and the Corporative decisions will not be subordinated to Parliamentary minorities or majorities.”¹

they represent, and three cycles have been decided upon: A. Agricultural production. B. Industrial and commercial production. C. Production of services. Employers and employees alike having the same productive function belong to the one Corporation representing that function. In the syndical organisation employers and employees have separate unions, as we have already seen, even though their productive function be the same. There are in all 22 Corporations arranged as follows:

A. In the Agricultural group: 1. Cereals; 2. Agro-flori-horticulture; 3. Vine-growing; 4. Oil pressing or extracting; 5. Beet-root and sugar; 6. Zootechny and fisheries; 7. Timber; 8. Textile products.

B. Industrial and Commercial group: 9. Metallurgical and mechanical industries; 10. Chemical industries; 11. Clothing and Furnishing industries; 12. Paper and the Press; 13. Building trade; 14. Water, Gas and Electricity; 15. Industries of extraction (other than agricultural); 16. Glass and Ceramics.

C. Group of Services: 17. Providence and Credit; 18. Professions and the Arts; 19. Maritime and Aerial; 20. Internal Communications; 21. Theatres; 22. Hotels.

¹ Cf. *Cooperazione Rurali*, May 1934.

It is in this light that we must look at the National Council of the *Ente*. In the recently reorganised Polish Co-operative Council, persons proposed by the auditing unions of co-operative societies must form two-thirds of the Council. But in view of the representation of various Ministries, and especially in view of the extended powers of the President, who is appointed by the Minister of Finance from the staff of his Ministry, the said Council cannot, in practice, be much more than a consultative body. The rôle of the National Council of the *Ente* may be said to be similar.

FUNCTIONS OF THE NATIONAL COUNCIL

The functions assigned by the statutes to the National Council are those usually exercised by a General Assembly. It is the supreme deliberative organ of the *Ente*, and lays down its policies and watches over its activities. It approves the Annual Accounts and the Budget, nominates the President, subject to the approval of the Minister of Corporations, elects three of the Syndics, and deliberates on the amendment of the Rules of the *Ente*. It meets ordinarily once a year. The chairman is elected at the beginning of each meeting. The Director of the *Ente* is the Secretary of the Council.

BOARD OF DIRECTORS

We come now to the second organ of the *Ente*, the Board of Directors, which might be compared with the National Executive Committee of the British Co-operative Union. It is composed of the President of the *Ente* and the Secretaries or Presidents of the ten federations already mentioned, with the Director (Manager) of the *Ente* as its secretary.

ITS FUNCTIONS

To describe the functions of the Board of Directors in a few words one might say that it is responsible "for administration, finance and the general work"¹—words

¹ Cf. Topham, *The New Constitution of the Co-operative Union*, p. 4. The Co-operative Union, Ltd., Manchester.

used with regard to the functions of the above-mentioned National Executive Committee. It studies the fundamental problems of Italian Co-operation in the light of the policies laid down by the National Council; it prepares the budget for submission to the National Council, which it may call together extraordinarily, if necessary; it decides on the admission of members to the *Ente*; it gives its opinion to the Minister of Corporations on the contributions to be made to the *Ente* by the affiliated organisations; nominates the Director of the *Ente*; exercises, in case of urgency, the powers of the National Council, subject to confirmation at the next meeting of the latter body; authorises the *Ente* to go to a Court of Justice, if necessary; and, finally, examines the balance sheets of the affiliated societies and sees that their activities are in accordance with the Law and the Rules and in the interests of the national economy. It meets ordinarily every two months.

PRESIDENT

The third organ, the President, is an entity that we shall find throughout the whole Italian Co-operative Organisation, down to the primaries; and, in view of the special powers that he wields, he has no counterpart in the British Movement. The President of the *Ente* is elected by the National Council, but the election is not valid unless confirmed by a Ministerial decree, which may be revoked at any time. He is the legal representative of the *Ente* and is the *ex officio* President of the Board of Directors. He has the following functions :

1. To see that the *Ente* is properly administered, and that the Law and Regulations are faithfully observed.
2. To appoint the representatives of the *Ente* to all the bodies on which it has a right of representation.

The President appoints a member of the Board of Directors to act for him in his absence. The President must be a member of a co-operative or mutual aid society.

DIRECTOR

The nomination of the Director is subject to Ministerial approval. He is the head of the staff of the *Ente* and it is his duty to carry out the deliberations of the various bodies, and to see to the proper organisation and functioning of the central and provincial offices of the *Ente*.

COLLEGE OF SYNDICS

The last organ is the College of Syndics. It corresponds to the Audit Committee that is generally found in Continental Co-operation.

The College is composed of two active and one substitute members elected by the National Council and one active and one substitute appointed by the Minister of Corporations. Under the constitution of 1931 those appointed by the Minister were three and those elected by the Council were two, and even those two had to receive the approval of the Minister. There is no such provision in the 1934 constitution. In the new composition of the College there is, therefore, a distinct increase of democratic control.

ITS FUNCTIONS

The syndics have the functions of (a) watching singly and collectively over the administration and the accounts of the *Ente*; (b) reporting to the National Council on the Budget, with the power of controlling the revenue and the expenditure. The Syndics have the right to assist at the meetings of the National Council and of the Board of Directors. It is the duty of the President to give them previous notice of all meetings.

FINANCE

There are no shares for membership of the *Ente*, as there are for that of the Co-operative Union and the Irish Agricultural Organisation Society. Retail societies which are members pay 2*d.* per year to the British Co-operative Union for every individual member they have on their rolls.¹ The

¹ Wholesale, productive and other societies which are members, pay a special subscription, arranged by mutual agreement. (Cf. Hall, *Handbook for Members of Co-operative Committees*, p. 297. The Co-operative Union, Ltd., Manchester.)

annual contributions of the member societies to the Irish Agricultural Organisation Society are fixed from time to time by the Annual General Meeting; besides, the Free State Government makes a grant, which in 1932 amounted to £8,500.¹ In Italy the State makes no grant to the *Ente*.

The revenue of the *Ente* consists of the following:

(a) Contributions² by the primary societies, as fixed by the Minister of Corporations.

(b) Repayment by co-operative and friendly societies of expenses for auditing their accounts.

¹ Cf. Annual Report for that year.

² By a Ministerial Decree, dated the 9th April, 1934, the contributions of affiliated co-operative societies have been fixed as follows:

1. Consumers' Societies: Sales up to 100,000 lire, 200 lire; 100,001 to 200,000 lire, 400 lire; 200,001 to 300,000 lire, 600 lire; 300,001 to 400,000 lire, 800 lire; 400,001 to 500,000 lire, 1,000 lire; 500,001 to 750,000 lire, 1,500 lire; 750,001 to 1,000,000 lire, 2,000 lire; 1,000,001 to 1,500,000 lire, 3,000 lire; 1,500,001 to 2,000,000 lire, 4,000 lire; 2,000,001 to 3,000,000, 6,000 lire; 3,000,001 to 4,000,000 lire, 8,000 lire; 4,000,001 to 5,000,000 lire, 10,000 lire; 5,000,001 to 10,000,000 lire, 10,000 lire for the first five millions and 1 ($\frac{1}{100}$) per mille for the balance; 10,000,001 to 30,000,000 lire, 10,000 lire for the first five millions, 1 per mille up to 10 million and 0.75 per mille for the balance; 30,000,001 to 100,000,000 lire, 10,000 lire for the first five millions, 1 per mille up to 10,000 millions, 0.75 per mille up to 30 millions and 0.50 per mille for the rest. Over 100 million lire, same proportions up to 100 millions and 0.25 per mille for the balance.

2. Societies of Production and Labour contribute on the same basis, but instead of sales, their outturn or the value of the works effected is calculated upon.

3. Societies of Transport follow the same basis, the calculation being upon the value of the services given.

4. Collective Purchase and Marketing Societies base the calculations on their sales, in the same proportions.

5. Wine-making, oil-pressing and milling societies pay 0.10 lira per quintal of the processed product, with a minimum of 200 lire.

6. Co-operative dairies pay 0.10 lira per quintal of the milk handled with a minimum of 120 lire.

7. Cultivation societies pay 4 lire per hectare of land under grain and 6 lire per hectare otherwise cultivated, with a minimum of 200 lire.

8. Building societies pay 3 lire per habitable room, corridors, kitchen, etc. being taken as one room, with a minimum of 200 lire.

9. Cattle Insurance societies pay 0.50 per mille on the sum assured with a minimum of 100 lire.

(Cf. *Vita Cooperativa*, May, 1934, pp. 298 *et seq.*)

Compared with those of the British Movement to the Co-operative Union, the contributions of the Italian societies to the *Ente* are very much higher. Up to a turnover of 5 million lire the Italian contributions work out to 2 per mille, which gradually decreases until the minimum of 0.25 per mille is reached on the turnover exceeding 100 million lire. In the British Movement, however, with the contribution per member of primary society at 2d., and the average sale per member at £29.76, the minimum being £25.27 (cf. *A Review of Co-operative Statistics for the year 1932*,

(c) Income from the funds ¹ of the *Ente*.

(d) Donations or any other receipts.

The expenditure is of two kinds : compulsory and optional. 80 per cent. of the revenue, which must be allocated to the compulsory, is to cover all office and travelling expenses, co-operative education, auditing and auxiliary services. The remaining 20 per cent. is to cover optional expenditure. The Minister of Corporations may determine the proportion that is to be spent on education and the auditing and auxiliary services.

PROVINCIAL ORGANISATION

The *Ente* has 54 Provincial Secretaries, who are proposed by the Director and appointed by the President, subject to the approval of the Prefect. Assisted by a Council composed of the provincial delegates of the affiliated federations, the Provincial Secretaries carry out within their jurisdictions the work of propaganda, promotion, supervision and co-ordination directed from the centre by the *Ente*.

GENERAL

Such is, then, the organisation of the *Ente*. The writer paid several visits to its offices, which cover a large area in a palatial building resembling a great secretariate. In those offices sit, besides the President and the Director of the *Ente* with their staffs, the Secretaries of the National Co-operative Federations, their staffs, the inspectors, the auditors, the propaganda officers, the editors and managers of the co-operative Press ² for which the *Ente* is responsible.

p. 19), the average contribution to the Co-operative Union works out at only 0.28 per mille. To work out the average in the Italian Movement it would be necessary to have an extensive set of figures which are not available. But the fact remains that the smaller Italian societies, that is just those who can least bear it, have to pay much more heavily than the bigger ones, when the reverse should, perhaps, be the case.

¹ Funds consist of (1) any donations or gifts made to the *Ente*; (2) any surplus or part thereof that may be allocated to the funds.

² *Il Lavoro Cooperativo*, a weekly, is the official organ of the *Ente*, and in it must be published the public notices of the affiliated societies. It is full of instruction and leadership. *La Voce dei Consumatori* is a well-illustrated monthly supplement to the *Lavoro*, devoted chiefly to the Consumers' Movement. The third principal publication is *Vita Cooperativa*, also a monthly, which is parallel to the *Co-operative Review* of the British Movement.

The officials are mostly men with university degrees. Some of them, like Dr. Labadessa,¹ are noted authors on co-operative subjects. They are very keen about making Co-operation a success.

Like the British Co-operative Union, the *Ente* carries out an extensive propaganda by means of posters, leaflets and pamphlets, and organises throughout Italy co-operative education, to which we shall devote later a special chapter.

¹ He has written *Cooperativa di consumo e consumatori*; *La Cooperativa, idee e realtà*; *La Cooperativa nell' economia corporativa*.

CHAPTER IV

AGRICULTURAL LABOUR AND CULTIVATION SOCIETIES

THESE are a unique feature of Italian co-operation. Students of Robert Owen's communities will find in them a limited realisation of the Founder's ideals, the complete and permanent fulfilment of which has persistently eluded attainment. Students of village communities (which have existed from the most primitive times both in the West and in the East) will find in the *affittanze collettive* many points of interest and similarity. The huge Russian collective farming experiment gives them added interest. The prevailing tendency to solve industrial unemployment by taking men back to the land makes a study of the Italian societies of agricultural labour and cultivation very topical and useful. It would enhance their dignity and it would increase the economic benefits derived by them if the unemployed were transferred to the country not merely as paid workers, but as controllers and masters of production; and to that end the Italian *affittanze collettive* would, perhaps, be the best and the safest model on which to work, as we shall see later in this chapter.

Unemployment was one of the causes that led to the formation of societies of agricultural labour and cultivation. The other cause was the necessity of reclaiming vast tracts of land, where swamps, malaria and death reigned supreme. In other words, the need of internal emigration and colonisation. Thanks to these societies migration over the Alps and across the seas was prevented, national man-power was retained, and home production of raw materials increased. When canals had drained the marshes; when the level of low-lying fields had been raised by the *bonifica idraulica*—by great engineering works which train on such fields the flow and the silt of rivers and streams; when roads had

been made; when houses had been built, the next stage, that of cultivation, began.

Other societies were started directly to undertake cultivation. They took over land either on (a) rent, or (b) on contract to share one-half or one-third of the product—*mezzadria*,¹ *terzeria*; or (c) by purchase, which often came after the preparation and training produced by the first two. The land taken over is either farmed collectively by the society as a whole—*conduzione unita*; or it is parcelled out to be cultivated individually by members—*conduzione divisa*. In the latter case the society exercised the function of direction, and of supplier of goods and services which are better obtained collectively, the members in this case being usually small tenants who join together to obtain the advantages of association. In the former case the members are usually labourers. They may exceed the requirements of the society; in that case they undertake other work, the agricultural work itself being done by the members in turns. The method of cultivation chosen depended also on the political views of the members. The Socialists were for *conduzione unita*; the Catholic Liberals for *conduzione divisa*.

Other important factors, determining whether the society's

¹ The previously mentioned National Association for Ex-Soldiers, famous for its reclamation of the Pontine Marshes, for Sabaudia and Littoria, has devised a very interesting half-share (*mezzadria*) contract, which is being adopted by the more progressive cultivation societies. A family is given rent free a field ready to be cultivated, the size of which is proportionate to the number of members composing the family, and which, normally, the family should be able to cultivate without outside labour. A furnished house and stables are also given rent free, as also the necessary dead and live stock, which must be maintained by the tenant at his own expense. The actual cultivation expenses, including seeds, manures, tractor ploughing, if necessary, etc., are shared half and half, and the family in return for its labour receives half of the product. Any increase in the live stock is also shared in halves, as also remuneration for work done by the animals outside the tenant's farm. Should the tenant keep a piggery or poultry farm, the proceeds are also shared in halves. The family as well as the animals may not work outside the farm, except as a normal exchange of services, and by permission of the Association. A vegetable garden is given free. The contract is for an indefinite period, but may be terminated by either party for good reasons in any year. If the tenant has been satisfactory he has the option of buying his portion. If he decides to buy, the whole movable and immovable property is valued and the amount of valuation plus interest is divided into fifteen annuities, after completing the payment of which the tenant becomes landowner. Until then he is subject to the direction of the Association.

lands were to be cultivated collectively or individually, have been the systems of land tenure and farming prevailing in the various parts of Italy. In Central Italy, in the belt of hills and plateaux between the great curve of the Alps and the plains, in Lombardy and in parts of Venetia and Piedmont, there prevailed the *sistema colonico*, wherein a *famiglia colonica*, a colonist family, formed a self-contained unit, holding land enough for a family, either on fixed rent, or on a sharing basis, or a combination of both. Now it often happened that the said lease was contracted with a middleman, and not with the landlord, who, rather than have the trouble and the risk of dealing with many small tenants, leased his lands *en bloc* to the middleman, who in sub-renting them took his profits and enhanced the price. The colonists formed a society to be able to offer to the landlord one responsible entity with which to deal, and thereby make the middleman unnecessary; but their individual "colonies" remained: hence the *conduzione divisa*.

In other parts, in Sicily in particular, there prevailed the *latifundia*—vast areas of anything between 500 and 2,500 acres, where cereals and pasturage were alternated, there being years in which the field was left fallow, and where, for those reasons, *conduzione unita* was necessary. It is true that under the landlord and the large tenant farmer, in the difficulty of obtaining, and specially of supervising, labour, portions of the *latifundia* were assigned to the individual workers to be cultivated either entirely at their own risk or on a sharing basis; but such an arrangement was of a temporary nature, and in so far as it had been adopted by the co-operative societies in the said regions, by allocating given portions to certain member workers, the same temporary character remained, as distinct from the permanency, approaching ownership, and in many cases developing into ownership, of the *conduzione divisa* prevailing under the first-mentioned system.

Thirdly, in districts like the Emilian plain extending over the provinces of Parma, Reggio, Modena and Ferrara, there prevailed a system of "colonies," not of farmers, cultivating on their own account and at their own risk, but simply of

permanent workers, who were paid wages at fixed rates, with a share in the product in some cases. It is here especially that there was labour surplus, labour unrest and labour organisation under Socialist influence. Therefore, when the workers, to obtain for themselves the control and the profits of cultivation, formed co-operative societies, they were in most cases of the *conduzione unita* type. In this, as in other cases, one of the chief aims in forming a co-operative society was to provide a body with financial backing with which the landlord might deal, independently of the middleman. The landlord got no less in rent or price of land. (Often middlemen bought large estates to retail them at high profits.) Sometimes he obtained more, as the society was able to offer more than the middleman. The members of the society paid only a proportionate part of the rent or purchase price paid to the landlord, plus expenses. Sometimes the expenses were high and counterbalanced the disappearance of the middleman's profits; but in most cases the *affittanze collettive*, the collective tenancy societies, offered more advantageous terms, besides giving control of production and greater stability of tenure, and in many cases leading to ownership, as we have seen.

It is for these reasons that the *affittanze collettive* model is perhaps the best and safest on which to take the unemployed back to the land, supposing, of course, that he is taken there not merely as a worker but as a settler.

A landlord would lease his estate more easily and more cheaply to a society than to several small impecunious would-be farmers. The society would provide for the members the advantages of collective purchase and marketing. It would obtain also credit facilities, and it might be the intermediary through which the Government gave the subsidy necessary to support such schemes, at least in the initial stages.¹ A tenancy society would obviate the financial problems that would arise if the settlement were to be on

¹ The British Minister of Agriculture announced in the House of Commons on the 16th or 17th May last, that the Government was prepared to subsidise to the extent of £50,000 per annum, for a period of three years, any Small Holdings Association that might be formed with the object of settling the unemployed on the land. (Cf. *Manchester Guardian* of 18th May, 1934.)

purchased land. Purchase would burden the incipient farmer with amortisation charges. If, even after the necessary training and practical experience, a man could not adapt himself to agriculture, he could drop out of a tenancy more easily than of a purchase. In a tenancy the legal formalities and the duties, that are such a burden in the event of death, would be obviated. Finally, tenancy under a co-operative society can be as secure as ownership.

Having seen something of the origin, the methods, the aims and the advantages of the Italian agricultural labour and cultivation societies in general, we might now examine the organisation of a typical society.

OBJECTS

The objects of a co-operative society of agricultural labour and cultivation, which may be formed with limited or unlimited liability, are :

1. To purchase, to rent or to obtain in any other manner lands to be cultivated collectively (*conduzione unita*) or individually (*conduzione divisa*), but with unity of direction.

2. To undertake agricultural works of all kinds, such as reclamation, transformation, etc.

3. To obtain for the members the necessary credit for the development of their agricultural activities.

4. To aid members in the purchase of agricultural requirements and in the processing and sale of their products.

5. To promote the construction and the improvement of members' houses and farm buildings.

6. To improve the moral and the material conditions of members and of farmers in general, by guiding them with instruction and help to the progressive betterment and extension of agriculture.

7. To give rural credit for the attainment of the society's aims.

MEMBERSHIP

All workers who usually devote themselves to agriculture may be members, provided they are of good moral character.

There must be at least nine members, otherwise, according to law, the society is not admissible to public contracts. Members have to pay an entrance fee,¹ which is variable, have to take up at least one share of 100 lire and sign their name in the members' register. Any persons, societies or entities that the Council of Administration thinks fit may be admitted to honorary membership, but their shares and contributions are to be considered as donations, and they have no right to surplus or to administrative posts.

FUNDS

The funds consist of the following :

- (a) Unlimited number of Shares of 100 lire each.
- (b) Entrance Fees.
- (c) Ordinary Reserve Fund.
- (d) Extraordinary Reserve Funds, such as for Dividend Equalisation or other special purposes.
- (e) Special Provident, Mutuality or Educational Funds.
- (f) Any Donations to the Society for Social Purposes.

The shares may be paid for in instalments, 12 lire on application and the balance in eleven monthly instalments of 8 lire each. Shares are transferable on approval of the Council of Administration and withdrawable on certain conditions only, such as permanent change of residence, giving up agricultural work and financial difficulties. With a view to increasing their resources, societies may require members to pledge themselves to subscribe yearly at least another share for a certain number of years, payable also in instalments and out of dividends.²

SURPLUS

The manner of allocating the surplus is very interesting

¹ This is for each share and bears about the same proportion to the face value as the reserves bear to the paid-up share capital. This is a feature peculiar to Italian Co-operatives of all kinds.

² In the British Movement it is said that about 50 per cent. of its annual increase in capital is due to the capitalisation of dividends and interest, but it is entirely spontaneous, there being nothing in the Rules to compel members to capitalise, after the minimum shareholding has been fully paid up.

and bears testimony to the social aims of the societies. It is to be allocated as follows :

- (a) At least 20 per cent. to ordinary reserve fund.
- (b) 10 per cent. for aiding members, especially those in need, at the discretion of the Council of Administration.
- (c) Interest on share capital at a rate not exceeding the legal rate.
- (d) Any amount left over to be allocated to the Reserve Fund, except when the General Assembly decides to apply it wholly or in part for propaganda or social or agricultural aid.

There are, besides, the following special provisions regarding surplus :

- (1) The General Assembly may, after ascertaining the results of the last financial year, decide that a sum not exceeding three times the amount under (b) above be distributed among the members who have worked for the society, in proportion to the wages drawn by them, the object being to complete the wages drawn. Wages for casual work are to be excluded from this benefit.¹
- (2) The General Assembly may decide that after allocations have been made as (a) and (b) above, the balance be put to Reserve Fund or be allocated to Dividend Equalisation Fund.
- (3) Any payments as per (c) and (d) above are during the first five years to be applied to increasing the shareholding, until the maximum of 30,000 lire has been reached, the Assembly being at liberty to decide that such application should continue even after the first five years.

¹ The famous Ostia society, about which more will be said presently, has the following provisions regarding the distribution of its surplus : (a) 5 per cent. to interest on paid-up capital, the maximum rate of interest being 5 per cent.; (b) 10 per cent. to Reserve Fund; (c) 5 per cent. to Beneficence and Education Fund; (d) 80 per cent. to members and auxiliary workers in proportion to the wages drawn by them.

CONTROL AND ADMINISTRATION

The organs exercising control and administration are, it is interesting to note, fully democratic in character. They are the following :

- (1) General Assembly.
- (2) Council of Administration.
- (3) Manager and Technical Committee.
- (4) College of Syndics.
- (5) Committee of Upright Men (*Probitviri*).

GENERAL ASSEMBLY

This is composed of all the members of the society, each of whom has one vote only, irrespective of his shareholding. The functions of the Assembly are similar to those of a British society or any other standard co-operative society's assembly.

COUNCIL OF ADMINISTRATION

This is composed of seven members, elected by the Assembly from among its literate members who are not in arrears. The Council at its first meeting elects the President and the Vice-President, who have, in their own restricted spheres, the latter in the absence of the former, individual powers similar to those of the President of the *Ente*, but their election requires no official approval. The writer understood, however, that it is an unwritten rule that none but a Fascist may hold that position. The functions of the Council of Administration are parallel to those of the Management Board of British or standard co-operative societies. The rules of procedure both in the Council and in the Assembly of this and other types of Italian societies are those generally recognised and used.

MANAGER AND TECHNICAL COMMITTEE

The Council of Administration may appoint a Manager and charge him with the duty of carrying out its deliberations, and of superintending the activities of the society, and

delegate to him all or part of the duties of the President. He is to be appointed from among the members for preference. The Assembly may appoint a technical committee of three from among its members having special qualifications for the work of the society. Its functions are purely consultative.

COLLEGE OF SYNDICS

The powers and the functions of this are similar to those of the College of Syndics of the *Ente*, with the addition that in this case the syndics have to make frequent and unexpected examinations of the society's cash at intervals of not more than three months, and they have also to verify, at least once a month, the existence of the policies or shares or valuables kept as a pledge or security or in custody with the society.

COMMITTEE OF UPRIGHT MEN

Five in number, the Upright Men are nominated by the Assembly, even from among non-members. Their principal function is to solve disputes between members, and between members and the society. Failing conciliation, they arbitrate, and there is no appeal against their decision.

The *Associazione Operai Braccianti di Ravenna*, which undertook in 1884 the reclamation of the *Agro Romano*, the malaria-infected marshes outside Rome, may be said to be the pioneer of the co-operative societies of agricultural labourers. These societies have passed through countless vicissitudes, but in spite of them they have accomplished much. Of the 900,000¹ hectares reclaimed from 1870 to 1929, a large proportion has been due to these societies. According to statistics issued by the *Ente*, in the year 1927 alone the various societies of this type had carried out reclamation works of the value of 45,459,436 lire. When capital was shy, when enterprise was scared of the financial risks involved, when a premature death menaced the majority of the workers, these societies revived the spirit of the colonisers of old, and with little capital but great courage,

¹ Cf. *Encyclopædia Britannica*, 14th edition, Vol. 12, p. 775.

with hope and with the will to work wrested land from stagnant, mosquito-infested pools. And for this, which might be called their high social, nation-building character, they are held in the highest esteem, especially by the present régime.

As far as the actual reclamation works are concerned, there is not much financial risk, as the societies work on contracts, and the contract prices are assured, though the said *Associazione Operai Braccianti di Ravenna* lost over 100,000 lire owing to the failure of Canzini Fueter & Co., whose sub-contractor it was.¹ Government gave them preferential treatment in public contracts. Though the capital of many did not reach 50,000 lire, each society was allowed to tender for a contract of the maximum value of 1,000,000 lire, which limit is raised to 5 millions when several societies join together and form a consortium. No security is demanded; 5 per cent. of any payments that become due is retained as security for the due completion of the contract. Work carried out in this way is worth billions.

On the cultivation side, however, the results have not been very satisfactory from the economic point of view, especially of late. Many of the *affiliazioni collettive* societies have to depend on borrowed capital, the rate of interest on which is sometimes even as high as 8 per cent. Now especially, when the markets are so depressed, agriculture cannot bear such high rates of interest, and the writer was informed that private interests, who are satisfied with 3 per cent. on their capital, have taken advantage of the present circumstances to regain control of the lands held by societies. Credit facilities, provided by the Government through the National Bank of Labour and other institutions, are not wanting; but the Government cannot prop up those societies that are not intrinsically sound. So many of the weaker ones have gone into liquidation. In the second place, the members of these societies have not in many cases the necessary technical and administrative ability, and outside assistance becomes too expensive. To counteract this difficulty, provincial federations have been formed, with

¹ Cf. Focarile, *I Romagnoli ad Ostia*, p. 26.

a national federation in Rome, called the Fascist National Federation of Co-operative Societies of Agricultural Labourers. According to statistics corrected to the 15th March, 1932, it comprised 244 societies, with 54,335 members, paid-up capital of 7,390,951 lire, 7,333 hectares of owned land, 38,168 hectares of leased land, of which 8,257 hectares were cultivated collectively and 37,244 individually.¹ A third factor militating against the success of cultivation societies is uncertain weather. A bad season may entail a loss which it will take several years to recuperate, and before that loss is recouped bad weather may recur. And, finally, there are market fluctuations which often entirely change the position between the sowing and the harvesting.

A few facts about the *Società Cooperativa Agricola fra Operai Ravennati di Ostia* will illustrate this. The *Società* is a direct descendant in the male line and successor of the pioneer *Associazione Operai Braccianti di Ravenna*, which was formed to reclaim Ostia, Fiumicino, Campo Salino, Isola Sacra, and Maccarese. The writer visited the premises of the Ostia society, its large machinery sheds, its well-stocked stables, its vast fields and its one-storeyed, roomy, brick-built, clean and well-furnished colonists' houses. It is one of the most progressive in the whole of Italy. It holds in perpetual emphyteusis 650 hectares of land in Ostia, on which wheat, barley, oats, water-melons, vegetables and sugar-beet are grown. The 1926-27 production consisted of 3,600 quintals of wheat, 1,225 quintals of barley, 75 quintals of oats, 4,000 quintals of hay, 5,000 quintals of straw, 200,000 water-melons and 3,200 quintals of sugar-beet.² It has a cattle farm and a pig farm. It has about 200 hectares under wheat, yielding an average of over 20 quintals per hectare, and this was the only crop in the year 1932-33 which gave a surplus. In barley, due to the fall in price from 55 lire to 38 lire per quintal, there was a net loss of 7,666.47 lire. Severe weather damaged the potato crop, which was of poor quality and caused a loss of 10,891.17 lire. The water-melon crop was a complete disappointment and

¹ Cf. Acerbo, *La Cooperazione Agraria in Italia*, p. 98.

² Cf. Focarile, *I Romagnoli ad Ostia*, p. 64.

caused a net loss of 13,529.50 lire. Had not a supervising engineer renounced his honorarium of 12,937.01 lire, the year's operations would have resulted in a loss. Thanks to that renouncement there was a paltry surplus of 1,368.96 lire only.

Besides agricultural work, the society undertakes great public works, and has played a prominent part in reclaiming Ostia, and in building up the fine new seaport of Rome, Ostia del Mare, its grand promenade and fine buildings, besides the splendid 23 kilometre long and 30 metre wide avenue and the electric railway leading to it from Rome. When in 1925 the Italian Fleet anchored at Ostia (at the very place, it is said, that was occupied by the Roman Fleet in the Punic Wars), and Signor Mussolini went to inspect the assembled men-of-war in all their might and glory, he took with him the Pioneer Bazzini (sung by Focarile¹ and by Walter² as the proud young labourer from Ravenna with a donkey-cart in one of the most fashionable streets of Rome) and presented him to Admiral Simonetti, saying that if on that day the Italian Fleet was able to anchor in those waters it was entirely due to this valiant pioneer, who with his *Romagnoli* had, in forty years of sacrifices, redeemed that malaria-infested zone.³

In order to give readers an idea of the financing methods and the vast operations undertaken by this type of societies, we reproduce in an appendix the Balance Sheet and the Revenue and Expenditure Account of the Ostia Society for year 1932-33. Those accounts and the detailed statements that accompany them in the Annual Report reveal astonishing facts. Though the share capital is only 48,300 lire and the reserves only 34,944.55 lire, the society had with borrowed capital accumulated building property valued at 2½ million lire and movable property worth a quarter of a million lire. But one notes with regret that the whole of this property is burdened with debts, the total amount of which about equals the property values. To the Ministry of Agriculture alone it owes nearly 2½ millions, almost the

¹ Cf. *Opus Citatus*, pp. 18-19.

² *Co-operation in Changing Italy*, pp. 41-42.

³ Cf. Focarile, *op. cit.*, p. 54.

entire value of the buildings. The rate of interest charged is only $2\frac{1}{2}$ per cent., and still at the end of the year 26,878·06 lire was owing on this account. The rent received from all buildings amounts only to 58,145 lire, which gives less than $2\frac{1}{2}$ per cent. on the capital spent, without allowing for any amortisation charges. This shows the colonising character and the high social purpose of the society. All occupiers of the society's houses are cultivators of the *conduzione divisa* type. In some cases the previously mentioned *mezzadria* contract has been adopted. The annual rent paid by the society for the land is only 50,000 lire, whereas the total rent received or debited to the various accounts is 118,678·08 lire, so that after paying 15,035·75 lire for maintenance and sundries, there is a net surplus of 53,642·33 lire on this account. The perpetual emphyteusis at the very favourable rent of 50,000 lire was obtained through the personal intervention of the *Duce*.

The operations for the year 1930-31 resulted in a loss of 5,961·84 lire; those for 1931-32 in a loss of 30,917·38, and in 1932-33 a paltry profit of 1,368·96 was made only because a supervising engineer renounced his honorarium as we saw above. The Council of Administration has decided to reduce or to eliminate the unremunerative crops and to cut down expenditure, but the future is not very rosy. As stated in the report, the society must begin amortising its building property as from 30th December, 1934. Calculated only at 2 per cent. this will involve an annual payment of about 50,000 lire; in the year under review, as we have already seen, even interest to the extent of 26,878·06 lire remained unpaid. As against this, one must take into account that the society had during the year incurred extraordinary expenditure of 66,500 lire, being its share of the expenses to build an aqueduct supplying the settlement with pure drinking water. The item of 127,413·71 lire under "Expenses of Administration" in the Revenue and Expenditure Account, may seem heavy; but in reality the detailed statement accompanying the account discloses that out of that total, 23,526·34 lire is for taxes and rates, 63,281 lire for interest and 14,334·35 lire for amortisation

and depreciation of the movable property, only 8,008-82 lire being for stipends and honoraria.

From the above we can well understand why the societies of cultivation and labour find themselves in a difficult situation. The society reviewed is one of the best, it is well and cheaply managed, it enjoys cheap credit, it has a surplus of over 50,000 lire on land rent, which is, however, offset by the burden of amortising the building property, as already mentioned; and yet it has for the last few years been working at a loss. Whether more satisfactory results could be obtained by such societies by less mechanisation¹ and by the spending of more human energy and more animal power is a question that can be answered only by a more detailed examination of each case and of the man power available, and also of the work available for the animals outside field work, which is only seasonal. In the present case the time saved by the use of machines was employed by the men in other work (non-agricultural) undertaken by the society, and the benefits derived by members from such other work must be taken into account before the full economic value of the society is judged. It should be noted that the

¹ The value of the machinery is shown in the statements as 90,870 lire. A new tractor and some mowers had to be bought in the following year to replace old material. The expenditure of the machinery station is shown as 157,763.05 and the revenue as 177,339.64 lire, leaving a surplus of 19,576.59 lire; but no item for depreciation is discernible on the expenditure side. Possibly this is included in the item of depreciation under "Expenses of Administration" already referred to. Admitting that the station works at a profit, the question still remains whether the work done by it could not be done more economically by more manual power plus more animal power.

The whole question of machine *versus* hand and animal power in agriculture is still very debatable from the economic point of view. Results in Russia, for instance, are not very favourable. The chief advantage of machinery is that owing to its quickness it enables advantage to be taken of favourable weather, as it helps also to avoid or to minimise the effects of bad weather, say, in harvesting. But it is certain that mechanisation does not increase the productivity of a soil; in some cases the reverse has been the actual result. Losses in mechanical harvesting may also be considerable. The social value of more man-power and less machine-power, especially at the present time, is, however, incontrovertible; and this is being recognised by statesmen, the British Minister of Agriculture being one of them, in developing agricultural policies. (Readers interested in the economic, as well as the social, results of the highly mechanised Russian collective farms should consult *Collectivised Agriculture in the Soviet Union*, a fully-documented monograph published last August by the School of Slavonic and East European Studies in the University of London.)

accounts show that the cattle farm worked at a loss of 3,713.63 lire.¹ The chief adverse factors in the present case were unfavourable weather and depressed prices, and these contingencies must always be taken into account.

In any case, that economic results are not the sole objective of the *affittanze collettive* is borne out by the following paragraph, noble in its thoughts and patriotic in its leadership and encouragement, extracted from the report under review: "In all the work undertaken up to date we cannot boast of having obtained satisfactory results; but there must be tenacity and the will to work, constantly and daily, with abnegation and with sacrifice, to attain the aims which must overcome all crises and all obstacles, thus supporting the grand work undertaken by our *Duce* for the greatness of our country." Fascism has raised, consecrated such thoughts and purposes; but they come from the very pioneer days.

Since their inception in the 'eighties of the last century, the cultivation societies had made rapid progress. In 1906 there were 27 in Emilia, 26 in Lombardia and 53 in Sicilia. In 1926 the societies cultivating with *conduzione divisa* were 59 in Sicilia and 126 in the rest of Italy. According to statistics prepared by the *Ente* there were in 1928, 314 co-operative farming societies distributed as follows: 124 in Lombardy, 73 in Emilia, 34 in Sicily, 24 in Veneto, 23 in Umbria and Latium, 12 in Piedmont, 10 in Campania, 9 in Tuscany, 3 in Julian Venetia and 2 in Apulia. The total membership amounted to 46,724; share capital and reserves to 30,282,097 lire; live stock worth 37,211,090 lire; buildings, machinery and implements, 41,128,315 lire. They cultivated 63,674 hectares of owned land and 128,938 hectares of rented land. The price paid for the former was 62,487,868 lire, whereas the total annual rent of the latter was 2,961,220 lire. The value of the 1927 production

¹ Cattle Farm :

Expenditure	111,917.20 lire.
Revenue	108,203.57 lire.

It is a well-known fact that cattle kept only for cultivation work are an economic burden, as they have to be fed and looked after all the time. But such cattle are often indispensable; it is for this reason that the Ostia society retains its cattle farm.

amounted to 133,198,937 lire. The advances obtained in 1928 from the National Bank of Labour amounted to 30,393,672 lire, and those from other banks to 25,880,749 lire.¹ Latest statistics show that there are now affiliated with the *Ente* 399 societies with 46,000 members cultivating 115,000 hectares.²

¹ Cf. Acerbo, *La Cooperazione Agraria in Italia*, p. 97.

² Cf. *Vita Cooperativa*, September, 1934, p. 483.

CHAPTER V

COLLECTIVE PURCHASE AND MARKETING SOCIETIES

THIS is the most useful and the most successful type of Italian agricultural co-operatives. Beginning with the 'sixties of the last century they have been formed under various names, such as *comizi agrari*, *uffici di commissioni agrarie*, *circoli agricoli* and *famiglie cooperative*; to-day they usually go by the name of *consorzi agrari*, which might be translated as agricultural consortia or unions.

The success of these organisations has been due to the fact that they have realised the fundamental requirements for the economic success of agriculture, and then they have set themselves to the task of supplying those requirements.

The chief requisites for successful farming are :

1. Good and cheap seeds, manures, machines or implements, and good cattle.
2. Scientific and up-to-date cultural processes.
3. Easy and cheap credit.
4. Orderly, organised and controlled marketing of the produce.

The *consorzi*, by undertaking to supply all these requirements, have, in fact, become general purposes societies; but this has not militated against their success, as they have created, when necessary, special departments with financial autonomy to deal with each section of their activities. The Rules of societies specifically provide for this. With this division and specialisation they have been able to obtain the advantages of a special purpose society.

We shall now see how the Rules of a typical or model *consorzio* provide for the fulfilment of those four aims, and then we shall examine how comprehensive is, in practice, the action of the *consorzi* for the economic success of agriculture.

OBJECTS

The objects of a typical *consorzio agrario* are :

1. To undertake all operations of agricultural credit, direct or indirect, permitted by law and the Rules, after obtaining the necessary permission from the respective authorities.
2. To make advances to members on their products and to make loans to members as far as the resources permit.
3. To produce, to buy and to sell on account, and in the interests, of members, goods, implements, machines and, in general, all that may be useful to agriculture.
4. To give on loan or on hire agricultural machines and implements and to organise and to provide adequate means for fighting plant diseases.
5. To aid by all means the industrialisation of the agricultural products of members and, exceptionally, even of non-members.
6. To open, if advisable, shops for the sale of products, especially of members, at home and abroad.
7. To promote the establishment of farms and experimental stations for the benefit of agriculture in general.
8. To act even as a simple intermediary between members and third parties, giving, when necessary, guarantee for credit or credit itself to members, either for the purchase of their requirements, or for trading their products either in Italy or abroad.
9. To develop for the benefit of members, or in cases indicated by the Council of Administration, even for the benefit of farmers in general, the greatest possible technical or financial assistance.
10. To undertake all measures and operations in general which will assist agriculture directly or indirectly.
11. To undertake representation of other organisations of the kind, and to act as agent of rural credit societies and the like. Deposits may not, however, be received.

MEMBERSHIP

This is open to all landowners and farmers of good character. Agricultural co-operative societies and other bodies are also admissible to membership. Membership is usually restricted to a given area. But persons from outside are admissible if there are possibilities of development outside the area. As in the case of the French *Syndicats Agricoles*, professionals, artisans, etc., are admissible to membership, in order to secure for the *consorzio* technical, administrative and legal talent for the governing bodies. The Council of Administration may admit any person or entity as a member; but such membership does not entitle to participation in the surplus or eligibility to the governing bodies.

HARVESTING AND MARKETING CONDITIONS

Apart from special conditions which a society may lay down by special bye-laws and regulations, such as those for the Wheat Pool, the Rules provide certain norms for harvesting and marketing which are worth noticing as they are in accordance with the best international practice. When the harvest or collection of the products of the members' farms is made through the society, the necessary expenses will, if possible, be paid by the society, which will determine the time of harvest, the manner of packing and the markets for sale. The *consorzio* will, however, endeavour to meet the wishes of the members concerned whenever same are not, in the opinion of the Council of Administration, prejudicial to the marketing entrusted to the society. From the sale proceeds, besides interest on advances of all kinds, a percentage, to be fixed annually by the Assembly, is to be deducted. When the society has not bought the products outright and when they are not homogeneous, members may request the society to sort and to grade them so that each member or each group of members who have combined may obtain the due prices for their products.

With the object of obtaining a balance between the best and the worst sales, only three-fourths of the proceeds, or of the likely price, may be paid to the member. The

remaining fourth is for a pool to be distributed at the end of the season among all members in proportion to the quantity and quality of the products of each member. Each kind, variety or type is to have a separate pool.

Supply prices are also to be averaged. When the society purchases implements, fertilisers, etc., for the members, a provisional price is to be charged when supplying, the final price being settled when the supply has been completed.

There is no absolute *binding rule*. But members are obliged to deal with the society when it offers as good terms as anybody else, whoever that may be. This is a perfectly fair rule. When the *binding rule* is absolute, the society may not be so earnest in cutting down prices or offering the best terms.

FUNDS AND SURPLUS

There is not much regarding funds and surplus that is different from what has already been said when dealing with the societies of agricultural labourers. There the first charge on the net surplus is a 20 per cent. minimum allocation to Reserves. Here minimum allocation is reduced to 10 per cent. There the risks are greater, so bigger reserves must be built. There we saw that three times the amount allocated for beneficence, with a maximum of 30 per cent. of the surplus, could be distributed among the regular workers in proportion to their annual wages. In the *consorzi* a similar amount may be allocated as dividend on purchases or sales through the society, but these dividends may not be drawn until the maximum legal shareholding has been reached.¹ Another difference is that a sum not exceeding 10 per cent. of the surplus may be allowed to the members of the Council of Administration as their commission or honorarium.

CONTROLLING AND GOVERNING BODIES

With minor differences, these are similar to, and as democratically constituted as, those of the *affittanze collettive*

¹ In the British Movement dividends may not be drawn until the minimum shareholding has been fully paid up.

societies. As the *consorzi* are bigger and more prosperous there is explicit provision for the remuneration of the councillors, syndics, etc. Owing to greater responsibilities, the President forms with the Vice-President and the Manager the "Office of the Presidency." The Manager, instead of being contingent, becomes a necessary official, and he is usually an able, well-paid man (as might be expected in view of the work undertaken) appointed by a two-thirds majority of the Council. There is no Technical Committee in the *consorzi*.

In order to acquaint himself with the work of the *consorzi*, the writer spent almost a whole day at Grosseto. It is situated in Tuscany, about three hours' run from Rome, and is a very important co-operative centre. It is the headquarters of the great *Consorzio Maremma*, a union of societies of agricultural labour and cultivation, cultivating 2487 hectares. Great reclamation works worth over 10 million lire had been completed between 1922 and 1932, and other works by the hydraulic method are still in progress. Houses built by the *consorzio* during the same period were worth over 12 million lire.¹ Labour that is not needed on the farms is employed on the building and reclamation works.

At Grosseto there is an important branch of the *Consorzio Agrario di Siena e Grosseto*, which has its Head Office at the former city, and which is one of the best. Besides the branch office it has 17 agencies and 90 depôts in the two provinces. It has a share capital of 1,653,880 lire, ordinary reserve fund of 447,033 lire, price stabilisation fund of 150,000 lire, staff provident fund of 938,460 lire, immovable property of 2,946,090 lire, movable property of 95,336 lire, investments in securities of 190,931 lire; the stocks were valued at 2,520,868 lire. These figures are for the year 1933, and they speak well for a society covering only the provinces of Siena and Grosseto together with a few neighbouring places. We shall now examine its activities under the four heads mentioned at the beginning of this chapter.

¹ Cf. *Almanaco della Cooperazione*, pp. 416-17, Editrice "La Formica," Roma.

On the supply side its turnover for the said year amounted to 34,047,521 lire, which was less by 2,802,047 than the turnover for 1932. Even the decreased amount, equivalent to about £566,666 (with the lira at 60 to the £), is slightly higher than the turnover, amounting to £543,417,¹ of the Irish Agricultural Wholesale Society, for the whole of the Irish Free State, for the year 1932. The decrease was due chiefly to lower prices and to a fall of 20,250 quintals in the sale of cattle foods, owing to the depression in the cattle market, which was prevailing in most producing centres. The goods sold by the *consorzio* consisted chiefly of the following: Machinery worth 1,768,651 lire; 335,259 quintals of fertilisers; 17,319 quintals of spraying materials; 5,323 quintals of seeds; 35,873 quintals of cattle foods; 38,802 quintals of lubrication and combustion oils; 25,726 of lime and cement.²

On the marketing side it plays an important part in the *Battaglia del Grano*, the Wheat Campaign. The *consorzi* and their federation have a large share in the success of the Government policy of controlling prices, by holding supplies and releasing them at suitable times. The operations of the American Farm Board and of the Canadian Wheat Pools have not been so successful owing to the fact that the respective countries have surpluses to be exported to foreign markets, the conditions in which they are unable to control. Italy, on the other hand, needs to import about one-third of her requirements. With the control of imports and orderly marketing of her own production Italy has been able to secure economic prices for her growers. She has at the same time increased home production by intensive and extensive cultivation.

Siena and Grosseto are grain districts producing a million quintals of wheat. To assist in its orderly marketing the *consorzio* has built a silo of the capacity of 45,000 quintals at Grosseto, another of 50,000 at Albinia and two others of 10,000 each at Buonconvento and Torrenieri. At the

¹ Cf. *A Review of Annual Co-operative Statistics for the year 1932*, p. 29. The Co-operative Union, Ltd., Manchester.

² Cf. Annual Report of the *Consorzio* for 1933.

silos wheat is cleaned, graded, standardised, pooled and stored to be sold collectively at suitable times. Elaborate rules govern the working of the pools, which are usually on a provincial basis for each grade. To increase the holding the *consorzio* has rented warehouses where 130,000 quintals were stored. Additional 7,000 quintals were held in farmers' own stores. Advances up to 90 per cent. of the prevailing market price are made, on presentation of the warehouse certificates, by a credit institution called *Monte dei Paschi*, which plays an important part in the Wheat Campaign. Interest at 4 per cent. is charged on the advances.

As an additional measure in the controlling campaign, the *consorzio* bought 20,000 quintals of wheat in December 1933 and January 1934, and sold 15,000 quintals. The society had also undertaken a Wool Pool and a Wine Pool of 2,500 quintals of high-grade Chianti.

As regards credit, the 1933 balance sheet shows credit given outstanding at 8,620,810 lire, of which 1,160,031 lire was for improvement purposes, 7,142,165 lire to buyers of requisites, etc., and 318,614 lire for sundries. The *consorzio* itself owed 8,780,997 lire to the *Monte dei Paschi* and 2,672,794 to others. Bills of Exchange held by the society amounted to 6,123,900 lire, and collateral to 300,500 lire.

The *consorzio* in conjunction with the Fascist Farmers' Federation, the Union of the Fascist Syndicates of Agriculture, and the Travelling Schools of Agriculture, who collaborate also in the wheat marketing scheme, carries on an extensive propaganda for the improvement of agriculture, issues a bulletin named *La Terra* and gives scholarships for the training of co-operators.

Services similar to those rendered by the *consorzio* reviewed to the provinces of Siena and Grosseto are given by hundreds of others to the rest of Italy. Where there are no special societies for those purposes, the *consorzi* have undertaken co-operative fruit marketing, wine-making and cocoon drying. Some have set up experimental farms and seed-testing stations. Improved cattle breeding and cattle marketing have been attended to. Campaigns against insect pests have been organised. Tractor stations have been set

up for the use of members first, and then others. Realising, as the British Movement does, that wholesale supply can be consolidated and made secure only by independent production, cattle-food and fertiliser factories have been set up. We shall speak of this more in detail when dealing with the *Federazione Italiana dei Consorzi Agrari*, to which we shall devote a special chapter, which it fully deserves in view of the very important rôle it has played on the business side, especially on the marketing side, of Italian Agricultural Co-operation.

It should be noted that those *consorzi* have been more successful which have been formed as provincial or inter-provincial units, that is, those which cover an area large enough to allow the advantage of sufficiently large-scale trading, but not too large to allow contact with the smaller centres within the area to be maintained. A society of this size enables expert and well-paid staff to be employed at the centre. Local supplies are provided by means of agencies or depôts; branches are set up, if necessary, at important centres. The soundness of this principle is generally recognised now. Among the classic organisations, that of Haas was for this principle, and was in that respect more successful than the Raiffeisen system, which turned each of its credit societies into a general purposes society.

It may be said that while the co-operative societies of agricultural labour and cultivation have helped Italy to extend agriculture by bringing hundreds of thousands of hectares of new land under cultivation, the *consorzi agrari* have played a leading part in improving it and making it remunerative. The former being workers' societies suffer from the want of training, administrative ability and capital. The latter have educated, even cultured, farmers as their members, have sufficient own capital for ordinary needs, are financially sound and can afford competent and well-paid staff. In Italy the Government controls directly the marketing of rice, tobacco and beet-root only. For the orderly marketing of other products it depends largely on the *consorzi agrari* and their federation, which have had considerable success in stabilising prices, in raising them when

national production required it, and in other cases keeping them down against private trade.

The statistics available do not enable one to form a sure judgment on the march of the *consorzi agrari*. Acerbo¹ gives a table showing data for the years 1923-29 regarding societies affiliated with the *Federazione Italiana dei Consorzi Agrari*. He says that the best and the most flourishing were affiliated and that the strength of those outside might be estimated as one-fifth at most of the total. The number of societies had fallen from 407 in 1923 to 228 in 1929. This decrease might have been put down entirely to amalgamations were it not that the number of members had also fallen from 287,243 in 1923 to 219,047 in 1929. But curiously, in 1924, while the number of societies had fallen to 379, the number of members had risen to 290,641. Since then, with the exception of 1927, when there was a slight increase in membership, the gradual fall in members has kept pace with the progressive fall in societies. The share capital, however, rose steadily until it reached the peak in 1928 with 65,421,000 lire for 263 societies. In 1929 for 228 societies it went down to 49,830,000 lire. But strangely enough the reserves for the latter year are 30,348,000 lire against 25,738,000 lire for the former, which was the lowest since 1924. There was apparently no economic depression in 1928 which might have necessitated a withdrawal from reserves. The turnover rose steadily from 897,811,000 lire in 1923 to 1,170,054,000 lire in 1926, which was the peak year. In 1927 there was a fall to 945,875,000 lire, in 1928 a rise to 1,006,619,000 lire and in 1929 a fall to 977,444,000 lire, which, however, is greater than the turnover for 1923 for nearly double the number of societies.

Augusto Calore,² discussing the progressive fall in the number of *consorzi agrari*, while admitting amalgamations, seems to suggest that it may be possible that some societies simply failed to answer the questionnaire sent out by the Federation. Though this is possible, it is not likely that the number of such non-co-operating societies would

¹ Cf. *La Cooperazione Agraria in Italia*, p. 45.

² Cf. *L'Italia Agricola*, March 1932, pp. 181-82.

gradually increase. Fluctuations in prices, and especially in the lira, must be taken into account when considering the turnover.

According to statistics published by the *Ente* in 1931, in a leaflet, showing all the federations and societies affiliated with it, there were 400 *consorzi agrari* in affiliation, with 500,000 members, capital of over 80 million lire and a turnover of over one milliard lire. There is thus, compared with the 1929 figures of the Federation, a big jump as regards the number of societies and their members, whereas the turnover remains about the same. Acerbo ¹ states that the societies affiliated with the Federation in 1932 and their members were 408 and 458,000 respectively. These figures practically coincide with those of the *Ente*. The latest statistics ² issued by the *Ente* show that there are affiliated with it 718 collective purchase and marketing societies with 500,000 members and a yearly turnover of 1,200,000,000 lire. There is, therefore, compared with 1931, a big jump in the number of affiliated societies, whereas the number of members remains the same and the turnover about the same.

Carlo Razzetti says that *consorzi* with the comparatively modest capital of 80 million lire give annually credit to the extent of about one milliard lire. And he adds that during the forty years ended 1932, the total turnover of those only that reported amounted to 13,949,300,000 lire.³

¹ *La Cooperazione Agraria in Italia*, p. 45.

² Cf. *Vita Cooperativa*, September 1934, p. 483.

³ Cf. *L'Italia Agricola*, March 1932, p. 207.

CHAPTER VI

PROCESSING SOCIETIES

ITALY, with her great co-operative traditions, has for the last forty years or more endeavoured to solve the economic problems of her chief agricultural products by organising their processing and sale on co-operative lines. The Fascist régime has greatly intensified that policy, and, according to laws passed in 1930 and 1931, such societies may, as already mentioned in the chapter on laws governing co-operation, be granted credit and other facilities when the needs of any locality render them of public utility. The silos mentioned in the chapter on *consorzi agrari* are also considered as undertakings of public utility, and the Government has subsidised them by contributing as much as 25 per cent. of the capital necessary, and by paying the first 2½ per cent. of the interest on any credit obtained for their construction. The chief processing co-operatives proper which have come into being are dairies, cocoon-drying societies, wine-making societies, oil-pressing societies and bakeries. We shall examine only the first three, as they are the more important.

DAIRIES

Italian dairying has passed through the three main stages, with variations in details, that have become classic in European dairying, viz. :

1. Butter and cheese making at the houses of the various producers, in turns : the *sistema turnario familiare*.
2. The same processing at a central, owned or hired, place, the various producers taking turns at assisting the paid butter or cheese maker, the *casaro* ; the methods being still more or less simple and primitive : the *turnario sociale*.

3. The modern industrial dairy: the *latteria sociale*.
 The first method still continues in use in the more backward regions, but it has not much importance. The second is still used extensively; and the third is the latest growing development. We shall deal with the last two.

TURNARIO SOCIALE

Like Ireland, Italy has had her Father Finlays, and it is said that it is chiefly due to the efforts of the clergy, who in the pioneer stages themselves undertook the functions of the *casaro*, that this second type of dairy evolved. Its organisation is simple. A place is bought or hired, the locally made utensils and implements are provided, the butter-maker is engaged. The farmers bring daily their milk, which is credited to their account. A committee elected by the members decides whose turn it is to assist the *casaro*. Those with the highest credit get the preference. If the supply is large, two or more persons of a family go to assist the *casaro*. If individual supplies are small, several producers have turns on the same day. The product of the day goes to the farmer or farmers taking their turn on that day. If the product exceeds the respective member's milk credit, a debit entry is made to the next account, and conversely. A levy, based on the quantity of milk, is made for expenses and amortisation. Cheese is allowed to ripen for two or three months; butter is taken away on the same day. Whey and other by-products are given to members in proportion to the milk supplied. Sometimes they remain for the society, in which case it sets up a piggery. Sometimes the milk is bought outright at fair prices; or the product is sold on account of the producer of milk.

British co-operators who are inclined to doubt the orthodoxy of the Italian present-day co-operation will be surprised to know that Fascist co-operative purists, with Acerbo, the present Minister of Agriculture, at the top, do not regard the *turnario sociale* as a truly co-operative association. They say that one of the main functions of Co-operation is to do away with the private middleman; the

intermediary, so far as one exists in a co-operative society, being the society itself. Now in a *turnario sociale*, the members by taking away the butter and the cheese, and by undertaking to sell them themselves, fall a prey to the middleman. The purists go further and say that had such a society bought the milk or sold the processed products at a good price, but on account of the respective producers, it would still not be co-operative unless it exercised a distributive function, that is, unless it distributed the collective gains or losses in proportion to the raw materials brought to the society. Finally, they say that the function of Co-operation is to make production and distribution economically sound, and in so far as the *turnario sociale* does not undertake this function it cannot be called truly co-operative. Moreover, it has no legal co-operative form.

This principle of distributive and non-speculative function has been followed in Italian co-operation, so much so that until recently the Rules of the *Federazione Italiana dei Consorzi Agrari*, the central agricultural wholesale, provided that it could produce, buy and sell only *on account of and in the interest of members*. By an amendment passed in March 1934, the words italicised (by the writer) have been deleted, not because there is any departure from the principle, but for the reason that, in view of the prominent place given to the organisation in the orderly marketing, it may have to go outside the orthodox functions to control prices. Thus we saw that the *Consorzio* of Siena and Grosseto bought and sold wheat outside the pools.

The *turnario sociale* still had an extensive vogue in Italy, especially in the mountains of Friuli, where there were in 1928 500 such societies, some having over 200 members. They handled annually 805,000 quintals of milk, which produced 18,550 quintals of butter and 73,500 quintals of cheese.¹ The *turnario sociale* meets a local want, as cheese is largely consumed by the people, and its simple form is all that is within reach of the producers in these districts. It is not, however, very equitable, as no allowance is made

¹ Cf. Tosi, *Le Latterie Sociali Friulane*. Federazione Sindacati Fascisti Agricoltori per la Provincia di Udine. Udine, 1928.

for the quality and the butter content of the milk. Besides, the turn of some might come when demand was slack, whereas their supply had been when demand was good, and vice-versa.

LATTERIA SOCIALE

We come now to this modern industrial type, which follows generally the lines of, say, Danish or Irish co-operative dairies. Like most Italian co-operative societies, the dairy societies also are formed for a limited number of years, subject to extension. The Danish dairy societies are formed for ten or fifteen years, after which period they are dissolved, the property being sold to a new society formed probably by most of the old society's members, with some new members, perhaps, added. The Danish dairies are built with borrowed capital which must be amortised within the stated period out of surplus. If any producer wishes to join the society within that period he must pay a premium based on the number of his cows and the sum already amortised. The same practice is followed in France. There are no such provisions in the Irish dairies, which are formed for an indefinite period. In the Italian societies, however, on a principle similar to that of the Danish premium just referred to, a new member pays an entrance fee on each share, which fee stands to the face value of the share as the society's accumulated reserves stand to its paid-up capital. This Italian practice of demanding an entrance fee proportionate to the reserves, which is common to all types of co-operative societies, will, therefore, be justified on the strength of the Danish co-operative practice, the orthodoxy of which has never been disputed. Such entrance fees are allocated to reserves and bear no interest.

OBJECTS

In Ireland the Co-operative Dairy, which is her most successful type of society, often assumes the rôle of a general purposes society, including supply, credit, and the marketing of subsidiary farm products like poultry and eggs. The model rules of Irish dairies give ample powers for general

purposes co-operation. In Italy, as we have already seen, that general purposes function, with suitable division and specialisation, is ably and efficiently exercised by the *consorzi agrari*. The objects of an Italian Co-operative Dairy are, therefore, limited to the following :

1. To process rationally the milk which is produced in the members' stables and which exceeds their family or cattle-raising requirements.
2. To set up and to work the plant necessary for the said processing.
3. To return to the members in proportion to the milk supplied by each, but after deducting expenses and charges, the products of processing or the proceeds of their sale.
4. To assist members in all that may aid an increase in production, and promote better cattle farming, and its better utilisation.

Considering the nature of the society, the objects are fully comprehensive. No. 4 might be copied by Irish dairies. There is no such specific provision in their rules, though in practice they promote better cattle farming. But cattle farming enjoys much greater importance and care in Italy, as we shall see when examining her very elaborate co-operative cattle insurance organisation. The return of the products of processing, as provided in No. 3 above, might make the societies lose their true co-operative character, judged by the standards which Italian co-operative thinkers have set, and to which reference was made when dealing with the *turnario sociale*; but such a return is not made in practice.

MEMBERSHIP

Membership of an Italian Co-operative Dairy is open to all owners of milch cows, residing within the jurisdiction of the society or in neighbouring zones, who do not habitually exercise any of the activities which form the object of the society, and who bind themselves to bring to the society all the milk that is not required for their family use, and

who are of recognised good moral and political character. Apart from the political qualification, the conditions of admission are practically identical with those in Ireland. In Ireland by giving six months' notice a member may refrain from supplying milk. There is no such provision in Italy. Breach of the binding supply rule in Ireland makes the member liable to a fine of one shilling per day and per cow. In Italy such a breach, as also the supply of adulterated or abnormal milk, makes the member liable to expulsion from the society; and expulsion means forfeiture of share capital and all contributions, which are then credited to reserves. Shareholding in Ireland, and entrance fees to provide working capital in Denmark, must be proportionate to the cows owned. There is no such provision in Italy, but the societies may rule that all dividends be retained until each member has completed the maximum shareholding of 30,000 lire. Each share is of 100 lire, payable in twelve monthly instalments.

DEPOSITS

A special feature of Italian Co-operative Dairies is that they may receive deposits bearing interest, the rate of which depends on the duration of the deposits. They are to form an autonomous fund, governed by special rules approved by the Assembly.¹

SURPLUS

The provisions regarding the distribution of surplus, which may be effected in two ways, are :

If the society wishes to enjoy the special fiscal privileges which were mentioned in the chapter on laws governing co-operation, then the distribution is to be as follows :

- (a) Twenty per cent. of the net surplus, after all expenses and dues have been paid, is to be allocated to Reserve Fund.

¹ According to the Industrial and Provident Societies Act governing British Co-operation, all co-operative societies may operate a Savings Bank, each deposit into which at any one time and in any one name may not exceed 10 shillings, and the total in any one name or account may not exceed £20.

- (b) Interest on paid-up capital at a rate not exceeding the legal rate.
- (c) Any excess to go to Reserve Fund, which may not be distributed among members as long as the society remains in existence.

Societies which decline the said fiscal privileges may distribute their surplus as follows :

- (1) Twenty per cent. to Reserve Fund.
- (2) Twenty per cent. to interest on paid-up capital, at a rate not exceeding 5 per cent., any excess being distributed proportionately among the various reserve funds.
- (3) Forty per cent. as dividend to members in proportion to the milk supplied.
- (4) Twenty per cent. to provident, mutuality, social and educational funds.

Notwithstanding what is provided above, the Assembly may decide to allocate all surplus to reserves in order to strengthen the society, or as a provision against economic crises.

The provisions of the second alternative above may be said to be similar to those of the Irish dairies, though the proportions vary. For instance, the minimum to be allocated to the Reserve Fund in the Irish societies is 10 per cent., whereas in the Italian it is 20 per cent., as we have seen. In both countries the dairies are built mostly on borrowed capital. A feature, Fourierist in character, in the Irish Dairy Societies, which does not exist in the Italian and which is exceptional in the British Movement, is that the employees' wages rank for dividend *pari passu* with the value of the produce supplied by the members of the society.

WINDING UP

The provisions regarding the disposal of funds in case of winding up will be particularly interesting to British co-operators. If the society enjoyed the special fiscal privileges, first of all the paid-up capital is to be refunded, and the balance is to be made over for purposes of public

utility, as provided by law. If, however, no privileges were enjoyed, after the repayment of share capital, one-fifth of the balance is to be distributed among members in proportion to the paid-up capital held by them, and the remaining four-fifths are to be made over to a similar society in the region or province, or to the syndicate, federation or union of which the society was a member. We have seen that the fiscal privileges enjoyed by the Italian co-operative societies are small. British societies enjoy much greater privileges at the hands of the State, and yet on winding up they may do what they like with their funds.

CONTROLLING AND ADMINISTRATIVE BODIES

These are similar to those of other types of co-operative societies already examined and are fully democratic.

STATISTICS

Co-operative dairies are increasing rapidly, and they are specially favoured by the authorities. According to statistics prepared by the *Ente* in 1928, there were 1,070 societies affiliated with it.¹ An investigation made in 1930 by the National Fascist Confederation of Farmers elicited that there were 3,224 societies with 250,000 members, producing 3,878,830 quintals of milk, out of which 39,948,000 litres were used as fluid and condensed milk, while out of the remainder, 289,734 quintals of cheese and 66,781 quintals of butter were produced, altogether of the value of 382,562,000 lire.² Buildings and machinery were valued at 209,700,000 lire. A statement issued by the *Ente* in 1931 confirmed that there were 3,224 societies, but it should be noted that this number includes societies of all the three kinds mentioned, the two simpler forms comprising about 70 per cent. of the whole. Latest statistics show that the societies affiliated with the *Ente* have risen to 2,565.³

Some co-operative societies have attained a phenomenal development. The one at Soresina in the province of

¹ Cf. Acerbo, *La Cooperazione Agraria in Italia*, p. 81.

² Cf. *La Coopération Agricole*, p. 314. International Institute of Agriculture, Rome.

³ Cf. *Vita Cooperativa*, September 1934, p. 493.

Cremona, founded in 1900, is recognised as one of the largest in Europe. The quantity of milk handled daily sometimes amounts to 1,200 quintals. Its buildings occupy an area of 25,000 square metres. It has repaid to its members the share capital of over half a million lire and has built a reserve of over 5 million lire. In Ireland the Government has provided a most up-to-date laboratory for all the dairies; the Soresina society has one of its own, designed to ensure absolute purity. It has over 300 members owning 10,000 cows.¹ It produces also condensed milk, milk powder and the like, and has branches, agencies and depôts in important national and international centres. There was a movement for the smaller societies to form unions with the object of giving technical and administrative facilities, increasing facilities for credit, undertaking research, and marketing the products better at home and abroad.

Another movement was to form unions with the special object of meeting the demand of large towns. In Milan there is such a union with 1,000 members owning 25,000 milch cows. The whole milk supply of Rome comes from such a union. There is a third "milk-central" society at Cremona. The authorities specially favour such unions as the best means of protecting the interests of consumers as well as of producers. The price of the co-operatives is fair, and, as intermediate charges are obviated, the price paid by the consumer also is moderate.

COCOON-DRYING SOCIETIES

Though cocoon drying itself is not of wide interest, the organisation of the Italian Cocoon-drying Co-operative Societies presents very interesting and useful material to those interested in the marketing of agricultural commodities on co-operative lines. They show, first of all, the disabilities under which small, unco-ordinated, disunited producers labour. In the second place they demonstrate how those deficiencies have been conquered by co-operative handling and marketing.

¹ Cf. *La Coopération Agricole*, p. 314. International Institute of Agriculture, Rome.

The general disabilities of a small farmer are :

1. He is short of financial resources.
2. This shortness forces him to sell at the harvest time, when there is over-flooding of the market.
3. It may be that the said shortness has obliged the small farmer to mortgage at high interest the product before it is harvested, in which case he will be still more at the mercy of the middleman, who may be himself the usurious moneylender.
4. A small farmer has no storage facilities to hold for better prices.
5. He may not be able to undertake the processes necessary for preservation.
6. He does not know market conditions and prices.
7. The smallness of his production does not enable him to sort, grade and standardise and offer recognisable and dependable qualities.
8. These very disadvantages place him outside the attention of the large buyer; as a consequence the middlemen step in, and they must have their profits; and to make them all the greater, at the expense of the producer, they form price rings, with division of territories among themselves, and in other ways "squeeze" the small farmer.

In addition to the above general disabilities, cocoons were subject to two special ones :

1. If not dried soon, the chrysalis develops in a few days, and in coming out cuts the silk thread.
2. The cocoon when sold fresh is sold simply by weight, without any consideration for quality.

The solution of these special and general difficulties in the marketing of cocoons is undertaken either by private pools of a temporary nature, or by a special department of the *consorzi agrari*, or by a special co-operative society. We shall study only the last form, as it shows the principles and the methods followed by the other two as well.

OBJECTS

A co-operative cocoon-drying society, the legal constitution of which is similar to that of other types already reviewed, has the following objects :

1. To set up and to work steam dryers for cocoons.
2. To provide common stores for holding, preserving and guarding the cocoons.
3. To market collectively, either before or after drying, the cocoons produced by, or belonging to, members.
4. To set up an easy and economical service of advances on the cocoons deposited, by establishing relations with credit institutions.
5. To undertake anything tending to improve and increase the products of the silkworm industry, and to regulate and to render more economic the cocoon business.

It will be seen that while the first four objects aim at remedying the disabilities already mentioned by means of collective and scientific drying, sorting, grading, standardising, pooling, holding, selling at the right time and to the right parties, and making advances to producers pending settlement of the proceeds, the fifth object goes further and aims at providing technical advice and cheap and reliable seeds with which to improve production.

MEMBERSHIP

Only producers of cocoons and their agents, when the producers themselves are members, may join the society. A member who speculates or endeavours to speculate in his own interest and to the detriment of the society and sells to outsiders may be expelled; and expulsion means forfeiture of the shares held. There is, therefore, the "binding rule."

FINANCE

There are some special features under this head which are worth noticing. Each share is of the face value of 100 lire. A member must subscribe one share for each 60 kilograms of cocoons that he produces. Here we have an application of the principle followed in the Irish and

Danish dairy societies, where shareholding or entrance fee must be proportionate to the cows owned, or in American fruit-marketing societies, where capital subscription is proportionate to the acreage or out-turn of the member. In the cocoon-drying societies also there is an entrance fee proportionate to the reserves. A half of the face value of shares must be paid on application, the balance within a year, whereas in other types the payment is effected in twelve more or less equal instalments. The aim in the cocoon-drying societies is to build on own capital, and the society may not be proceeded with if the necessary capital has not been subscribed; but in practice borrowed capital is resorted to. What in international co-operation is termed "floating fund" is created in order that the society may work as much as possible on own capital. The Council of Administration may retain as long as it likes a part of the proceeds of the sale of cocoons, credit same to the respective members, and allow interest thereon at the same rate as on share capital. The fund thus created may be paid out when no longer required, or it may be converted into share capital at the discretion of the Council.

ACCOUNTS

This is the only type of Italian co-operative societies in the model rules for which a specific provision is made for depreciation, the minima being 2 per cent. for buildings and 8 per cent. for machinery and fixtures. In the British Consumers' Societies, though the Rules of many make depreciation a first charge on surplus, in actual practice depreciation is deducted before surplus is arrived at, especially when varying proportions have to be charged to the various departments. From the annual statements of accounts it appears that the British practice is followed by Italian societies, though the Rules, except those under review, are silent on the point.¹

¹ The standard depreciation rates in British Consumers' Societies are: 2½ per cent. on buildings and 10 per cent. on fixtures. Irish co-operative dairies fix the following minima: 5 per cent. p.a. for brick, stone and slate buildings; 10 per cent. for wood and iron buildings; 15 per cent. for high-speed machinery and horses; 10 per cent. for all other plant and machinery, vans, carts, etc.

Interest on share capital at a rate not higher than 5 per cent. is considered an expenditure item in these societies, as is also an allowance for Staff Provident Fund at a rate not exceeding 15 per cent. of the annual salaries. The difference between revenue and expenditure is carried simply to the credit or debit of the next account and there is no provision for distribution of surplus. In fact, Labadessa says that in cocoon-drying and in wine-making societies there is no distribution of surplus but only of expenses.¹ Only the actual expenses are deducted from the sale proceeds of cocoons, the most possible is allowed to producers, and out of that as much as convenient is retained in order to amortise the buildings and machinery. Though their life may be extended, cocoon-drying societies are originally formed for the limited period of twenty years; and from what we have seen, there appears to be a distinct tendency to follow the financing plan of the Danish dairy societies. In support of this, it may be cited that in case of liquidation or dissolution of a society, the net proceeds are to be distributed among the members in proportion to their shareholding. This is entirely at variance with the manner of the distribution of the net assets of a dissolved dairy society, as we saw.

CONTROL AND ADMINISTRATION

The bodies charged with control and administration are similar to those in other types of societies, and are fully democratic.

INTERNAL REGULATIONS

The cocoon-drying societies have several internal regulations which are of special interest at the present time when co-operative marketing and marketing boards are so much in vogue. They are as follows :

1. The total expenditure divided by the number of kilograms of cocoons dried represents the cost of drying, and must be deducted from the sale pro-

¹ Cf. *La Cooperativa Idee e Realtà*, p. 93. Co-operativa Ape, Roma.

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- ceeds. This is done as soon as possible after the end of the year on the 31st March.
2. In the years in which the society did not operate, or in which the operations were so small as to make the drying expenses excessively burdensome, the Council of Administration may, with the approval of the Syndics, decide to cover these expenses by means of a levy on all the members proportionate to the shares held by them. (This is not unfair, as the shareholding is based on the cocoons they proposed to bring to be dried.)
 3. Each year in the month of May the Council issues a circular with the object of ascertaining the quantity of cocoons which the members propose to dry at the society's plant.
 4. The society may compel those members who do not use the society's plant to pay a part of the expenses in proportion to their shareholding.
 5. Considering the quantity proposed to be dried, the society may decide not to work the plant.
 6. Members have a right to dry 60 kilograms for each share held. Up to 10 per cent. above that allowance may be allowed as an extra.
 7. Members who fail to send the full quantity declared for drying are liable to pay for the full quantity, except when they prove that the shortage was due to causes beyond their control.
 8. Members may draw an advance on the cocoons sent to be dried at a time and from a credit institution appointed by the Council.¹ The percentage of the advance is to be fixed every year by the Council, but it may not exceed two-thirds of the current average market price of cocoons. There may be different prices for different qualities.
 9. The cocoons are held at the responsibility of the Council, and are covered by Fire Insurance.
 10. The Council has the widest powers as to how and when to sell the cocoons, fresh or dried. The sales are to

¹ The Government has created credit facilities for this.

be on model contract forms. The Council may delegate its powers to the President or one of its members.

11. For cocoons dried in excess of the allowance based on shareholding a higher charge may be made.
12. By agreeing to send his cocoons for drying the member undertakes to follow the fortunes of the pool, from which he cannot withdraw in any way until it is disposed of.

In the Italian cocoon-drying societies we have, therefore, all the leading features, such as "iron-clad contracts," "binding contracts with damage clause," "seasonal pools," "floating funds," and "negotiable warehouse certificates,"¹ which have made American co-operative marketing so successful and a model to be imitated.

STATISTICS

The up-to-dateness of the organisation described above is accounted for by the fact that the Italian cocoon-drying societies are a recent growth; they have been able, therefore, to adopt the best modern practice. It must be noted, however, that the older types also, such as the *consorzi agrari*, are following the latest developments. The first cocoon-drying society was started in 1900 at Cremona; two more followed in 1901 and 1902, at Bagnoli and Tortona respectively. Afterwards the movement remained practically stationary until 1920, when it began its rapid ascensional march. In that year there were 17 societies handling 800,000 kilograms of cocoons out of a total national production of 38,499,800 kilograms. In 1930 the number of societies had risen to 119, handling 7,055,000 kilograms out of the total national production of 52,734,060 kilograms. In 1931 a number of private temporary pools went out of existence owing to a reduction of 34.65 per cent. in the national production, and the number of societies was reduced to 108,

¹ Such certificates are issued when the member has sent his cocoons to the society, and it is on them that he obtains credit, as in the case of the Wheat Pools.

handling 5,000,000 kilograms, out of the national total of 34,458,500 kilograms. Out of the 108, 73 were special societies, 19 special departments of the *consorzi agrari* and 16 private pools.¹ Statistics show that by collective marketing the producers, after paying drying expenses of 50 to 70 cents per kilo., obtained in 1931 1.50 to 2.00 lire per kilogram more than the average market price of 4.50 lire per kilogram.²

In some provinces the proportion of cocoons handled by the co-operatives was much higher. In Udine, for instance, there were 21 societies with 17,000 members handling 2,276,920 out of the provincial production of 4,666,060 kilograms. In the province of Trentino the pools handled a much larger proportion: 22 co-operative societies and 5 private pools handled 560,000 out of the total provincial production of 689,000 kilograms. In 1933 there were 140 co-operative societies handling 6,689,821 kilograms of cocoons.³

Of late these societies have undertaken general warehousing business, granting storage certificates on which credit is obtained. They undertake also the drying of grain. Cocoon production being seasonal, these extra activities have enabled the societies to keep their plant occupied for the greater part of the year, thereby increasing the profits.

WINE-MAKING SOCIETIES

Conditions in some respects different from those obtaining in the cocoon industry have operated for the formation of wine-making societies. In the cocoon industry uneconomic prices were reducing the national production, which from the fifty years' average of 60 million kilograms per annum had recently fallen to 52 millions per annum. This was much below the requirements of the national silk textile industry alone, which could absorb as much as 75 million kilograms of cocoons per annum. In the wine industry, on the other

¹ Cf. Acerbo, *La Cooperazione Agraria in Italia*, pp. 90-91.

² Cf. *L'Italia Agricola*, March 1932, p. 245. Federazione Italiana dei Consorzi Agrari.

³ Cf. *Annual Report of the Federazione Italiana dei Consorzi Agrari for 1933*, p. 14.

hand, there was over-production and under-consumption. It was, therefore, necessary to control production and increase consumption by means of improved quality and reduced prices. Apart from these special circumstances, the general disabilities under which the small cocoon producer labours apply also to the small wine producer.

Co-operative wine-making societies have been based, therefore, on the same principles and with constitution, finance, objects, rules and regulations more or less similar, *mutatis mutandis*, to those of the cocoon-drying societies, it being for that reason unnecessary to review them specifically here. Owing to the extensive credit that they require for the installation, wine-making societies are usually formed with unlimited liability. They give to the small grower the advantages of large-scale production. They sort, grade and pool the grapes of the various growers, and produce standard types of wine with up-to-date technique, scientific methods and knowledge of the consuming markets. They store and hold wine for better prices, and either give or obtain advances or credit for the producer. They promote improved and more scientific vine cultivation. Some wine-making societies or their unions have gone further and undertaken the industrialisation of by-products, turning out filtrates, essences, oils, alcohol and combustion spirits.

Co-operative wine-making societies have had to contend with two special difficulties. The innumerable variations of colour, vintage, origin, texture, sugar content, etc., have made the proper valuation of the grapes supplied by members a very difficult matter. In the second place, the long time that must elapse before wine is finally sold, after it has been properly matured, renders the settlement of accounts a tardy and difficult process, entailing longer credit and more interest. As regards the first difficulty, more expert knowledge has been encouraged and obtained, as also the production of standard types of grapes. As regards the second, special credit facilities are given by the Government. A law issued in January 1931 created a special fund of 15 million lire for extended installation and improved equipment of co-operative wine-making societies. Moreover, as

we said at the beginning of this chapter, in accordance with special laws passed in 1930, wine-making, as well as cocoon-drying societies, may be declared to be of public utility, with corresponding privileges.

STATISTICS

Co-operative wine-making societies are an older growth, the first society having come into being as early as 1870. They did not progress much, however, until the early years of the present century, when a crisis in the industry brought about their expansion, which has continued. In 1928 there were 84 societies with 10,732 members, handling 1,400,000 quintals of grapes, making 1 million hectolitres of wine and owning buildings and machinery worth 70 million lire.¹ According to statistics published by the *Ente* in 1931 there were in that year 118 co-operative wine-making societies, with 10,248 members, which had made 1,200,000 hectolitres of wine in the previous season. According to another source,² the co-operative wine-making societies handled annually on the average 1,500,000 quintals of grapes worth 150 million lire. Latest statistics issued by the *Ente* show 186 co-operative wine-making societies.³

¹ Cf. *La Coopération Agricole*, p. 319. International Institute of Agriculture.

² Cf. *L'Italia Agricola*, March 1932, p. 211. Federazione Italiana dei Consorzi Agrari.

³ Cf. *Vita Cooperativa*, September 1934, p. 494.

CHAPTER VII

RURAL OR AGRICULTURAL CREDIT SOCIETIES

CO-OPERATIVE rural credit has almost all over the world been based on the Raiffeisen model, either pure or modified. As is well known, the originator of the model was Herr F. W. Raiffeisen, burgomaster of a group of villages round Neuwied, Germany. The first society of the type was founded by Raiffeisen himself, in 1862, at Anhausen.

Already in 1863 Luigi Luzzati had founded at Lodi a credit institution which gave rural credit, but that institution, called *banca popolare* (popular bank), was rather an urban bank, on the Schulze-Delitzsch model, which also originated in Germany in 1850. If a *banca popolare* gave rural credit it was because it had farmers and landholders as its members, and not because it was a rural bank proper. It is, therefore, outside the scope of our present study.

The first society of the Raiffeisen type in Italy was founded at Loreggia, in 1883, by Leone Wollemborg, who may be called the founder of the Italian rural credit. Though Raiffeisen in his movement attached great importance to Christian principles and practice, Wollemborg was entirely neutral in the matter. Soon after, on the 15th May, 1891, the immortal Leo XIII issued his famous encyclical *Rerum Novarum*, which has been called the *Magna Charta* of the working classes, and which, while upholding private property, laid down how fairer distribution of wealth and social justice should be secured, and the poor and the humble uplifted. In the Catholic activities that followed there arose a Father Cerutti, who became an ardent and vigorous apostle of rural credit on confessional lines.

Thereafter the Catholic societies increased by leaps and bounds. In 1900 there were over 1,000 societies, of which about 87 per cent. were Catholic. In 1915 the total number

of rural credit societies had risen to 2,594, in 1920 to 3,447 and in 1922 to 3,540. It is said that these post-war societies were mushroom growths engineered by men without any training or experience, who wanted to fatten on the movement. As a consequence many societies went into liquidation, depositors lost huge sums and the whole rural credit organisation was discredited. In 1928 the number of societies had fallen to 2,682 and in 1929 to 2,164. In 1931 the number had risen to 2,527.¹

On the 6th June, 1932, the Fascist Government issued a new law giving a new structure to all rural credit societies. The avowed aim of the new measure is two-fold :

1. To replace the existing freedom by a régime of precision or even severity, in order to make rural credit a select and well-controlled movement, not only in the interests of the depositors, but also of the members themselves who bear joint and unlimited liability.
2. To co-ordinate the activities of the rural credit societies with those of the Regional Institutes of Rural Credit, so as to make a complete and perfected whole.²

In other words, the objective has been to make rural credit societies thoroughly sound and working in co-ordination with other institutions giving rural credit. We have referred to the mushroom growth of co-operative credit societies and the damage which they had caused to the members themselves and to the credit of the movement. Moreover, these societies worked in co-operation, deposited their surplus and funds with non-co-operative and non-agricultural credit institutions. The object of the new law has been to put an end to all abuse and looseness. In carrying out its plan, the Italian Government has adopted a modified form of Raiffeisen society.

The chief characteristics of a pure form, as taught and practised by the founder, were :

¹ Cf. D'Angelo, *Le Casse Rurali o Agrarie*, pp. 4 and 5.

² *Op. cit.*, pp. 10 and 11.

1. Good moral character the first condition of membership.
2. Originally no share capital. It was only after the 1889 law, making shareholding compulsory, that nominal shares were introduced.
3. Unlimited liability of each member.
4. As the unlimited liability of farmers only (who if they did not own land at least had live stock, etc.) could be of any value, only they were admissible to membership.
5. Funds were obtained from loans and deposits on the security of members' unlimited liability.
6. Credit given to members only, and for productive purposes only, and at a low rate of interest.
7. When giving credit good moral character of the borrower and personal security were sought, in preference to mortgage and collateral.
8. Restricted area of operations in order that members might know one another.
9. Simple administration, almost entirely honorary, the *Rechner* (accountant) being the only paid official.
10. Surplus to reserves, which were indivisible among members and which in case of dissolution were devoted to charity or public utility.
11. Full autonomy, with a provincial and national organisation of its own.

Raiffeisen met with a considerable amount of criticism, and, owing to the absence of share capital, almost honorary administration, the manner of the utilisation of surpluses, low rate of interest and want of proper security for loans, some critics called Raiffeisen societies philanthropic institutions. But even for practical reasons, Haas, in Raiffeisen's own time, had found it necessary to depart from the founder's rules. The non-agriculturists in the villages had to be catered for; the unlimited liability of such would not be of much use; therefore, shareholding was necessary. More extensive range of operations necessitated more and better

paid staff. The Italian Government has proceeded on modified lines, as it is the general practice at the present time.

As rural credit is one of the most important (and in some countries the most important) branches of agricultural co-operation, we shall examine the provisions of the new Italian organisation in detail.

MEMBERSHIP

Membership of the Italian rural credit societies, which must be with unlimited liability, is open to :

- (a) Farmers who are members of agricultural employers' or workers' unions.
- (b) Agricultural professionals or experts.
- (c) Artisans who are members of the Autonomous Fascist Federation of Artisans' Communities of Italy.
- (d) Persons outside the above categories, but only to the extent of 20 per cent. of the whole membership.¹

In Germany rural credit societies have now a mixed membership.² In Italy, the artisans are mainly from the country, and it is perhaps they, more than the farmers (who are members of other societies giving credit), who need admission to a rural credit society.³ But, as we shall see later, not more than 25 per cent. of the total funds may be lent to non-farmers, even though they may form the whole membership of the society. The 20 per cent. entirely open membership is to provide capable element for the governing bodies.

¹ All new societies must have at least 40 members. If membership falls below that number it must be reinstated within a year; otherwise the society must be liquidated.

² According to statistics prepared in 1926 the following were the percentages of the various classes forming the membership of 16,357 rural credit societies in Germany, with 1,777,975 members in all: landlords and tenant farmers, 61.1 per cent.; artisans and industrialists, 16.4 per cent.; Government servants and employees, 4.3 per cent.; agricultural labourers, 3.2 per cent.; other labourers, 8.5 per cent.; sundries, the balance. (Cf. *La Coopération Agricole*, p. 22. The International Institute of Agriculture.)

³ The Autonomous Department of Credit for Artisans, which is unable to have its own organisation extending to the villages, is finding the rural credit societies as at present constituted very useful in reaching artisans in the remotest parts. (Cf. D'Angelo, *Le Casse Rurali o Agrarie*, p. 119.)

OBJECTS AND OPERATIONS

The Italian rural credit societies :

1. Undertake operations of short-period agricultural and non-agricultural credit, even as agents of the Regional Institutes of Rural Credit, which must as a rule abstain from doing direct business where there is a rural credit society.
2. Give long-term agricultural loans, subject to the approval of the Minister of Agriculture, who shall fix the limit both as regards the period and the amount of the loan.
3. Do, generally, all credit business authorised by the Minister of Agriculture and Forests.

Societies may :

1. Give rural credit to outsiders, but they are preferably to do business with members. Rural credit to outsiders may not exceed 25 per cent. of the total credit given.
2. Give ordinary credit (other than agricultural) for an amount not exceeding 25 per cent. of all the funds administered.
3. Represent, without any responsibility on the part of the society, *consorzi agrari* for supplying to members agricultural requirements.
4. Represent Assurance Societies for insuring produce and cattle.
5. Act as correspondents of Savings Banks, first-class Provident Societies, Institutes of Agricultural Credit, and, with previous sanction of the Minister of Agriculture and Forests, even private credit institutions.

Societies may do the following operations :

1. Cash bills of ordinary banks and issue orders of payment and assignments on behalf of the Issue Office and the Regional Rural Credit Institutes.

2. Discount their own bills with the Regional Credit Institutes, Savings Banks, the Autonomous Department of Credit for Artisans and Small Industries, and, with the permission of the said Minister, even with ordinary banks.
3. No other operation may be undertaken.¹

SHARE CAPITAL

Each member must subscribe and pay up on enrolment at least one share, which must not be of less than 50 lire. If he subscribes more than one share, he need not pay up more than the minimum of 50 lire. The maximum individual shareholding is 30,000 lire, as in other societies, and the society's maximum is unlimited. No new society may be formed unless it has a paid-up capital of 30,000 lire. Even old societies must comply with the new law within three years from the 6th June, 1932, and it is said that the stronger ones will be able to do so with the help of their reserves. Entrance fee, proportionate to reserves, is to be paid by new members, as in other societies. The minimum capital required is undoubtedly on the high side for small rural areas, but the Italian Government with its experience of the past, to which reference has been made, has thought it advisable to weed out the weak and to have a strong system.

¹ It is interesting to compare the operations of a present-day rural credit society, which may be called a small local bank doing practically all kinds of ordinary banking business, with an original Raiffeisen society. Raiffeisen societies' operations were simple, and limited to :

1. Simple loans for agricultural or rural purposes only.
2. Loans in the shape of current accounts, which were rare, except when there was some small industry in the place.
3. *Zessionen*, that is, credit accommodation given to a member when he wanted to buy or to sell land. If a member had a good opportunity of buying land, but did not have cash, the bank accommodated him, the credit being liquidated in instalments. If, on the other hand, a member desired to sell land and did not find a suitable buyer, the society took it over at a fair price and retained it until a suitable buyer was found. Besides, the transactions were with members only. It could, and usually did, act as a general purposes society.

FUNDS

The funds are composed of :

1. Share capital.
2. Ordinary reserve fund.
3. Extraordinary reserve fund to cover special risks.
4. Dividend equalisation fund.
5. Deposits, which may be from members or non-members, as savings, in Current Account, as Fixed Deposits or as Bonds with interest coupons.

The conditions, terms and formalities of deposits and withdrawals are similar to those in standard savings or general banks. The rate of interest given on deposits may not be more than $\frac{1}{4}$ per cent. higher than those agreed upon by capitalist and State banks in accordance with a standing arrangement among them. In case of infraction of this rule the Bank of Italy may impose, besides other penalties, a fine of not less than 5,000 lire.

RESERVE FUNDS

These are composed of :

1. Entrance fees.
2. Premium on new members' shares.
3. Yearly allocations from surplus.
4. Any other allocations, like forfeited shares.

SURPLUS

The surplus is distributed as follows :

1. A sum not exceeding 10 per cent. is placed at the disposal of the Council of Administration for moral and educational propaganda and to promote rural institutions specially for the benefit of needy farmers and artisans.
2. The balance is to be allocated to Reserves until same are in the express opinion of the Assembly sufficient for the needs of the society.
3. Nine-tenths of the net surplus must be allocated to

Reserves until they reach at least one-tenth of all deposits of any kind received by the society.¹

After that level has been reached, and provided that the same is maintained, surplus may be distributed as follows :

- (a) A percentage for the purposes mentioned in (1) above.
- (b) Not less than 10 per cent. to Reserves until same reach 40 per cent. of the share capital.
- (c) The balance may be paid to members in proportion to their share capital, but subject to same being applied to the acquisition of new shares until the maximum shareholding is reached. Members may decide to apply the part of surplus allowable to them to purposes of common utility. The Assembly may decide also to have a Dividend Equalisation Fund.

CONTROL AND ADMINISTRATION

Control and Administration are exercised by bodies similar to those of the other types of societies, with the addition of a new body called the Commission of Discount, the functions of which will be reviewed presently.

THE GENERAL ASSEMBLY

The General Assembly is composed as usual of all the members, each with one vote only. It meets ordinarily once a year. In addition to the usual general functions, it fixes the maximum obligations which the Council of Administration may undertake, as also the maximum credit which may be given to any one member, excepting those cases where there is a tangible security. It decides the extension of credit to neighbouring communes,² as also the granting of long-term loans for land improvement and the like, as distinct from loans for current needs. When there is no mortgage or collateral, the loan is to be given on the security of good moral character and reputation, as judged or ascertained in responsible business transactions.

¹ In the Raiffeisen societies surplus went to : 1. Reserve Fund proper, which could be touched only to cover losses. 2. Foundation Fund, to which was allocated what might have been paid as dividends. This fund was used for social work, improvements, and the like.

² The commune is the normal area of a society.

COUNCIL OF ADMINISTRATION

The Council of Administration is composed of a President elected by the Assembly for four years, together with a variable number of Councillors from among literate members, who elect a Vice-President from among themselves, and a secretary who may be from within or without. The Council may delegate some of its powers to one or more of its members or to the society's officials or may appoint special Commissions of Discount for granting credit, except in cases specially reserved by law. The Councillors may or may not be exempted from giving security, which may be in Government paper or similar securities, or in landed property. They do not carry salaries, but they may be granted out-of-pocket expenses if they have their residence outside the society's area. The Assembly may also grant them attendance fees and a percentage of the surplus, the maximum of which is to be fixed by rules. Besides the usual functions, the Council of Administration :

1. Appoints the Commissions of Discount.
2. Proposes the extension of credit to neighbouring communes and to long-term loans.
3. Decides finally on applications for long-term credit for land improvements, purchase of machinery and animals, etc.

It is the duty of the Council to see that the loans are utilised for the purposes for which they were taken. The President and the Vice-President have the same powers as in other societies. The Council must meet at least once a month.

COMMISSIONS OF DISCOUNT

The President or the Vice-President and a half of the members of the Council in turns form a Commission of Discount. It is appointed by the Council when necessary. Its function is to decide on applications for loans. A majority of the members of the Commission, including the President and the Manager, if appointed, forms a quorum. After the appointed hour even those members who are not

in the turn may form part of the Commission. Absolute majority carries the motion. The Commissions have a special minutes book.

COLLEGE OF SYNDICS

Its composition and functions are similar to those in other societies. Syndics' services are honorary, but the Assembly may fix attendance fees for them. In cases where the society does business outside its own commune the Regional Credit Institute for the outside commune may appoint a sitting and a substitute syndic to represent that commune.

COMMITTEE OF UPRIGHT MEN

Its composition and functions are similar to those in other types of societies. The Assembly may allow the *probitari* attendance fees.

MANAGER AND STAFF

When the work of the society warrants it, the Council may appoint a Manager, fix his salary and delegate to him some of its own powers. The appointment is normally subject to the approval of the Assembly, but rules may transfer that responsibility to the Council. Besides the usual executive functions, the full powers of the President may be delegated to him. He may convene the Council of Administration and the Commission of Discount, take part in their deliberations and have a consultative vote therein. He may also convene the College of Syndics and report to it any decisions of the Council or of the Commission which he deems contrary to the law and the rules, and withhold in the meantime their fulfilment.

The cashier and the staff necessary are appointed by the Council on the proposal of the Manager, who assigns and supervises their work. The rules may provide that the staff be selected from among the members and that the cashier's post be not held by an employee dealing with accounts.

From the survey made of the controlling and managing bodies three points emerge :

1. That they are fully democratic.
2. That they are very elaborate.¹
3. That they may entail considerable charges on the revenue and the surplus of the societies.

Of course a rural credit society carrying on operations as allowed under the Italian law requires expert staff, as in a Schulze-Delitzsch bank, and such staff has to be suitably paid. But there does not appear to be equal justification for the percentage of surplus and attendance fees that may be allowed to the controlling bodies.²

CESSATION, WITHDRAWAL, LAPSE AND EXPULSION

These are ruled more or less as in other societies. Heirs of deceased members, and members withdrawing for good reasons, such as financial difficulties, removal from the place and the like, receive back the amount of the fully paid shares, as also their share of the surplus credited or applied to buy new shares. Should the actual value of shares be below their face value owing to the financial position of the society, then only such lower amount is paid, but in no case may an amount higher than the face value be paid. This practice is general in Italian Co-operation. Members have a right to reserves only on the liquidation of the society. Members withdrawing without good reasons lose right to share of surplus on the fully paid shares, as they forfeit also the partly paid shares, which are then credited to reserves. In order to prevent withdrawals, a rule may be made that something like 20-25 per cent. of the fully paid shares be forfeited to the society. A society

¹ In an original Raiffeisen society, the administration and control were carried out thus: 1. The *Rechner*—manager, accountant, cashier, all in one. 2. Over him, a small Board of Directors meeting once a week and examining the various applications. They carried no remuneration. 3. Committee of Supervision, meeting periodically. 4. General Assembly.

² In Germany the practice of gratuitous and part-time service was still maintained, and in 1928 the percentage of administration expenses to turnover was only 0.18 per cent. (Cf. *La Coopération Agricole*, p. 26. International Institute of Agriculture, Rome.)

may for financial or other reasons withhold repayment of shares until its dissolution, in which case the retained capital ranks *pari passu* with other capital for a share of the surplus.

DISSOLUTION

Should one-third or more of the capital be lost, the Council must convene a General Meeting of the members to find out whether they wish to reinstate the capital or dissolve the society. Should they decide to reinstate, but not carry out the decision within two months, the Minister of Agriculture may by arrangement with the Minister of Finance and by a Royal Decree cause the society to be dissolved. The Minister may, on the other hand, allow the society to carry on with a reinstatement of such part of the capital as he thinks will enable the society to carry out its functions, or he may also extend the period for reinstatement for another three months. As we have already seen, a society must also be dissolved if its membership falls below 40 and is not reinstated.

FAILURE

In case of failure the members are jointly responsible to an unlimited amount for the debts remaining unpaid out of the assets, and the property of members may be attached by application to Court. Action may be taken under the civil code to revoke acts effected to escape liability, such as gifts, transfers and mortgages effected by members after the declaration of failure, as such acts are considered fraudulent.

PENALTIES

Promoters, administrators and syndics who infringe the law or the Rules may be fined to any amount from 50 to 2,000 lire.

DEPOSITS OF SOCIETIES' FUNDS

Societies must deposit, in interest bearing Current Account, 10 per cent. of the deposits received, with the Issue Office,

the National Labour Bank, the Regional Rural Credit Institute, the Savings Bank or a first-class Provident Society; any other credit institution is excluded. The same proportion may be invested, however, in Government paper or in other securities considered by law equal thereto. Reserve and other funds exceeding the society's requirements must be applied in the same manner. Sixty per cent. of the Reserves must be invested in Government paper or similar securities. Deposits and investments in any manner other than the above may be made by special arrangement with the Minister of Finance.

GOVERNMENT CONTROL

Rural or agricultural credit societies are under the control and supervision of the Minister of Agriculture and Forests, who may order inspections of the societies. The result of such inspections is to be communicated to the respective administrations and to the Issue Office, which is also charged with the supervision of the societies. If, as a result of an inspection, violations of the law or Rules or grave irregularities in administration are discovered, the Minister may by a decree dissolve the Council of Administration and appoint a Governor, who may take only precautionary measures and only such other measures as will conserve the rights and the interests of the society. He may demand repayment, pay debts falling due, lend liquid resources and discount bills. He may not, however, do anything to pledge the funds of the society, and he must within three months convene the General Assembly for the election of a new Council. The Minister may occasionally, if need be, authorise the Governor to take action which is even beyond the powers of the Council of Administration.

HIGHER ORGANISATION

From the above survey of the Italian co-operative rural credit societies, two important points emerge, besides those already commented upon. First, strict Government control. Second, the absence of any higher grade organisation of

their own for business or financial purposes. As regards the first, it may be granted that the past made such control necessary. A good reputation, sound business methods and security are more necessary in a credit institution than in any other business enterprise. But if, on the one hand, the Government has placed restrictions, on the other hand it has created conditions for the success of rural credit societies. It has given them power to carry on operations of an extensive character, and what is more, it has given them practical monopoly of their respective fields. A communal credit institution may be forbidden to operate where there is or is formed a co-operative rural credit society; moreover, any communal bank which may exist in such a place may be wound up by an order of the Minister of Agriculture, and three-quarters of its capital may be given to the co-operative rural credit society as an advance, without interest, repayable in thirty years. Similarly, the Regional Institute of Rural Credit may not operate directly where there is a rural credit society, and any of the Institute's operations in that area have to be, as a rule, through the society. This practical monopoly should give societies enough business to have satisfactory results and to be able to pay the expenses necessary for a suitable expert staff.

As regards the second point, it is now generally recognised that no rural credit organisation can be considered good which has not provincial and national institutions of its own, either federal or unitary, to give the movement fluidity and at the same time a concentrated wealth of resources. The provisions already mentioned, which allow societies' funds to be deposited into half a dozen institutions, show how rural savings may be dispersed. The present organisation is, no doubt, an improvement on the past, when co-operative rural credit societies could and would place their funds wherever it pleased them. But the present provisions are not enough to give the societies that financial unity and autonomy which they must have if they are to be a real power for the benefit of agriculture.

In the two classic organisations, before their amalgama-

tion, the fluidity of the resources of the Raiffeisen system was maintained by means of the autonomous *Zentral-Darlehens Kasse* (first at Neuwied, then at Berlin), and its provincial branches or *Filialen*. Outside credit was obtained by the *Darlehens Kasse* from *Preussische Zentral Genossenschafts Kasse*, the Prussian Central Co-operative Bank, started by the Prussian Government in 1895 to help industrial and agricultural co-operation, originally with the capital of 5 million marks, later increased to 50 millions. The Haas primary societies had their provincial centrals, the *Provinzial Kassen*. Outside credit was obtained from the *Preussische Kasse*, as in the former organisation. But as the *Preussische Kasse* could give credit only in Prussia, the *Provinzial Kassen* outside Prussia were debarred. To overcome this difficulty the Haas organisation founded the *Reichs Genossenschafts Kasse* at Darmstadt. This, being in Prussia, could obtain credit from the *Preussische Kasse* and make it available for the *Provinzial Kassen* outside Prussia, serving at the same time as an equaliser of their resources. Since the amalgamation of the two systems, the Co-operative *Central Societies* became the provincial or inter-provincial suppliers and equalisers of credit, the same functions being exercised nationally by the *Preussische Kasse*, whose operations, instead of being limited to Prussia, extend now to the whole *Reich*. It should be noted that out of the total capital of 210,560,000 reichsmarks of the *Preussische Kasse*, 35,560,000 was held by co-operative societies; of the remaining, 125,000,000 was held by Prussia and 50,000,000 by the *Reich*.¹

The necessity of having co-operative finance under co-operative control and of maintaining the fluidity of co-operative credit nationally (or provincially, in vast countries like India) is recognised and worked up to even in the newer systems. The Government of India Maclagan Committee on Co-operation explicitly recognised this, and recommended that it should be the goal. In the Bombay Presidency, where it has not been possible as yet to build a federal and wholly co-operative structure, the Bombay

¹ Cf. *La Coopération Agricole*, p. 28.

Provincial Co-operative Bank acts as the central institution. Its 19 branches, in 1930, located at convenient centres, corresponded to the *Filialen* of the Raiffeisen system. Originally started, in 1911, wholly by private shareholders with the exception of one co-operative bank, the Bombay Bank had on 31st March, 1929, only 738 private shareholders as against 1,375 co-operative society shareholders, the latter holding a little over one-third of the total share capital of slightly over a million and a quarter rupees. The co-operative representation on the Board of the Bombay Bank, which in the early years was two out of nine members, had in 1926 risen to seven out of fourteen.¹

That this principle is recognised by Italian leaders and thinkers there is no doubt. Acerbo, the present Minister of Agriculture, writes: "However, it is undoubtedly true that, especially as regards rural credit societies, a powerful system of financial co-ordination is necessary—similar to the one so successfully accomplished in Italy for the Savings Banks—in order to effect the balance and the interchange needed to satisfy the requirements of the movement, or in order to unify it, to render it autonomous and harmonious, to protect it from the influences of the vicissitudes of the other credit institutions."²

But apparently, for practical reasons, the Government was satisfied with the amount of co-ordination effected by the new measure. In Italy there is such a multiplicity of institutions (mentioned in the course of these pages) giving rural credit that the Government probably found it inadvisable to tackle them all, at least just now, so as to produce one unified and autonomous whole. The present objective of the Government appears to be limited, besides putting rural credit societies on a sound basis, to completing the existing rural credit organisation by having the rural credit societies to collaborate at the periphery with the existing provincial and national institutions.³

¹ Cf. Kaji, *Co-operation in Bombay*, pp. 57-8.

² Cf. *La Cooperazione Agraria in Italia*, p. 66.

³ By the Decree-law of 29th July, 1927, and Ministerial Decrees of 23rd January and 18th June, 1928, the Fascist Régime reorganised Agricultural Credit. Ten Regional Institutes were set up as follows: In (a) Lombardy, (b) the three Venetian Provinces, and (c) Emilia, an Agri-

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STATISTICS

Some mention has already been made of the movements before and after the War. From 1,719 societies in 1912 and 2,594 in 1915 the peak was reached in 1922 with 3,540 societies. Since then the move has been downwards, with 2,527 in 1931. The Ministry of Agriculture published detailed statistics relating to 1,600 rural credit societies, in the whole of Italy, as on the 31st December, 1929. They had 161,516 members, capital and reserves of 46,734,389 lire, deposits of 1,009,244,175 lire, loans to members of 636,109,412 lire, Government paper of 114,725,212 lire, cash of 21,442,858 lire, various assets 52,885,141 lire and various liabilities of 130,258,374 lire.¹ D'Angelo gives the number of societies in 1929 as 2,164, and he thinks that the returns were incomplete.² Statistics for the year ending on 31st December, 1930, show a jump in deposits to

cultural Credit Section was created in the Federal Institute of the Savings Banks of each; in (d) Southern Italy (mainland) an Agricultural Credit Section of the Bank of Italy; in (e) Sicily an Agricultural Credit Section of the Bank of Sicily; in (f) Tuscany, (g) Piedmont, (h) Liguria, (i) the Marches, Umbria and Latium, and (j) Sardinia, an Agricultural Credit Institute was created for each. Those institutes which are not sections of banks draw their funds chiefly from the Savings Banks and other financial institutions affiliated with the institutes. The function of the Regional Institutes is to supply short-term credit for current expenses and small improvements.

Long-term credit is supplied by the *Consorzio Nazionale per il Credito Agrario di Miglioramento* (National Consortium of Agricultural Credit for Improvement). It is capitalised by shares of 500,000 lire each, unlimited in number, but with limited liability. The State, the Bank of Naples, the Bank of Sicily, the more important Luzzatti Banks, Rural Credit Societies and Savings Banks, the National Fund for Social Insurance, the National Bank of Labour, and the Regional Institutes are, among other institutions, its shareholders. Already in 1930 the share capital amounted to 270 million lire, and as the law allows the Consortium to issue interest-bearing bonds of twice the amount of share capital and debentures of eight times as much again as the share capital, the *Consorzio* could have at its disposal nearly 3 milliard lire. Ample agricultural non-co-operative credit is, therefore, available from this source alone. The Consortium works through the Regional Institutes and the local branches of the National Bank of Labour, and these in their turn through the Rural Credit Societies. (For further particulars of this organisation of non-co-operative agricultural credit, the September 1927, March 1928 and October 1930 numbers of the *International Review of Agriculture* of the International Institute of Agriculture, Rome, should be consulted.)

¹ Cf. Acerbo, *La Cooperazione Agraria in Italia*, p. 75.

² Cf. D'Angelo, *Le Casse Rurali o Agrario*, p. 4.

1,250,000,000 lire, in loans to 900,000,000 lire and in Government paper to about 153,000,000 lire, though apparently the number of societies from 1929 to 1930 fell. Capital and Reserves rose in 1930 to 58,500,000 lire.¹

¹ Cf. D'Angelo, *Le Cassa Rurali o Agrarie*, pp. 4, 5, 125 and 139.

CHAPTER VIII

CATTLE INSURANCE SOCIETIES

THE preservation, the improvement and the proper utilisation of what she proudly calls her national "zotechnic patrimony" ¹ form an important part of the progressive and intensive agricultural policy of Italy. And she has duly realised that in the attainment of those aims, cheap, simple and efficient cattle insurance is a *sine qua non*. You may have plenty of fodder, you may provide model breeding stations; your organisation of veterinary services may be all that could be desired; but unless you give insurance facilities all the farmers' labours may be in vain; accidents may happen, epidemics may appear to destroy in a moment or in a few days the painfully accumulated wealth of several years. The writer has often endeavoured to induce poor peasants in India to raise a few head of cattle, pointing out that it would be easy for them to look after the stable and care of the animals outside working hours, and that shepherding could be made easy and cheap by being done collectively. Owing to the long dry months the fodder in India may not be good and plentiful; the village veterinary services may be primitive, handed down from father to son; but the chief difficulty which the poor peasants pathetically point out is that of accidents and epidemics which in a short time destroy the labour of years.

Italian Governments even from the pre-Fascist times have given careful attention to this serious problem and have encouraged and provided special facilities for cattle insurance. Exemption from all registration and stamp fees is granted in all matters to legally constituted cattle insurance

¹ The average value of the live stock of Italy for the three-year period 1924-26 was estimated at 12,000 million lire, i.e. 25 per cent. of the total agricultural production. (Cf. *Encyclopædia Britannica*, 14th edition, Vol. 12, p. 773.)

societies. Differently from other types of co-operative societies, cattle insurance societies, in common with all forms of mutual agricultural assurance, are exempted from income tax on all sums allocated to Reserves, provided that they are not later in any way distributed among members.

In Italy, as in other European countries, three forms of co-operative cattle insurance can be traced. In the first, on the happening of a casualty a *pro rata* levy is made on the animals previously declared to the scheme. It is rather crude, with no proper valuations and equitable apportionments, but it is simple and cheap and leads to a stricter mutual watch, though it is sometimes difficult to collect the levies. Societies of this type are still largely prevalent in Italy, leading a self-contained existence, and deprived, therefore, of the advantages of one of the fundamental requisites of sound insurance, that is, the spreading and averaging of risks. The second type goes a bit farther in that it makes initial minimum levies subject to adjustment at the end of the year based on the actual casualties. This scheme also requires no actuarial calculations, is simple, but is subject to some of the drawbacks of the first. The third, the one at present advocated, is more scientific and sound. We shall examine it in detail, as, in spite of its importance, this type of society does not find much place in the available co-operative literature. The guiding principles which an Italian cattle insurance society must obey are the following :

1. It must limit itself to a small area with a population not exceeding, say, 5,000 inhabitants.
2. It must fix annual premiums or contributions within the limits prescribed by the Minister of Agriculture.
3. It must observe the principle of free service in administration, the secretary and the cashier excepted.
4. It must give compensation for actual loss only, excluding all speculation.
5. The societies must form federations for re-insurance, for spreading and averaging risks.

OBJECTS

Formally stated the objects of a cattle insurance society, which is based on the principle of mutuality and is formed for an unlimited period, are :

1. To indemnify members within the limits fixed by the Rules for loss caused by the death of cattle belonging to them and usually insured.¹
2. To promote hygiene and the prevention of infectious diseases and to undertake whatever else tends to the betterment and the preservation of the cattle insured.²

MEMBERSHIP

All owners of cattle within the jurisdiction of the society who undertake to insure all their cattle in that area are admissible to membership. They bind themselves at least for one year, unless they die or cease to own cattle.

Those persons may not be members who :

- (a) have insured their cattle for the same risks elsewhere;
- (b) trade in cattle;
- (c) have in their stables cattle which are subject to epidemic or contagious diseases or which are usually in a poor state of health.

Persons who are already members and who are found not to satisfy the conditions may be expelled.

Members wishing to withdraw must give at least two months' notice ending with the closing date of the society's financial year. They continue, however, to be liable for obligations incurred up to the end of the year. Besides abiding by the statutory rules and regulations and paying the stipulated fees and premiums, members must rigidly observe the sanitary laws and regulations in force, and follow the instructions issued in this regard by the Council of Administration.

¹ The word "usually" should be noted. It prevents people coming in only when there are epidemics and emergencies.

² So it is not only curative, as ordinary insurance, but also preventive.

CONTROL AND ADMINISTRATION

The bodies responsible for direction and management have a nomenclature and functions partly different from those of other types. Besides the General Assembly and the Council of Administration we have here the College of Inspectors of Accounts, the Consultative Committee, the Commission of Experts and the Secretary-Cashier.

THE GENERAL ASSEMBLY

This has a composition, time and manner of meeting and voting, and functions of the standard co-operative type.

COUNCIL OF ADMINISTRATION

The number of members is, as usual, variable, according to the size of the society. Besides the functions common to all such councils, it has to keep a constant watch over the animals insured, take notice of all complaints and arrange for re-insurance. Its President, and in his absence the Vice-President, both elected by the Councillors from among themselves, sign for the society of which they are the legal representatives.

COLLEGE OF INSPECTORS OF ACCOUNTS

This is just another name for the College of Syndics whose composition and functions have already been reviewed.

THE CONSULTATIVE COMMITTEE

This is composed of the Veterinary Surgeon of the commune, a person nominated by the Travelling School of Agriculture and a farmer appointed by the Council of Administration from outside its own body. It is an advisory body to the Council.

COMMISSION OF EXPERTS

This is composed of three persons elected by the General Assembly from among its members, and its functions are :

1. To give its decision on the opinion of the Communal Veterinary Surgeon regarding the admissibility to insurance of each head of cattle.
2. To inspect periodically all the animals insured. Such inspections must be made at least twice a year, in November and May.
3. To verify with the help of the Communal Veterinary Surgeon the casualties reported.

SECRETARY-CASHIER

This is a counterpart of the *Rechner* of a Raiffeisen society—the sole executive officer.

REMUNERATION

All the posts are honorary. The General Assembly may, however, decide to allow certain sums to the Secretary-cashier and the members of the Consultative Committee and of the Commission of Experts as a consideration for their services.

CONDITIONS OF ELIGIBILITY TO INSURANCE

Only animals within the area of the society may be insured and they must fulfil the following conditions :

1. Be not less than three years ¹ nor more than fourteen years old.
2. Be not diseased or suspected of disease.
3. Must not belong to traders or butchers.

The insurance covers loss caused by death due to disease even of an epidemic character and to slaughter ordered as a matter of necessity by the Council of Administration. The insurance covers also the loss caused when the meat is not passed as fit for consumption by the Communal Slaughter House.² The President is the final authority on the eligi-

¹ This is certainly on the high side, but apparently is not strictly adhered to. In the tables given by Acerbo (cf. *La Cooperazione Agraria in Italia*, p. 53) in the year 1929-30, 6.53 per cent. of the casualties were on animals under one year old and 15.08 per cent. on animals between one and four years old.

² This should be specially noted.

bility to insurance and he may refuse, without giving any reason, to insure any animal. An appeal may be made to the Council of Administration, whose decision is final.

VALUATION

Before being admitted to insurance the animals are inspected by the Commission of Experts, who after hearing the opinion of the Communal Veterinary Surgeon must ascertain :

1. The breed, sex and colour of the animal.
2. Its eligibility to insurance.
3. Its value.

If the valuation be not acceptable, the member may appeal within three days to the Council of Administration, whose decision is final.

VALIDITY OF INSURANCE

Should it happen that the death or the slaughter ordered by the Council was due to causes existing prior to admission to insurance, then the insurance is to be considered null and void, and the premium paid is to be refunded to the assured. The insurance begins on the declaration of acceptance by the President. It ends :

1. With the death of the animal insured.
2. With the withdrawal or expulsion of the member.
3. With the sale of the insured animal to a non-member.
4. When the animal is taken outside the jurisdiction of the society and is not brought back within the period fixed by the society. When the uses and customs of the place, such as pasturage, require it, the animal may be taken out of the jurisdiction subject to the previous approval of the Council.

PREMIUMS

Besides the entrance fee the member pays normal and supplementary premiums fixed by the Council, and based on the value of the animal insured.

CHANGES AND SUBSTITUTIONS

In the event of a member's death his heir takes over the insurance on the same conditions. In case of sale the insurance continues if the buyer also is a member. If he is not or does not become one, the insurance ceases. In any case, premium for the current half-year has to be paid. The animal sold may be replaced by a new one subject to the usual conditions, and subject to a *pro rata* extra premium in case of higher value, with no refund if it is lower. The President must be advised within eight days of any changes in the animal, such as the attainment of maximum age or any vice or defect which may affect its value.

ADVICES OF CASUALTIES

The President must be advised immediately of any illness, accident or death of the animal insured. The Veterinary Surgeon attends at once at the President's request, and the member assured must carry out scrupulously the Surgeon's instructions. Surgeon's fees and cost of medicines are paid by the society.

VERIFICATION OF ACCIDENTS

On receipt of advice the Commission of Experts together with the Surgeon identifies the animal, dead or to be killed, ascertains the causes of the accident and the responsibility of the member, if any, and fixes the value of the animal at the time of the accident or at the beginning of the disease. This is in accordance with the well-recognised principle that an insurance policy is a policy of indemnity only. Therefore, whatever the sum assured may be, the assured can never claim more than the actual value at the time of the accident.

ASSESSMENT OF INDEMNITY

A well-known practice in insurance is that on account of some special physical or moral hazard, or in order that the assured may exercise more care, it is stipulated that he should bear a proportion of the loss. Applying this to cattle

insurance, it is laid down that the indemnity to be paid to the assured is only 80 per cent. of the value at the time of the accident. The carcass then belongs to the society. Should the proceeds of the sale of the carcass exceed the 80 per cent. paid, that excess is to be paid to the assured.

In case of loss resulting from rejection by the Communal Slaughter-house, the indemnity to be paid represents the difference between the stipulated sale price and the price actually realised after the rejection, provided that the total amount received by the assured does not exceed 80 per cent. of the sum assured.

When the assured receives from other sources any payment for the animal affected, then the relative sum is to be made over to the society up to the amount of the indemnity paid by it. The society may demand a refund of the indemnity paid should information come to light which, had it been known at the time of the payment, would have led to a refusal of the claim. The right to demand the said refund lapses after one year from the date of the payment of the indemnity.

REFUSAL OF PAYMENT OF INDEMNITY

In this respect also we see an application of standard insurance practices. Risks which in ordinary insurance would be covered only at an extra premium are excluded, as also those vitiated by fraud or a breach of the law or rules. The following are the specific cases in which payment of indemnity may be refused :

1. When loss is due to war, riot and civil commotion and earthquake.
2. When loss is due to fire and the assured receives from fire insurance a sum at least equal to the one receivable from the society.
3. When the accident or loss is due to theft or other misdemeanours from which the assured cannot be exculpated.
4. When in making the claim there has been fraud or an attempt at fraud.

5. When the legal provisions have not been fulfilled.
6. When the assured himself kills the animal without an order from a competent authority.
7. When the member disobeys an order of the Council to kill.
8. When the member does not follow the instructions of the Veterinary Surgeon, or maltreats or neglects the animal during treatment.

The President is responsible for the refusal of indemnity. An appeal may be made to the Council of Administration, whose decision is final.

FINANCE

All members pay together with the first insurance premium an entrance fee for each animal. This fee is fixed annually by the General Assembly and, as in other types of societies, it is proportionate to the Reserves.

RESERVES

These are composed of :

1. Excess of revenue over expenditure.
2. Entrance fees.
3. At least one-half of all donations.

ARBITRATION

In case of disputes between the society and the members, if same cannot be settled by mutual agreement, a Commission of Arbitration is to be appointed in each case, composed of three members of the society, one of whom is appointed by the disputing member, the second by the Council of Administration, and the third, who acts as President, by the first two. The decision of this Commission is final. The expenses are paid by the losing party.

DISSOLUTION

Besides the usual cases in which a society may be dissolved, it is provided that should the number of animals

insured fall below 60 during three consecutive years, the society is to be dissolved without any formalities, such as a resolution of the General Assembly.

FEDERATION AND RE-INSURANCE.

To provide for mutual supervision, control and re-insurance, provincial (or smaller) federations are formed. At least ten primary societies are required to form a federation. If later the number falls below that minimum they may still continue to function with the sanction of the Minister of Corporations. Briefly stated the objects of a federation of co-operative cattle insurance societies are :

1. To verify the observance of the statutory rules and the internal regulations of the federated societies.
2. To check accounts and the proper administration of funds.
3. To co-ordinate action by means of advice, instructions, standard forms, etc., to support one another, and specially to promote prophylactic protection of the cattle.
4. To provide for mutual re-insurance, to fix the premiums for the same, and to determine the proportion of risks to be retained by each.

The federating societies draw up Rules and submit them to the approval of the Minister of Corporations, who is the controlling authority for federations.¹ Annual accounts and reports of inspections made must be submitted to the Minister of Corporations, who may dismiss the managing bodies in case of irregularities and appoint an administrator, and who may dissolve the association if it is unsound and beyond improvement. Properly constituted federations enjoy the same fiscal privileges as the primary societies. Primary societies which through their own fault do not form federations lose the fiscal privileges.

¹ Primary societies are subject to the Prefect primarily.

STATISTICS

Cattle insurance societies soundly organised on the lines reviewed have had the greatest development since the war, and in 1932 there were in the province of Trento, 108 societies, insuring 6,000 stables with nearly 16,800 animals, affiliated to an organisation called the Provincial Inspectorate of Mutual Cattle Insurance Societies, which is the most important provincial federal organisation. It examines societies' estimates, checks their accounts, gives technical advice and arbitrates on request. According to statistics collected by the Inspectorate, the cows insured during the years 1918-30 represented a percentage varying from 64.29 to 78.92 of the total, whereas the percentage of claims paid on them during the same period varied from 67.19 to 82.92 of the total. Bulls had the lowest claims percentage, and calves came next. Elaborate tables prepared by the Inspectorate show the percentage of claims due to various diseases and other causes. It was found that judicious slaughter¹ on the signs of disease or on accident reduced the net loss, and thanks to the propaganda of the Inspectorate in this direction the proceeds from the utilisation of the carcasses, which in 1918-19 were only 21.79 per cent. of the indemnity paid, in 1929-30 had risen to 55.28 per cent. As a result the net claims paid in the last-mentioned year represented less than 1 per cent. of the sum assured. In the twelve years 1918-19 to 1929-30 the expense ratio oscillated between .23 and .25 per cent. of the sums assured, the percentage for the same period including losses being 1.50.² According to statistics published by the *Ente*, there were, in 1931, 218 co-operative cattle insurance societies affiliated with it. The number had risen to 222 in 1933.³ The number of affiliated societies has now risen to 553, with 100,000 members.⁴

¹ In 1918-19 the percentages of animals which had been killed and of those which had died were 41.33 and 58.67 respectively. In the year 1929-30 the respective percentages were 72.86 and 27.14.

² Cf. Acerbo, *op. cit.*, pp. 51-3.

³ Cf. *Agenda dei Cooperatori*, 1934, page facing title-page.

⁴ Cf. *Vita Cooperativa*, September 1934, p. 483.

CHAPTER IX

NATIONAL FEDERATIONS

IN one of the earlier chapters we dealt with the *Ente Nazionale Fascista della Cooperazione*, which for shortness we have been calling the *Ente*. We saw that with some of the functions of the Co-operative Union of the British Movement it had in some respects the powers and duties of the Registry of Friendly Societies, and that, in view of the corporative character of the Italian State, the *Ente* was the agent of co-ordination between Co-operation and the various federations and bodies with which it is related in the national economy.

We saw further that in the composition of the National Council of the *Ente* there entered several Federations of the various branches or categories of the whole of the Italian Co-operative Movement, and the object of this chapter is to describe the National Unions or Federations of the five distinct types of primary agricultural co-operatives which we have been reviewing.

We have spoken already of the provincial or regional unions of the cattle insurance societies. These unions form a National Federation, the formal constitution of which was under preparation at the time of the writer's visit in April last, and the details of which are not yet available. Probably it will have the same duties nationally as the second-grade unions fulfil provincially, with the further functions that devolve on a National Federation, that is, of representing the category before the authorities, the related syndical unions, etc., as in the other Federations described in detail later in this chapter.

As we have seen, the rural credit societies have no federal organisation for business purposes. For organising purposes they form the National Association of Rural and

Agricultural Credit Societies and Auxiliary Bodies, *Associazione Nazionale fra Casse Rurali, Agrarie ed Enti Ausiliari*, which is affiliated with the Fascist National Confederation of Credit and Insurance, and not with the *Ente*. The constitution and the functions of the Association are similar to those of the Federations reviewed below. They require, therefore, no special treatment.

The National Federations of the Societies of Agricultural Labour and Cultivation, of Collective Purchase and Marketing, and of Processing, are the ones which we shall examine in detail. By an order of the 9th September, 1933, of the Minister of Corporations, they have been made intimately connected with the *Ente*, in order that this body may impart a unitary discipline to those most important branches of agricultural co-operation. The structure of the three Federations will give us a good idea of the Federal organisation, for moral and organising purposes, of the various categories of co-operative societies.

OBJECTS

The three Federations, which have their head office in Rome in the offices of the *Ente*, have the same objects, which are the following :

1. To act as the legal representative of the affiliated societies before political and administrative authorities, before all organisations, institutions and associations of a national character having related objects, and finally before the Magistracy of Labour.¹

2. To study and to resolve in conformity with the law and the directions of higher organisations the economic and social problems of the affiliated societies.

3. To intervene within the limits fixed by law in the stipulation of collective labour contracts having territorial application to the affiliated societies, and to act as con-

¹ " The Magistracy of Labour is the organ in which the State intervenes to regulate the controversies of labour regarding both the observance of the existing contracts and norms and the determination of new labour conditions." Art. V of Charter of Labour.

ciliator in the collective and individual controversies of the affiliated societies.

4. To promote the constitution, the co-ordination and the discipline of the affiliated societies and their representative bodies.

5. To promote the collaboration of the affiliated societies with other co-operative societies and organisations in the national economy.

6. To protect the interests of the member societies by favouring their technical and economic development and their production in harmony with the interests of the nation and in accordance with the directions of superior bodies.

7. To promote and encourage, as provided by law, the formation of new organisations, favouring the aims of the affiliated societies.

8. To fulfil, finally, the functions assigned to it by the Charter of Labour,¹ by the laws and regulations of the State and the rules of higher organisations.

Apart from those functions which devolve on them owing to the corporative character of the Italian State, the functions of the Italian *Federazioni* are within their own spheres similar to those of the British Co-operative Union. Object (1) in the British Movement is carried out particularly by the Co-operative Party; objects (2), (4), (5), (6) and (7) by the Central Board, the National Executive, the Legal Department and the Trades Associations; object (3) by the Labour Department, the National Wages Council and the National Conciliation Board. The Co-operative Productive Federation is the Co-operative Union of the British Producers' Societies. Similarly, the Italian Federations are the Co-operative Unions of the respective categories; with this division and specialisation the interests of each category are better safeguarded. The *Ente* unifies and co-ordinates the activities of these national unions and provides itself those services which are best carried out

¹ In the Charter of Labour, passed by the Fascist Grand Council on the night of the 21st April, 1927, "the Fascist Régime has laid down which are and which shall be the basic principles of the new organisation of the Nation and of the Italian State, and particularly of the Régime of Labour [of all kinds] in the National Society." (Cf. *Agenda del Cooperatore*, p. 225.)

jointly, such as education, propaganda, statistics, audit and inspections. To that extent the *Ente* may be called a Union of Unions.

MEMBERSHIP

Co-operative societies of the respective category only may be members of a Federation, and they must have their seat in Italy, they must be inscribed in the registers of the Provincial Councils of Corporative Economy and be of good political conduct from the Fascist point of view. Members may not join another organisation with similar objects. Co-operative societies of any type, provided that they are truly co-operative, can be members of the British Co-operative Union even if they have their seat outside the United Kingdom. In a few cases even organisations not registered as co-operative societies are admitted to the membership of the Co-operative Union.¹ Membership of the Italian Federations is voluntary, and is in the first instance for a period of five years, renewed automatically for a similar period unless three months' notice has been given previously. A society which is a member of a Federation is *ipso facto* a member of the *Ente*.

MEMBERS' OBLIGATIONS

The partly supervisory character, making for greater effectiveness, of the Italian Federations is shown by some of the obligations of the member societies, which must send to the Federation (a) a report of their moral activities and financial situation, together with the auditors' report; (b) an advice of any changes in the rules and the controlling and administrative bodies; (c) all the information which the Federation may require within its powers.

¹ The membership of the Co-operative Union at the end of 1932 was as follows: Distributive Societies, 1,060; Distributive Federations, 12; Productive Societies, 87; Supply Association, 1; Special Societies, 12; Wholesale Societies, 4; Co-operative Insurance Society, 1; other societies of varying types, 22. Cf. *A Review of the Annual Co-operative Statistics for the year 1932*, p. 33. The Co-operative Union, Ltd. Also cf. Hall, *A Handbook for Members of Co-operative Committees*, p. 376.

INTERNAL ORGANISATION

As the British Consumers' societies have their Sectional Boards and District Associations, so the Italian societies form themselves into provincial and inter-provincial groups. The British Sectional Boards are composed of a limited number of members (13 is the highest at present for the North-Western Section, which had in 1933 220 affiliated societies with a membership of over thirteen hundred thousand), elected by the societies of the section. In the Italian organisation the Council of Administration of each society appoints a delegate, and these delegates, each with one vote, form the provincial or inter-provincial congress.

The congresses meet ordinarily every two years, and extraordinarily when the Council of the Federation deems it necessary. The President of the Federation or his delegate presides over the congress. The usual procedure of a General Assembly is followed. The functions of these congresses are :

1. To discuss the syndical, economic and social matters of the member societies and to formulate the resolutions to be submitted to higher organisations.
2. To appoint every two years its representative to the General Assembly of the Federation.

ORGANS OF THE FEDERATION

The controlling and governing bodies of the Federation are :

1. The General Assembly.
2. The Federal Council.
3. The President.

GENERAL ASSEMBLY

Delegates elected, as we have seen, by the provincial congresses form the General Assembly. The President and the members of the Federal Council also take part in

the Assembly, but have no vote when the accounts or their own moral activities are under consideration. This last provision is to be found in all Italian co-operative organisations. The auditors take part, but without vote. The *Ente* has a representative, as also each of the employers' and employees' syndical organisations with which the Federation has relations. These have each one vote, whereas the delegates sent by the Provincial Congresses have each as many votes as the societies which they represent. The predominantly co-operative character of the Assembly is, therefore, retained. The Assembly, which meets ordinarily once a year, has the usual functions of a General Assembly.

THE FEDERAL COUNCIL

Here also the element representing, and elected by, the member societies is in the majority. In the Federation of the Societies of Agricultural Labour and Cultivation the President and four members are elected by the General Assembly. Of the remaining three, one is appointed by the *Ente* and one each by the National Fascist Confederation of Farmers (employers) and the Confederation of Fascist Syndicates of Agriculture (workers). In the Federation of Collective Purchase and Marketing Societies and in the Federation of the Processing Societies, the President and eight members are elected by the Assembly, and, besides a representative of each of the employers' and workers' organisations already mentioned, in the Council of the former Federation sits a representative of the National Fascist Confederation of the Syndicates of Commerce, and in that of the latter a representative of the Fascist General Confederation of Industry. The representatives of the Confederations of Commerce and Industry take part and vote only in matters pertaining to labour contracts. The functions of the Federal Council are similar to those of a Council of Administration, already described.

THE PRESIDENT

This entity is elected, subject to official approval, by the General Assembly over which he presides, as also over the Council. In the Federation of the Collective Purchase and Marketing Societies he has the less imposing denomination of secretary, with no lesser powers. In the other Federations the Secretary is an appointed official subject to the approval of the Minister of Corporations. The President appoints the delegates of the Federation to other organisations on which it has a right of representation, that is, on the controlling bodies of the syndical organisations which have representatives on the Federation. He has a deciding voice in the application of labour contracts and the disputes arising thereunder. His powers and functions are otherwise similar to those of the President of a primary society.

The democratic character of the Federations is assured by a provision that lays down that the President and the elected members of the Council must be from among members of affiliated societies. In exceptional cases the Minister of Corporations may set aside this rule.

FINANCE

The income of the Federations is derived mainly from contributions (of the affiliated primary societies) which were detailed in the chapter on the *Ente*. According to a decree law of the 29th January, 1934, the *Ente* collects the contributions payable by societies and gives the Federations their shares. A further law was to be issued later fixing the contributions of the affiliated societies to their Federations.¹ At least 80 per cent. of the income must be devoted to general office and travelling expenses, to the formation of syndical organisations, to giving economic, social, moral and religious assistance, to national education, to technical instruction, and to contributions to national organisations for old age, maternity, child welfare and the *Balilla*. The application of the remaining 20 per cent. is free.

¹ Cf. *Vita Cooperativa*, March 1934, p. 144.

DISCIPLINARY MEASURES

The President may censure a member society for transgressing the rules, the law or the instructions from higher bodies. An appeal may be made to the Federal Council against the censure. The Federal Council may suspend a society for graver faults, for a period not exceeding six months, and it may also expel a society, after due notice, for acting against co-operative principles and the moral and material interests of the Federation, and of the nation. An appeal may be made in this case to the Minister of Corporations. Owing to these provisions, the Italian federations are better armed to deal with price and dividend policies and such other questions.

CHAPTER X

FEDERAZIONE ITALIANA DEI CONSORZI AGRARI

CO-OPERATORS the world over, wherever co-operation has attained large proportions and has been a success, know that that success has been due mainly to their wholesale societies; they know that when success and progress have won for them the hostility of the capitalist interests, it is only by large societies undertaking wholesale trade, commerce and industry, that they can compete with multiple shops, chain stores, rings, cartels and trusts; they know that by the large-scale trading and production, by the division and specialisation, of which only great central societies are capable, they can secure even for a small village society the economic advantages, the influence and, in many cases, the independence of a millionaire concern.

The Rochdale Pioneers, the shrewd practical co-operators who have set an example to the whole world, had from the very beginning realised the necessity of wholesale trade and production, and as early as 1850 had undertaken wholesale operations. And, true to the founders, the British Movement has built up its Co-operative Wholesale Society, its Scottish Co-operative Wholesale Society and its Joint English and Scottish Co-operative Wholesale Society, greater than which there are no co-operative organisations to be found to-day outside nationalised co-operation in Communist Russia. Having done the first full year's business in 1865 with a total capital of £7,182, a turnover of £120,754 and a net surplus of £1,858, the Co-operative Wholesale Society had in 1932 a total capital of £76,467,379, a turnover of £82,769,119 and a net surplus of £1,729,223.¹ From its 139 factories, workshops and mills it now turns out annually over 30 million sterling worth of goods. But

¹ Cf. *Told in Brief*, p. 32. The Co-operative Wholesale Society, Ltd., Manchester.

for its wholesale societies the British Movement would not have had the huge economic resources, the power and the influence that it wields to-day in Great Britain, backed though it is by more than 1,300 societies, having nearly 7 million members, share capital of over 137 millions, loan capital of over 104 millions, reserve and insurance funds of over 36 millions and a yearly turnover of nearly 320 millions sterling.¹

What the Co-operative Wholesale Society has done for the British Consumers' Societies, the *Federazione Italiana dei Consorzi Agrari* (the Italian Federation of Agricultural Consortia) has accomplished for the Italian agricultural societies. There is no doubt that the accomplishment of the *Federazione* has been incomparably smaller if we look only at figures, but it has been much more difficult, as it has been carried out in the midst of intrinsic and extrinsic handicaps. The Co-operative Wholesale Society has catered for a more or less known demand, for compact, easily reached, more educated, and more prosperous industrial and urban populations. The *Federazione* has had to deal with illiterate, poor and distrustful villagers. And what is more, it has had to undertake and organise the marketing of perishable agricultural products, which is the most difficult of co-operative enterprises. Those who are acquainted with the history of the Irish Agricultural Wholesale Society know the difficulties it has had to contend with due to bad harvests, fall in prices, competition from other producing centres, and ignorance, poverty, mistrust and want of sufficient loyalty on the part of farmers. The difficulties of the *Federazione* have been similar, and we shall now see how and to what extent it has succeeded in overcoming them. We shall begin by reviewing its constitution.

OBJECTS

The aim of the Federation is to contribute to the highest development of the agriculture of Italy and her colonies

¹ Cf. *A Review of the Annual Co-operative Statistics for the year 1932*, pp. 2 and 38. The Co-operative Union, Ltd., Manchester.

and to the prosperity of the rural population. With that aim in view it proposes :

1. To produce, buy and sell goods, products, implements, machines, dead or live stock, and all that may be useful to agriculture.
2. To promote and to help the marketing of the products of the soil and of all industries connected with agriculture, either as an intermediary or as principal.
3. To build and buy ships or any other means of transport.
4. To give on loan or on hire machines and implements.
5. To provide for the establishment of experimental stations and fields for the benefit of agriculture.
6. To act as an intermediary between members and third parties by giving the necessary security, or to give credit to members, either for the purchase of their requisites or for the marketing of their products.

The Federation may join national or foreign societies, or may promote societies, provided that they have aims similar to its own and are not with unlimited liability.

FUNDS

The funds consist of the following :

1. An unlimited number of shares of 100 lire each.
2. Entrance fee of 50 lire payable by each member.
3. Reserves.
4. Special funds for special purposes.
5. Loans at the discretion of the Council of Administration.

MEMBERSHIP

As in the English Wholesale, membership was originally open to individuals, but now only co-operative societies in general, and *consorzi agrari* and similar organisations in particular, may be admitted to membership, the rights of the existing individual members and their heirs being, however, safeguarded. Members must submit to the Federation a copy of their Rules and any subsequent amend-

ments thereto, and must send also within three months of their approval a copy of the annual balance sheet and report, together with a detailed statement of the goods sold; ¹ failure to comply with these obligations renders a member liable to have his shares sold, duplicate certificates for which may be issued if necessary. Members may not withdraw. One share of 100 lire is enough for membership, irrespective of the number of members of the primary society.²

SURPLUS

This is to be distributed as follows :

- (a) Five per cent. to Reserves.
- (b) The amount necessary to pay a maximum interest of 6 per cent. on the fully paid-up shares.
- (c) Of the remaining, 30 per cent. for dividends on goods sold or bought through the Federation (collective purchases or sales excluded), the said dividends to be, however, credited to members and converted into share capital, as long as the maximum has not been reached; the balance to Reserves.

The Assembly may allocate the whole or any part of the surplus to Reserves. It fixes also year by year the emoluments of the members of the Council of Administration ³ and of the Syndics.

RESERVES

The Reserves are composed of the following: (a) Proportions of surplus as above. (b) Members' entrance fees. (c) Premium on shares, in the manner already mentioned. (d) Any other allocations or donations, as also appreciation in the value of movable or immovable property held.

¹ This last provision is apparently to check the members' loyalty.

² In the English Co-operative Wholesale Society the primary member society must subscribe one £5 share for every two of its members, and in the Scottish Wholesale Society one £2 share for each of its members.

³ In the British Wholesales the members of the Board of Management, corresponding to the Council of Administration, are full-time men with a salary. In the English Wholesale they are 28 in number, elected by the constituent societies, but apportioned on a geographical basis, with 14 for the Manchester area, 8 for the London area and 6 for the Newcastle area, so as to ensure that co-operators with knowledge of each area are on the Board.

CONTROL AND ADMINISTRATION

The organs of the Federation are five, as in the primary societies, viz.: 1. General Assembly; 2. Council of Administration; 3. The Director-General; 4. The College of Syndics. 5. The Committee of *Probitiviri*.

GENERAL ASSEMBLY

Each member society has one representative and one vote only, irrespective of the number of its members, its shareholding or its trade with the Federal organisation.¹

The functions of the General Assembly are those usually assigned to such a body.

COUNCIL OF ADMINISTRATION

The Council of Administration is composed of 12 members, elected by the Assembly. They elect from among themselves a President, a Vice-President, and a Secretary. The two first mentioned together with two more members elected by the Council form an Executive Committee, in which the Director-General and the Secretary have only a consultative vote. The functions of the Executive Committee are:

¹ In the English Wholesale the primary society has one vote in virtue of membership, another vote for the first £10,000 worth of its trade with the Federal, and one further vote for each additional £20,000 of such trade. In the Scottish Wholesale voting rights have a very interesting basis. Each primary society has one vote in virtue of membership, in addition to which the society with the largest amount of net purchases during the quarter preceding the voting has a maximum of 50 votes. The additional votes to which the other societies are entitled bear the same proportion to the 50 as their purchases bear to those of the society with 50 votes. Co-operative purists would probably say that the British Wholesales, by basing voting strength on trade, break one of the fundamental principles of Co-operation, that is, *one man one vote*, irrespective of capital. It may be admitted that larger trade means, generally speaking at least, larger capital. Yet, on the other hand, looking into the matter more deeply, and assuming that the average purchase per individual member is the same, two causes can account for larger trade: 1. Greater membership of the primary. 2. Greater loyalty of the primary (and of its members) to the Federal. If then the larger trade is due to greater membership, it would not be a breach of the orthodox principle if that greater trade were given larger representation. If, on the other hand, the larger trade is due to greater loyalty, the proportionately greater representation would still be justified, because loyalty being one of the primary requisites of successful co-operation, it would be quite right to reward it by giving it a greater voice in the Councils.

(1) To fix the rate of interest and decide the giving of credit.

(2) To appoint and to dismiss the staff, with the exception of the Director-General, the Heads of Departments, the Inspector-General, and the Chief Auditor, who are appointed by the Council of Administration.

(3) To draw up the internal regulations and fix all staff matters.

(4) To decide the purchase of Government paper or other securities guaranteed by the State.

(5) To decide on mortgages, their cancellation, subrogation and the like.

All other functions usually carried out by the Board of Management pertain to the Council of Administration as a whole. The President is the legal representative of the Federation, as in the primaries. The Council decides whether credit may be given to members or even to non-members for goods supplied, but same may not exceed two-thirds of their value, except when it is sanctioned by a two-thirds majority of the meeting. The Council may also decide to stand security for members *vis-à-vis* third parties. The working of the Federation is supervised by the President or other member of the Council, as the Council itself may direct, and that supervising function may be exercised permanently or in turns, the post being, however, always remunerated by an amount fixed by the Council. The Councillors are entitled to out-of-pocket expenses.

DIRECTOR-GENERAL

He is the chief executive officer, having the usual functions, whose appointment must be approved by at least seven members of the Council of Administration. He proposes to the Council the heads of departments.

SYNDICS AND PROBIVIRI

They are elected by the General Assembly and have the same duties and powers as in the primary societies.

So much for the fully democratic constitution of the federation. We shall now see something of its activities. Founded in 1892 at Piacenza, it transferred in 1932 its head office to Rome, at the express wish of Signor Mussolini. The *Duce*, who had placed Agriculture in the forefront of his programme, knew the important part which the Federation had played in the agricultural development of Italy; hence his desire to have its headquarters near the seat of Government, in closest touch with the highest administration. From what the writer has been able to gather during his three months' stay at Manchester, in the heart of the British Movement, the Co-operative Wholesale Society has not much use for party politics. If a proof of this were needed it is to be found in the favourable comments¹ made on the Italian organisation by the Society's organ, *The Producer*, of June 1934, in reviewing Karl Walter's recent book, *Co-operation in Changing Italy*. It is prepared to do business with Soviet Russia as well as with Fascist Italy. The directors of the English Wholesale, experienced and able business men, know that economic success is the foundation, the prime necessity of the Movement; and that only on the true basis of economic success, the moral aims can be attained and the idealistic superstructure of the Co-operative Commonwealth can be built. They know that while many British co-operators lean to the left, there is still a large, a very large, proportion that is either apathetic or inclined to the right, and that the taking of any definite political sides may do serious damage to the economic side of the movement. And the English Wholesale is highly successful; it is the backbone of the British Movement. One cannot help admiring its huge palatial offices, its vast and splendid organisation, vying with those of any millionaire concern in London. Some mention has already been made of its structures.

The Italian Federation of Agricultural Consortia has from the very beginning been non-partisan, and it has also been

¹ Similar comments were made by Mr. C. E. Tomlinson, Manager of the Publicity Service of the C.W.S., in a recent co-operative conference at Cardiff. (Cf. *The Co-operative News*, 15th September, 1934, p. 13.)

very successful. Of it Luigi Luzzati, one of the greatest co-operators that ever lived, said: "Formed outside and above partisan currents, the Federation has accumulated sound experiences which it has utilised in giving directions suitable to the various climes and crops, suggesting and helping transformations suited to prepare even in our country those admirable results which assume the character of true new creations."¹

Indeed, it is said that the history of Italian agriculture during the last forty-two years is intimately bound up with the Federation, which, together with travelling schools and experimental stations, has played a most important part in its progress. And if figures of business done are any indication of success, the record of the Federation is no mean one even in that respect. Up to 1932 it had sold 4,239,232,360 lire worth of agricultural requisites and given credit for 2,543,000,000 lire.² Considering that even to-day its capital is only 1,127,000 lire and its reserves only 4,138,194 lire, and that it has received no special credit facilities from the Government other than those allowed to agriculture in general, those figures are astounding.³

PROPAGANDA

But the work of the Federation cannot be measured only by its trade. By an extensive propaganda it advocated scientific methods, and the use of machinery when suitable; it popularised guaranteed seeds; by model farms and lectures it brought knowledge to the remotest village. Up to 1932 it had distributed 1,255,000 pamphlets and leaflets on the use of fertilisers.⁴ Its organs, *L'Italia Agricola*,

¹ Cf. *L'Italia Agricola*, March 1932, p. 225.

² *Ibid.*, p. 207.

³ We have already quoted the figures for the English Co-operative Wholesale Society for the year 1932, that is after 67 years' trading. After 40 years' trading, however (the *Federations* was 40 years old in 1932), that is in 1905, the total capital of the C.W.S. was £4,398,933, its sales £20,785,469 and its net surplus £304,568, that is only about 1/7th, 1/4th and 1/10th respectively of the 1932 figures. The huge increase in capital is accounted for by the C.W.S. Bank, which is not a separate institution, but a department of the society. (Cf. *The C.W.S., Past and Present*, p. 34, Co-operative Wholesale Society, Ltd., Manchester.)

⁴ Cf. *L'Italia Agricola*, March 1932, p. 226.

Cooperazione Rurale, two finely produced and profusely illustrated monthlies, *Leggi e decreti di interesse agrario*, another monthly, *Il Giornale d'Agricoltura della Domenica*, a weekly, *Il Mercato Agricolo*, a daily bulletin, impart solid and scientific instruction and up-to-date information on agricultural, co-operative and general economic subjects, not only to co-operators, but to the public in general as well. Recently an official investigation was ordered by Signor Mussolini into the working of the Federation and its affiliated *Consorzi* and the findings were entirely creditable to these organisations. The Federation has its own press, which since its transfer to Rome has more than doubled its annual output, which now exceeds 2 million lire in value.

FERTILISERS

These constitute one of the chief requisites supplied by the Federation, and in spite of keen outside competition it has been able to strengthen its position from year to year. As a matter of fact the whole of the supply side has been strengthened owing to stricter control exercised over the affiliated societies on account of the credit given by the *Ente Finanziario dei Consorzi Agrari*, the newly-created institution for financing co-operative societies of this type. Frequent visits are made by the head office staff to keep in touch with the societies. Phosphates controlled in 1932 amounted to 4,940,755 quintals, representing 45·41 per cent. of the national consumption. Nitrogenous fertilisers sold in the same year amounted to 1,481,927 quintals, being 40·24 per cent. of the national consumption. In the potassium variety 125,085 quintals were sold, being 34·99 per cent. of the national consumption. The respective proportions in the previous year were 42·58, 32·23 and 32·79 per cent. The total value of the fertilisers handled in 1932 amounted to 183 million lire against 147 million in 1931. The total quantity of fertilisers handled in 1933 amounted to 5,679,851 quintals against 4,825,087 quintals in 1932, showing an increase of about 20 per cent. In conjunction with various *Consorzi Agrari* the Federation

controlled 18 co-operative fertiliser factories, and handled the necessary raw materials for them. The Federation has been instrumental in keeping down prices and improving quality for the general public.¹

SEEDS AND FEEDING STUFFS

By an arrangement with the Minister of Agriculture the Federation co-ordinates the activities of the Associations engaged in the production and distribution of seeds, in order to secure the best fields and the most economic supply. The seeds sold by the Federation rose from 15,008 quintals in 1932 to 20,257 quintals in 1933. Feeding stuffs sales, too, have risen in spite of the depressed cattle market.

MACHINERY

A new policy has been adopted with regard to this. As old stocks are cleared no replacements are made. Arrangements have been made whereby on an order being received from an affiliated society, the same is transmitted to the manufacturers, who supply directly to the society. In this way individual requirements due to soil, crops, etc., are better suited and lower prices to the buyer are possible, as less capital is tied up in stocks. Stocks of all requisites at the end of 1933 stood at 934,777·26 lire compared with 19,349,497·01 lire at the end of 1932. In spite of the depreciated values of machinery and the trade depression, the value of the machinery sold in 1933 amounted to 7,747,314 lire against 5,000,000 lire in 1932. The production and the use of machinery of Italian make are being encouraged.

GRAIN DEPARTMENT

When dealing with the *Consorti Agrari* we spoke of Wheat Pools established by these societies for the orderly marketing of wheat. In the campaign for the protection of wheat, which was directed by the Minister of Agriculture, the Federation, together with the National Bank of Agriculture, played an important part. It was all the more creditable

¹ Unless specially stated otherwise, the figures re the Federation's trade are taken from its 1932 and 1933 Annual Reports.

as it brought no profit to the Federation. The functions assigned to the Federation in the campaign were: (a) To promote pools by all means; (b) to sell on account of the affiliated *consorzi*, acting only as agent; (c) to sell only to the milling industry. This plan was fully adhered to and only insignificant quantities were sold to outsiders for just reasons. To the mills 708 sales were made of 893,843 quintals of the value of about 92 million lire. The National Bank of Agriculture financed these operations, and it was thoroughly satisfied with the results. The Federation broadcast daily quotations from the leading markets, and it published daily a bulletin called *Il Mercato Agricolo*, which was used also by other departments for quotations. It has set up a laboratory for properly analysing and classifying the grain pooled, as also the seeds. The grower is now able to sow and to grade the produce with greater confidence, and the miller is able to buy the various grades with a definite knowledge of the percentages of their contents.

WINE DEPARTMENT

By a law of the 2nd September, 1932, a special body named the National Federation of Consortia for Vine-growing was created, for the purpose of co-ordinating the activities, both technical and commercial, of the co-operative societies engaged in the industry. By an agreement effected later, that body confided to the Wine Department of the Federation its commercial duties. This department has now, therefore, a wide scope, specially due to the opening of the American market. In 1933 there was already an increase of 25 per cent. over 1932, though compared with the total national production¹ it is as yet small. The department was opened in 1930, and in 1931 it marketed 53,649 hectolitres, of which 12,400, of the value of 3,103,692 lire, abroad.² From November 1933 to January 1934 the department had succeeded in placing 10,000 cases of superior wine in the United States of America.

¹ According to the *Encyclopædia Britannica*, 14th edition, Vol. 12, p. 773, the average value of wine production for the period 1924-6 was 22 per cent. of 48 to 50 thousand million lire.

² Cf. *L'Italia Agricola*, March 1932, p. 211.

COCOON DEPARTMENT

This acts as the central marketing organisation and information bureau of the cocoon-drying societies of which we have already spoken. It is charged also with the selection and the distribution of the most suitable seed to the affiliated societies. It is promoting the establishment of co-operative incubation plants. In 1933 it distributed 33,190 ounces of seed. In the same year 133 societies, handling 6,373,126 kilograms, were affiliated to the department, which, however, lets societies sell directly if they can find a better price.

CATTLE MARKETING

An experiment was started in 1932 to establish direct relations between the producer and the consumer for the provision of beef. A society named the Co-operative Consortium of Meat was formed, which bought its requirements specially from the Marches and Umbria—districts which had special difficulties in disposing of their cattle—and supplied Roman consumers with cheaper and better beef. From the 21st March to 31st December, 1932, the society handled 2,737 head of cattle worth 2,751,000 lire.

SHIPPING DEPARTMENT

The Federation owned two steamers, the work of which was rapidly increasing. Having conveyed in 1932 only about 500,000 quintals, the amount of cargo in 1933 had risen to over a million quintals. The steamers were, besides, always at the service of the affiliated societies.

FRUIT MARKETING

One of the most important and most difficult of the enterprises of the Federation has been its green fruit and vegetable marketing department, which goes under the now well-known name of *Fedexport*. The chief difficulty was intrinsic, and it lay in the quick perishability of green fruit and vegetables, necessitating quick sale and making export with advantageous results difficult. In the second place, the proper grading and standardising was not an

easy process owing to the multiplicity of colours, varieties, etc. Thirdly, the restrictions, quotas, sanitary regulations, depression, over-supply, and competition in the consuming markets abroad had to be contended with. The *Fedexport* has taken measures to overcome all these difficulties. As regards the first, plucking in due time and in the proper manner has been enforced; then proper treatment, such as washing and drying and quick handling, is provided. Refrigerated wagons carry the produce abroad. Refrigerated stores are provided at both ends where necessary. As regards the second, by propaganda and by the distribution of suitable seeds the production of standard qualities, most in demand, has been promoted. Up-to-date machinery for sorting, grading and packing has been introduced; the Federation is a pioneer in this respect in Italy. The Federation has a technical department which directs and controls all harvesting, grading, preparing, packing, and exporting operations on the most modern lines. As regards the third difficulty, pacts and agreements have been sought with foreign countries. In Sweden, an Italo-Swedish syndicate has been formed, under the patronage of the Italian Minister, to popularise Italian fruit in that country and in Norway, Finland, Lithuania, and other neighbouring countries. Negotiations were being carried on for penetration into Poland, and good relations have been developed in Belgium.

The department was started in 1925 with the affiliation of a small nucleus of three societies, which in 1933 had increased to 89; and *Fedexport*, with its head office in Bologna, had developed an organisation comparable with the great co-operative fruit-marketing concerns of California. It had offices in Munich and Berlin, chief agents in Vienna, Basle, Paris and London, and 85 commission agents and representatives in foreign markets and 66 in the home markets. Distribution in the British markets was effected through one of the largest London firms, and it is claimed that three-quarters of the Italian peaches imported into London bear the *Fedexport* mark. The total quantity exported in 1932 amounted to 255,000 quintals, against 208,000 quintals in

1931. The turnover in 1933 had risen by 20 per cent. over 1932.

In December 1932 the Federation hit on a means of bringing fruit-growers into direct relations with the consumers. It prepared baskets of 8 kilograms of net weight, with nine-tenths in oranges and one-tenth in lemons. The baskets sold at the price of 6.50 lire. The oranges were brought to the spacious and well-fitted central premises in Bologna, cleaned, packed and distributed by motor vans to the societies. At the end of the second week 16 societies operating in 20 markets had joined the scheme. At the end of the sixth week the numbers had risen to 28 and 34 respectively. The producers found a good market and the consumers a bargain with over 16 lbs. of oranges and lemons at 2s. 2d.

The Federation has always stood for progress, working with the single purpose of improving national agriculture and making it more economic. It was on the initiative of the Federation that the National Bank of Agriculture was formed in 1921, with a capital of 28 million lire, with the object of helping agriculture. Credit given by the Federation and outstanding at the end of 1933 amounted to over 33 million lire. With the material and moral assistance given by the new régime in the shape of increased credit facilities and the collaboration of the State departments, its activities and usefulness are rapidly increasing. When its seat was transferred to Rome it occupied the *Palazzo Margherita*, which soon became too small for its fast-growing departments. At the beginning of this year it moved into a larger palace, very near the Quirinal, and a real palace it is, with beautiful statuary, noble marble stairs and floors, carpets, paintings, wall mirrors, chandeliers and all the paraphernalia of a fine old princely mansion. When the writer remarked that the offices alone were an unmistakable sign of the prosperity of the Italian *Consorzi Agrari*, the hosts modestly replied that it did not cost much to rent such places in these days of heavy taxation and reduced fixed incomes. The writer spent several hours acquainting himself with the various departments. There is no doubt

that the Federation is well fitted to fulfil the functions of true agricultural co-operation—"of obtaining for the members the means of production, good in quality and cheap in price; of marketing the products to the best advantage; of exercising a moralising and restraining influence in commercial transactions; and, above all, of rendering to the multifarious activities of agricultural producers that general and specific assistance which, especially where the small farm abounds, is becoming every day more and more indispensable."¹

¹ Cf. *Annual Report* of the Federation for 1933, p. 3.

CHAPTER XI

PROPAGANDA AND EDUCATION

CO-OPERATION perhaps more than any other popular uplift movement requires propaganda and education. Co-operation is primarily for the humbler classes, the very classes that are most ignorant and distrustful of innovations. It is recorded that in Ireland fifty propaganda meetings were held before one single society was formed.¹ Co-operation has its principles and its technique, which even the educated require to learn. Co-operation is also a business undertaking, and requires all the knowledge that makes for sound business. The President of a consumers' retail distributive society may need to know anything from the complicated problems of Currency, Banking and Exchange, to the simple art of selling and packing a pound of bacon. The Manager of an agricultural society may need to know the intricacies of the "futures" market or the factors that are likely to affect the world supply and demand of given commodities, as well as be able to retail a pound of superphosphate. Co-operation means the giving up of some personal freedom for the good of the whole body of co-operators, and this has to be inculcated and kept constantly in view. Co-operation may mean economic sacrifices at the beginning, and this has to be realised. Co-operation requires personal, gratuitous service, especially in the initial stages, and this must be taught and stressed. Co-operation means loyalty, and it is never too much to teach and to preach that without loyalty a co-operative can never be a success. Co-operation is pre-eminently based on honesty,

¹ When in Dublin the writer had the privilege of a long conversation with the veteran Irish pioneer, Father Finlay, still very alert and very enthusiastic, and the point he most stressed was perhaps the need for propaganda, unflinching propaganda which, especially in the initial stages, had to be persevered in, even when the task seemed hopeless.

justice and fairness; it aims at a community of interests, moral no less than economic; and these ideals have to be constantly kept in view.

It is no wonder, then, that propaganda and education have found a high place in the activities of all sound and progressive co-operative movements. It would require several pages to detail all that the British Movement, one of the best organised and most progressive in the world, does for education: day and evening classes, correspondence classes, continuation schools, week-end schools, summer schools and, finally, the co-operative college, with its liberal general and specialised courses. Suffice it to say that in the year 1933-34 it held 1,041 classes for 33,507 Junior and Intermediate Students, 231 classes for 4,300 adult students in social subjects, and 811 classes for 15,658 students in technical subjects.¹ Enormous is the propaganda it carries on throughout the country by its periodical press, special publications, pamphlets, leaflets (of which nearly 3½ millions were distributed during the national propaganda campaigns during the year alone), meetings, conferences and lectures.

The very able and efficient Italian organisation has not neglected this important branch of co-operative activities. The *Ente* has made it one of its principal duties to develop education and propaganda in the following ways: ²

(a) Propaganda lectures in the Fascist cultural institutes, in the institutes of popular education, and on the occasion of co-operative meetings, and the like.

(b) A few general lessons on Co-operation: (1) in Secondary schools; (2) in the Universities, and especially in the graduate and post-graduate courses of corporative studies.

(c) Complete general courses in Co-operation to be given at the Higher Institute of Co-operation and Mutuality in Rome, and, by special arrangement, at other important centres.

(d) Complete general correspondence courses.

(e) Courses of elementary technical instruction for co-

¹ Cf. *Report of the Central Board for the Congress Year 1933-34*, p. 76. The Co-operative Union, Ltd., Manchester.

² Cf. *Il Lavoro Cooperativo*, 7th December, 1933.

operators, of the following types : (1) Accountancy and general subjects for secretaries and managers of co-operative societies ; (2) Salesmanship classes for the staff of consumers' societies ; (3) Technical classes for the officials and staff of building societies ; (4) Technical classes for the officials and staff of co-operative dairies and wine-making societies.

In fulfilment of the above plan the following work was performed during the period 1932-33 :

1. At Lucca : General lessons in Co-operation in the secondary schools.

2. At Bolzano and Treviso : A course in co-operative law and accountancy.

3. At Mantua and Sondrio : General lessons in Co-operation in a secondary school.

4. At Bologna : Correspondence courses taken specially by co-operators from Emilia.

5. At Varese : A course in co-operative law and accountancy ; a salesmanship course for the staff of consumers' societies.

6. At Florence : A general course in the Central Syndical School of Co-operative Education and Propaganda.

7. At Trieste : A technical course for those engaged in the silkworm industry.

8. At Milan and Turin : Complete general courses. For these the organisation is good and efficient, and they will be an annual feature. At Turin a special school of Co-operation, Mutuality and Providence has been founded.

9. At Messina, Savona and Como : General lessons in some secondary schools.

10. At Pisa : General lessons in the Evening School of Accountancy.

11. At Rome : A complete higher general course at the Higher Institute of Co-operation, of which we shall speak more in detail presently.

In 1934 the following programme was to be carried out under the direction and control of the Department of Education, Audit and Statistics of the *Ente* :

(a) The provincial secretaries were to promote occasional lectures in the institutes of culture, and specially in the more important co-operative centres of the following provinces: Messina, Palermo, Cagliari, Reggio, Calabria, Bari, Foggia, Taranto, Aquila, Ancona, Grosseto, Pisa, Leghorn, Florence, Massa, Genoa, Savona, Como, Milan, Brescia, Cremona, Sondrio, Modena, Reggio Emilia, Bologna, Parma, Venice, Vicenza and Trento. The speakers were to be selected by the provincial secretaries, and where no suitable ones were available locally they were to be requisitioned from the Head Office in Rome. In any case the previous approval of the President of the *Ente* was to be obtained.

(b) Two or three lessons in Co-operation in the secondary schools, the teachers of which were to be asked, in preference, to give them. The *Ente* would supply the necessary plan and literature. They were to be continued wherever they had been tried, and were to be extended to provinces where the atmosphere was favourable, such as Lucca, Milan, Pavia, Savona, Mantua, Sondrio, Como and Messina.

(c) General lectures in Co-operation in the Universities of corporative studies, such as those of Florence and Pisa, and the Higher Institute of Co-operation in Rome.

(d) Complete general courses to be given at Milan, Turin and Udine and in the more important places of the respective provinces.

(e) Correspondence courses by the provincial secretariate of Bologna, chiefly for the co-operators of the provinces of Modena, Rovino, Reggio Emilia, Bologna, Novara, Vercelli, Piacenza and Ancona.

(f) Elementary classes in Accountancy and Law for secretaries and managers of co-operative societies to be held at Venice, Trento, Bolzano, Messina, Treviso, Belluno, Udine, Foggia, Massa, Florence, Ravenna, Parma, Reggio Emilia, Ferrara, Bergamo and Varese.

(g) Courses in Book-keeping at Varese, Bergamo, Trieste, Udine and Como.

(h) Courses for building assistants at Padua.

The greatest centre of co-operative education in Italy is

the Higher Institute of Co-operation in Rome. It corresponds to the Co-operative College of the British Movement in Manchester. Started in 1923, the Institute was the one institution of the pre-Fascist times where the three party organisations of Italian Co-operation met, as all of them were represented on its Governing Council. The professorial staff, too, was representative of all the political currents. Luigi Luzzati, the great non-political co-operator, was President.

But the Institute was not an independent creation of the Co-operative Movement as the Manchester College is. The Institute was brought into being by representatives of the Ministries of Labour, Agriculture, Public Health and Education, the Municipality of Rome and several Government-controlled societies. Of the 50 original scholarships of the annual value of 2,400 lire each, 20 were provided by the Ministry of Labour, 2 by the Ministry of Public Health, 3 by the National Society for the Assistance of the Orphans of Peasants-Killed in the War, 5 by the Industrial Foundation for War Orphans, 20 by the *Opera Nazionale per i Combattenti* (the National Association for Ex-Soldiers). The other scholarships were given by various provincial municipalities and organisations. In the first year only 49 students attended the Institute.¹ The numbers have greatly increased since. At the Manchester College, which is residential, practically all students,² excepting the foreigners, are still holders of scholarships.³

As in the Manchester College considerable importance is given to Economics, Banking, Currency and Exchange, Industrial History, Business Organisation, Statistics, Citizenship, the machinery of Central and Local Governments and of Social Services; so also in the Rome Institute "General

¹ Cf. Lloyd, *The Co-operative Movement in Italy*, p. 124.

² Of the 23 British college students in the 1933-34 session, only one was not a scholarship holder. (Cf. *The Central Board's Report to Congress*, 1934, p. 83.)

³ These are about 20 in number, and range from £50 to £125 per annum for courses of six to nine months. The difference in the said sums is due to the varying amounts of the foundations or the subscriptions by societies on which the scholarships depend, and to the difference in the periods of the courses. There are besides one or two scholarships of £20 for a three months' course.

Subjects " find a prominent place. There are in the Institute two main courses, besides the study of Co-operation in all its forms and aspects. The two courses are :

1. The Superior Magistral Course of Providence and Social Services.
2. The Superior Course of the Scientific Arrangement of Labour and the Rationalisation of Production.

The subjects included in the former according to the 1933-34 programme are :

- (a) The political, administrative and judicial organisation of the Fascist State.
- (b) The political organisation of various States.
- (c) Social services.
- (d) Applied psychology in social services.
- (e) Educational legislation.
- (f) Social and rural hygiene.

Those included in the latter are :

- (a) Notions on the Fascist State and politics.
- (b) Elements of Syndical and Corporative laws.
- (c) Labour legislation.
- (d) Providence and Social Services.
- (e) Scientific arrangement of the technical factors in the organisation of production.
- (f) General notions on the establishment and working of industrial undertakings.
- (g) Office organisation.
- (h) Modern wage systems.
- (i) Applied psychology in labour problems.
- (j) Administration and control of accounts.

This is really a thorough and comprehensive course, as one comes to know when the details of the syllabus are examined; such headings as "general notions" are, therefore, misleading.

The Institute has edited a text-book of nearly 500 pages, quarto, with the collaboration of the various professors of

the Institute. No claim of exhaustiveness is made for the text-book; its avowed object is to supply the framework, to be filled in by means of a most comprehensive bibliography which can be consulted at the growing library.

The courses last about six months only, which may seem too short a time for such extensive courses, but the students come fitted with a higher education. In the year 1932-33, 151 students with secondary and university education and officials of the State and public bodies matriculated in the first course. In the second course, which is more scientific, there were 80, and they were all graduates in engineering, agronomy, economics, law, or political sciences, and officials. It is distinctly laid down that the successful completion of a course does not entitle the student to a job in the co-operative movement. These qualifications are, however, taken into account. Teachers or prospective teachers who have taken the first course are given preference in appointments. That course is highly propagandist, and the value of propagandist teachers, especially in the country, for co-operation, development of agriculture, social and rural hygiene, the *bonifica integrale* of the countryside, is inestimable. The writer was present at a lecture on rural hygiene, in a beautiful hall of the Institute lit by magnificent bronze chandeliers. (The Institute is housed in an old palace.) At least 95 per cent. of the class in question (numbering perhaps a little over a hundred) were ladies, mostly young, schoolmistresses, actual or prospective. The number of students at the Institute is rising from year to year. In 1924 there were 76; in 1925, 81; in 1926, 78; in 1927, 84; in 1928, 91; in 1929, 101; in 1930, 127; and in 1931, 222.¹

¹ Cf. *Programmi Dei Corsi per l'Anno Accademico, 1932-33, p. 3. Istituto Superiore per la Cooperazione, Roma.*

CHAPTER XII

CONCLUSION

WE have finished the main part of our study. We have reviewed the details of the primary societies, their federations and the *Ente*. It now remains to examine some general questions relating to those bodies. Recent events have made our task in this respect much easier, as they obviate the necessity for an elaborate disquisition on our part of principles and theories. To complete the task that we set ourselves in the Introduction our investigation may turn on the following questions :

1. How does Italian Co-operation stand in the light of orthodox co-operative principles?
2. How does the organisation stand in the light of present-day practice and economic requirements?

We shall endeavour to answer the first question first.

The International Co-operative Congress of Vienna, in 1930, requested the Central Committee of the International Co-operative Alliance "to appoint a Special Committee to inquire into the conditions under which the Rochdale Principles are applied in various countries and, if necessary, to define them."¹ The Central Committee entrusted the task to the Executive of the Alliance. The latter body,² co-opting as members Dr. A. Suter (Switzerland), Mr. M. Rapacki (Poland), Dr. G. Mladenatz (Roumania), Professor P. Salcius (Lithuania), Mr. J. Ventosa Roig (Spain), Dr. J. P. Warbasse (U.S.A.) and Mr. E. de Balogh (Hungary),

¹ Cf. *Agenda of the Fourteenth International Co-operative Congress at London*, 4th to 7th September, 1934, p. 123.

² The composition of the Executive Committee was as follows: President: Mr. V. Tanner (Finland); Vice-President: M. E. Poisson (France); Members: Mr. R. A. Palmer and Sir Robert Stewart (Great Britain); Mr. V. Serwy (Belgium); Mrs. E. Freundlich (Austria); Mr. A. Johansson (Sweden); Mr. E. Lustig (Czechoslovakia); Mr. I. A. Zelensky (U.S.S.R.); General Secretary: Mr. H. J. May.

formed a Special Committee to carry out the mandate of the Vienna Congress.¹

The Special Committee caused research to be made, which was undertaken with great care by the General Secretary of the Alliance; sent out an elaborate questionnaire to all the countries of the world; met at Strasbourg, Prague, Geneva, Barcelona, Brussels, Vienna and Miramar d'Estérel to deliberate on the material gathered;² and finally, after careful examination of the evidence at their disposal, came to the conclusion that the following are the Fundamental Principles of the Rochdale System of Co-operation: 1. Open Membership. 2. Democratic Control. 3. Dividend on Purchase. 4. Limited Interest on Capital. 5. Political and Religious Neutrality. 6. Cash Trading. 7. Promotion of Education.³ They added "that the observance of Co-operative Principles depends on the adoption and practice of the first four of the seven principles" and that the remaining three, "while undoubtedly part of the Rochdale System, may be regarded as essential methods of action and organisation, rather than standards, the non-observance of which would destroy the co-operative character of the Society."⁴ It is important to note these pronouncements, coming as they do from such a representative, able and painstaking Committee.

It is true that the Committee decided to confine their findings to the Consumers' Societies of Distribution, "leaving the other groups, viz. Wholesale Societies, Industrial and Agricultural Producers, Credit Societies, Co-operative Banks, etc., for later and separate treatment."⁵ But no test of co-operative orthodoxy greater than the seven principles and two further basic principles and two counsels (to be reviewed presently) could be applied. We shall, therefore, examine even agricultural co-operation in the light of the said principles and counsels.

The first principle is of Open Membership. We saw in the chapter on Legislation Governing Co-operation that this principle is, subject to some restrictions, prescribed and

¹ See p. 131, note 1.

² *Op. cit.*, p. 147.

³ *Ibid.*

⁴ *Op. cit.*, p. 146.

⁵ *Op. cit.*, p. 146.

enforced by law in Italy. Similar restrictions are to be found in all co-operative movements.

Democratic control and administration, with "one man, one vote," are to be found in all Italian co-operative societies, agricultural as well as non-agricultural and in their federations. We have examined this in detail.

Dividend on Purchase is allowed in the Consumers' Societies, and the principle is applied, *mutatis mutandis*, in agricultural societies. We saw this also in the respective chapters.

Limited Interest on Capital at a rate not exceeding the legal rate for the country is enforced by law in all societies. The only exception is in the rural credit societies, where no limit for the rate of interest is fixed. But the allocation of surplus and the application of interest (so as to complete the maximum shareholding of 30,000 lire per member) in the said societies are subject to such restrictions, as we saw earlier, that the chances of members drawing any interest at all are remote.

The principle of Political and Religious Neutrality was the one most heatedly debated at the London International Co-operative Congress. The Report of the Special Committee also says that none of the subjects included in the questionnaire received fuller attention from the forty-five National Organisations which replied. The subject is so important that we shall quote extensively from the Report. On the question of the application of strict neutrality as regards (a) admission of members, (b) election of committee and officers, (c) societies' activities, the replies brought out the following information: "The strict observance of this principle is claimed by forty-one Organisations, and one does not reply. Centrosoyus, Moscow; Det Kooperative Faellesforband i Danmark; state they are not neutral in politics; and 'Konkordia,' Switzerland, indicates that it is not neutral in religion."¹

On the question of affiliation with any political party "thirty-nine Organisations declare that they have no organic relation with any political party. Of the remaining

¹ Cf. *op. cit.*, p. 135.

six, Austria, Belgium, Det Kooperative, Denmark, acknowledge close relations with the Socialist or Labour Parties, while the British Union has organised a political party of its own. *Centrosoyus* answers the question in the negative and explains that the Communist Party only accepts individuals.¹ In Yugoslavia the Consumers' Societies are affiliated with the Socialist Party and the Credit Societies with the Christian Socialist Party."²

In Italy politics are to be left out of co-operative societies. Nothing against, or inconsistent with, Fascism would be tolerated in co-operative societies, or, indeed, in any other Italian organisation of any kind. Earlier in this work we saw what was the state of Italian Co-operation when there was political freedom. Can true co-operators wish for a relapse into that state?

The principle of Cash Trading cannot be applied to agricultural societies for reasons already stated when dealing with them. In agricultural societies the trading is chiefly in production goods. In Consumers' Societies the principle has been discarded by the best movements like the British as incompatible with modern conditions.³ In Italy there is credit trading, and efforts are being made, as in all sound movements, to limit it to lasting goods like furniture.

¹ In this connection it is interesting to know what Leslie A. Paul says in his recent book *Co-operation in the U.S.S.R.*, p. 29: "But the higher one goes in the movement, the greater is the percentage of Communists in key positions, and the general leadership of the Co-operative Movement is in Communist hands; inevitably, of course, when it is a Marxist Organisation functioning in a Marxist State. Without Communist leadership, under Russia's peculiar conditions, the Co-operative Movement would be a fumbling, hesitating thing, a safe hole for the timid and the counter-revolutionary."

² Cf. *Agenda* quoted, pp. 135 and 136.

³ It is a well-known fact that private trade sells on credit in increasing measure, and co-operative societies to hold their own have to follow suit. There can be no serious objection to this provided that the following three main conditions are observed: (1) That credit does not lead members to live beyond their means and to be less thrifty—this is the most important condition from the co-operative point of view; (2) that it does not create bad debts for the society; (3) that it does not unduly immobilise the society's capital. The last question does not arise if suitable interest is taken into account when fixing credit prices and the society is not short of funds. In practice it has been found in well-managed societies that credit sales in one department lead to increased cash sales in other departments. Therefore, if capital is immobilised on one side, its circulation is quickened on other sides.

As regards the seventh principle, we have reviewed already the very extensive organisation for co-operative education in Italy.

Two other basic principles, not expressly included in the Rochdale Rules, were declared by the said Special Committee to be necessary for the genuineness of the Co-operative System. They are: 1. Trading exclusively with Members. 2. Voluntary Co-operation. The first is not largely observed in International Co-operation. "Eight National Organisations in five countries state that their rules and practice provide for the exclusion of non-members' trade, while thirty-five Organisations in thirty countries admit the practice to an extent which varies from 0.2 per cent. to 83.7 per cent. of the annual business of the Societies."¹ It should be noted that Non-members' Trade in International Co-operation is increasing. The percentage for the three-year period ending in 1929 was from 0.2 to 75.² In Italy a judicious amount of non-member trade is allowed so as to induce people to join the society. The principle of Voluntary Co-operation is strictly maintained in Italy in the primaries, in the national Federations and in affiliation with the *Ente*, as we saw in the relative chapters.

Besides the essentials, the Special Committee suggested what might be called "counsels of perfection." They are: 1. Endeavour to sell below prevailing market prices. 2. Build up indivisible collective assets. As regards the first, we have seen that Italian co-operative societies help to keep down and to stabilise prices even of private trade. In some cases they have gone too far in this respect at the expense of dividends and reserves. The observance of the second counsel, that is, the building-up of indivisible collective assets, is demonstrated by the details of the primary societies already examined.

It should be noted that the Report embodying the principles which we have been reviewing (and the extent of the application of which in Italy we have seen) was not adopted, but was referred back, by the London International Co-operative Congress, for further consideration. The chief

¹ Cf. *Agenda* quoted, p. 142.

² *Ibid.*

stumbling-block was the political neutrality question. The Committee of the International Co-operative Alliance has made it clear that political neutrality does not mean impotence to take political action to defend the interests of Co-operation. But the co-operative organisations of some countries wish to go further and to identify the movement with a particular class or party, the inevitable consequence of which is antagonism with other classes or parties. I have endeavoured earlier in this work to show that this is not in accordance with the Rochdale principles. Moreover, contemporary history shows the danger of such alliances, and ominous signs are not wanting that history may repeat itself.

We come now to the second question: How does the Italian organisation stand in the light of present-day practice and economic requirements?

The primary societies and their federations follow, as we have seen, more or less orthodox lines, and the question now is about the *Ente*. The *Ente*, as already stated, is not an orthodox co-operative body; it is rather a semi-official agency, charged with the co-ordination of the various branches of Co-operation among themselves and with other national interests in the "planned economy" of the Corporative State. Is the *Ente* justified by modern practice?

We have already spoken of the Polish Co-operative Council. In Russia "central and local co-operative councils exist to co-ordinate the manifold activities of the various consumers' and producers' co-operatives and to provide for their economic interlocking. . . . Centrosoyus has its own planning department, which is subservient, as are all other economic organs, to the plans of the Supreme Economic Council."¹ In Catalonia "there has been created a Higher Council of Co-operation to which has been given power to follow closely and to control all the co-operative manifestations; the majority of this Council is composed of the representatives of the various groups of societies and forms a consultative organ of the Government, and even Executive

¹ Cf. Paul, *Co-operation in the U.S.S.R.*, p. 92.

in some respects; it may order and even make inspections, apply penalties such as fines, and, if necessary, administer societies during the time necessary to correct any grave errors in which they may have been labouring. Notwithstanding this, it may not be said that the law aims at interfering with the working of the societies, which have full liberty of action.”¹ Does Italy go further than Poland, Russia and Catalonia? Polish, Russian and Catalanian co-operative organisations were officially represented at the London International Co-operative Congress.

We come now to the second part of the second question: whether justification can be found for the Italian organisation by the economic conditions of the world to-day. The Central Committee of the International Co-operative Alliance in its Report, which was adopted by an overwhelming majority at the London Congress, discusses the economic situation. It recognises that throughout the world the *laissez-faire* policy is giving place to “planned economy.” It recognises also that this change is not a passing phase, but that it is likely to be permanent. In these circumstances, in order to fit in Co-operation with a modern necessity, it declares that there is “no serious inequality involved to the Co-operative Movement being included in a scheme of national planning, provided always that the regulations of the State do not differentiate between co-operation and competitive enterprise, but impose their restrictions on each impartially in the truly national interest, that is, for the benefit of the whole population.”²

Now the principle contained in that declaration of the Central Committee was publicly expressed by Signor Mussolini on the 11th November, 1928, when addressing 20,000 leading co-operators assembled in the Colosseum he said: “In the present moment, so varied and so complex, there is room for all activities, and as the great industry does not exclude the small and the medium industry and does not exclude the artisan; similarly in the whole of production

¹ Cf. *La législation coopérative de la Catalogne*, p. 5. Generalitat de Catalunya, Département d’Economie et d’Agriculture, Barcelona, 1934. This is an official publication which was distributed *gratis* at the London International Co-operative Congress.

² Cf. *Agenda* cited, p. 73.

there is room for private enterprise, for State enterprise and likewise for co-operative enterprise." ¹

That speech has been implemented by action. Co-operation is not only not being differentiated against, but it is actually being favoured. Beginning with the societies of agricultural labour and cultivation, we saw that the Ostia society, for instance, had obtained in perpetual emphyteusis and at a very favourable rent lands which the society had reclaimed, and the permanent and advantageous tenure of which had been denied by the old régime for nearly forty years. It had been given plentiful Government credit at the low rate of 2½ per cent. per annum, and special facilities for public contracts. The Ostia society is not alone in this respect; other societies have been accorded similar treatment.

We saw that a special institution, called the *Ente Finanziario dei Consorzi Agrari*, had been created to give credit facilities to the collective purchase and marketing societies; that the societies had been given an important place in the national Wheat Campaign and in the marketing of other products; and that, thanks to Government support, they acted as moderators and stabilisers of prices in general. We saw that co-operative processing societies were, if necessary, considered as undertakings of public utility, and were given credit and other facilities accordingly. Rural and agricultural credit societies had been placed on a sound basis and given the practical monopoly of their field. The cattle insurance societies were given special fiscal privileges and actively encouraged and helped.

The *Federazione Italiana dei Consorzi Agrari*, the agricultural wholesale, had been given national importance, and at the express desire of the *Duce* himself had been brought to Rome, so as to be in close touch with the Government departments. The turnover of its various departments in 1933, as compared with 1932, showed increases ranging from 20 to 100 per cent. Proper legal constitution, systematic accountancy and sound management of all societies

¹ Cf. *La Cooperazione nell' Italia Fascista*, pp. v and vi. Istituto Superiore per la Cooperazione, Roma.

had been enforced. Much-needed unity had been imparted to the movement. The extensive organisation of co-operative education, which could not have been dreamt of by the old warring movement, would alone be a great recommendation for the new organisation.

We have dealt only with agricultural co-operation, and the question may be asked: What about the other forms of co-operation? The principles applied to those other forms are the same. By those other forms also the régime seeks the economic and the social uplift of the humbler and the weaker. A recent survey¹ made by Karl Walter shows that they are all being encouraged and favoured. The present writer, when in Italy, made careful inquiries from very responsible and impartial persons regarding consumers' societies, and the information obtained was that even until recently some individuals working in the interests of capitalists had been injuring the distributive societies, but that the Government, as soon as it came to know of their doings, promptly removed them. In the law that prohibits the opening of new retail shops an exception is made in favour of co-operative stores. It is the aim of the régime to reserve retail distribution in new towns, like Sabaudia and Littoria, for Co-operation.

I have endeavoured faithfully to record the facts, and the reader will draw his own conclusions. If Co-operation is to be above class and party, if it is to be a real, all-embracing international force, it behoves co-operators to study the movements of other nations objectively, and to judge them dispassionately. It is only in that way that International Brotherhood and Peace and the Co-operative World Commonwealth can be brought any nearer to realisation. Should this work contribute in the smallest measure to further that end and to serve students and organisers of agricultural co-operation, the writer's labours will not have been in vain.

¹ Cf. *Co-operation in Changing Italy*.

APPEN-

SOCIETÀ COOPERATIVA AGRICOLA FRA

BALANCE SHEET,

LIABILITIES

	Lire.	Lire.
1. <i>Share Capital</i>	48,300·00	
2. <i>Reserve Fund</i>	34,944·55	
3. <i>Provident Fund</i>	7,301·65	
		90,546·20
4. <i>Creditors :</i>		
Various under various heads	165,304·21	
Building Co-operative	1,277·15	
Improvement Work Squads	101,649·18	
Various Suppliers	236,937·29	
<i>Ministry of Agriculture :</i>		
Capital	2,381,800·00	
Interest	26,878·06	
	2,408,678·06	
<i>National Bank of Labour :</i>		
Sums received	156,196·75	
Interest and Charges	13,293·25	
	169,490·00	
5. <i>Bills Outstanding</i>		3,083,335·89
		31,066·70
		3,204,948·79
Net Profit for the year		1,368·96
Total Liabilities	Lire	3,206,317·75

DIX

OPERAI RAVENNATI DI OSTIA

30th September, 1933

ASSETS

	Lire.
1. Buildings with Improvement Works	2,558,175·70
2. Dead and Live Stock	231,282·00
3. Advances for cultivation	42,591·10
4. Debtors :	
Various under various heads	40,922·48
Workers' Co-operative	5,494·54
Consumers' Co-operative	35,018·33 ¹
	81,435·35
5. Society's Deposits (Guarantee)	1,300·00
6. Banks, Current Accounts :	
<i>Credito Marittimo</i>	34·00
National Bank of Labour.	50·00
	84·00
7. Cash in hand	55,070·38
8. Ministry of Agriculture A/c Aqueduct : ²	
Amount of Contract	266,000
Less 25% borne by Society	66,500
	199,500·00
9. Losses of Previous Years :	
Year 1930-31	5,961·84
Year 1931-32	30,917·38
	36,879·22
Total Assets	3,206,317·75

¹ This sign of co-operation between Producers' and Consumers' Societies should be noted.

² This was being built by the Society itself to supply Ostia with drinking water. The Society paid 25 per cent. of the cost. Under the scheme of *bonifica integrale*, the integral betterment of the countryside, the Government provides up to 75 per cent. of the cost for the provision of rural water supply.

SOCIETÀ COOPERATIVA AGRICOLA FRA
OPERAI RAVENNATI DI OSTIA

EXPENDITURE AND REVENUE ACCOUNT, 1932-33

EXPENDITURE

	Lire.
1. Loss on Water-melon crop	13,529.50
2. Loss on Potato crop	10,891.17
3. Loss on Barley crop	7,666.47
4. Loss on Cattle Farm	3,713.63
5. General Works	34,792.65
6. Expenses of Administration	127,413.71
	198,007.13
Total	198,007.13
Sundries	10,177.09
	208,184.22
Total Expenditure	208,184.22
Surplus for the year	1,368.96
	209,553.18
Total	Lire 209,553.18

REVENUE

	Lire.
1. Rent of Land (net)	53,642.33
2. Rent on Colonists' Houses	58,145.00
3. Revenue of Machinery Station (net)	19,576.59
4. Society's Cultivation :	Lire.
Wheat	24,489.88
Oats	259.60
	24,749.48
5. Surplus Stock	18,859.40
6. Commissions and Discounts	17,783.28
	192,756.08
7. Sundries	16,797.10
	209,553.18
Total Revenue	Lire 209,553.18

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