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REPORT OF  
THE (INQUIRY ON)  
COOPERATIVE  
ENTERPRISE  
IN  
EUROPE  
1937

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WASHINGTON, D. C., 1937

**INQUIRY ON COOPERATIVE  
ENTERPRISE**

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## INQUIRY ON COOPERATIVE ENTERPRISE

1734 NEW YORK AVENUE NW.

WASHINGTON, D. C.

FEBRUARY 19, 1937.

The PRESIDENT, *The White House.*

DEAR MR. PRESIDENT:

We have the honor to submit to you the report of this Inquiry on Cooperative Enterprise in Europe. This is based upon 2½ months' work in Europe and a considerable examination and analysis of a large quantity of printed informational and statistical material which we brought home with us.

We feel that there is a unique quality in the thoughtful observations and comments made by the large number of people we talked to about cooperative enterprise, its place in the State and the economic structure, and in the life of the people. Parts I and III, The Methods and Relationships of Cooperative Enterprise (descriptive of the way cooperatives work, their relations to agriculture, labor, the State, etc.); Cooperation at Close Range (a simple description of a number of local societies—Basle, Drinagh, Liverpool, etc.); and the section, Growth of Cooperative Enterprise in Europe, which is appended, are made up of material drawn from our interviews and conversations and the printed literature. While the members of this Inquiry have felt themselves in full understanding of each other and in agreement on all of the fundamental facts that surround cooperative and related enterprise, we have felt it would be useful to present individual memoranda, which are included in part II, The Meaning of Cooperative Enterprise in America.

For quick reading, the Introduction at the beginning and part II presents in brief form the observations of the Inquiry in Europe and the individual views of the members as to the significance of those observations here.

Yours very sincerely,

JACOB BAKER.

LELAND OLDS.

CHARLES E. STUART.

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## **THE SCOPE AND METHOD OF THIS INQUIRY**

IN MAKING this Inquiry on Cooperative Enterprise in Europe, we endeavored to make a broad survey of fact and opinion, indicating the present status and extent of cooperative enterprise and its effects on the national economy and welfare of the countries we visited.

Though we gave our attention to all forms of cooperative enterprise, we found consumer organizations more widely extended than farmers' marketing and purchasing organizations, or industrial workers' productive organizations. This report deals mainly with consumer cooperative enterprise, except where the context shows otherwise. In any community the same people are likely to participate in several different kinds of cooperatives.

Cooperative enterprise, like any other human institution, is not fully revealed in statistical tables. Our report includes these; it also includes an account of more human factors.

The members of the Inquiry, sometimes altogether, sometimes singly or in twos or threes, went from place to place in England, Scotland, Ireland, France, Switzerland, Czechoslovakia, Denmark, Norway, Sweden, and Finland, visiting cooperative institutions, talking to employees and executives, and observing as far as possible the actual operations. In the same way the members visited and interviewed a wide range of other people who were in a position to know something about cooperative enterprise, or to interpret its effect on the nation.

Our initial contacts in each country were usually with government officials, including cabinet ministers, who were in a position to appraise the place of cooperative enterprise in

the life of the nation. Major industrialists and bankers, business men (including store owners who were in competition with cooperative enterprise, as well as those who had no competitive relationship with them), and consumers all talked with us freely from their widely varying viewpoints.

Immediately after each interview, essential points were noted. From these notes this report is largely drawn. Statistical facts were secured from cooperative sources, and checked as far as possible with official governmental records.

Our Inquiry was directed to the following matters, chiefly of fact, but partly of opinion:

1. How do European cooperatives work?
2. Their origin, history, and growth.
3. Their consumer policies.
4. Their labor policies.
5. How they differ from private business on the one hand, and from governmental and municipal enterprise on the other.
6. Their political attitudes.
7. Their relations with and effects upon government, agriculture, and private business.
8. Their influence on the national economy.

Added to these were the questions: Is European cooperative experience peculiar to European conditions; can its history there be expected to repeat itself in the United States; if so, would that be economically and socially desirable; and should it be stimulated by government financial or other aid?

European data alone are of course insufficient for a determination of domestic policies. The applicability of European data to conditions in the United States is open to individual

interpretation. What people may finally think about the future of the cooperative method will be linked with their views as to the economic, political, and social destinies of mankind.

The main body of this report does not undertake to answer any such far-reaching questions, but rather to give information which may be of use to those who are forming their own opinions on cooperative enterprise.

Expression is given to the individual views of the members of the Inquiry in the final section of this report.

The members of the Inquiry wish to express their gratitude to all who gave them help in their mission: To United States diplomatic and consular officials, and commercial and agri-

cultural attachés, who arranged interviews with care and foresight; to the government officials, businessmen, and university professors, who gave so generously of their time and thought; to the staff of the International Labor Office, who were very helpful; to the officials of the cooperatives, both consumers' and agricultural, and of labor organizations and kindred groups, who placed their information so freely at our disposal; to those members of the staff of the Consumers Project, United States Department of Labor, the Self-Help Cooperative Division of the Federal Emergency Relief Administration and the Information Service of the Works Progress Administration who assisted in the organization and preparation of this report.

# *Part One*

**COOPERATIVE ENTERPRISE IN EUROPE**

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**THE METHODS  
AND RELATIONSHIPS  
OF COOPERATIVE  
ENTERPRISE**

**I**T IS INTENDED in this part to explain how cooperatives are built up, to describe the way in which they work, their distinctive methods of operation, their major accomplishments, and to present their relationships to other parts of the community and the Nation.

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# Chapter I

## COOPERATIVE ENTERPRISE: INTRODUCTORY SUMMARY

FROM time to time stories come to this country about a new way of doing business in Europe—a “middle way” that is said to cure the ills of the old economic order without resorting to new and uncertain experiments in changing the form of government.

What has cooperative enterprise accomplished in Europe? What is its significance to us here in America?

Is it an economic device that will usher in a new era under the banner of democracy? Or is it merely another of those fearsome European “isms” against which we should quarantine ourselves?

In an effort to find the answers to these questions, members of this Inquiry visited cooperatives in 10 countries,<sup>1</sup> talked with members, employees, and executives, as well as with government and labor officials, economists, and private bankers and business men.

We visited the spot in Ireland where a Catholic priest and a Protestant preacher had worked side by side to lay the brick that became a cooperative creamery. Irish farmers who not long before had been shooting at one another sat at the directors' table guiding the destinies of a business that runs well over half a million dollars a year.

We sat around the table with a group of former working men who direct the English Cooperative Wholesale Society and listened to them talk calmly in terms of hundreds of millions of pounds, of great tea plantations in India, of fleets of boats and acres of factories which whittle

down the cost of the English cooperator's food and clothing.

We heard the tale of another cooperative wholesale (Scotland) which is so well financed that it underwrote a bond issue for the city of Glasgow when the terms of the Bank of England seemed too onerous.

In Sweden we listened to stories of cooperative “trust-busting”; of monopolistic Goliaths slain by the sling shots of the cooperative David.

Elsewhere we gave attention as cooperative leaders told of dreams of a cooperative commonwealth that would abolish profit while consumer cooperators inherited the earth.

We heard cooperators condemn private business and private profit; we saw them sometimes buying stock in private corporations and distributing to their own members the profit made from these investments.

We talked with private business men, with bankers and government officials, with others outside the cooperative movement, most of whom regarded cooperation as a substantial and permanent part of the national economy.

We saw some cooperatives that were financing and influencing the action of political parties; while most of them shied away from politics as a source of danger to the movement.

We saw amazing cooperative stores that were setting new standards in merchandising; other cooperators discussing seriously the menace of the new multiple shop (chain store) invasion; still others that were adopting the good and the bad indiscriminately from private experience.

From the things we learned and the figures we

<sup>1</sup> England, Scotland, Ireland, France, Switzerland, Czechoslovakia, Norway, Denmark, Sweden, and Finland.

gathered could be woven an Aladdin tale of cooperative success. From a different selection of material could be built a story of cooperative blunders and mistakes and class antagonism.

It has been our task to try to tell the story fairly, to picture accurately a movement that has its full share of human errors, but that has brought new hope, new pride of ownership, higher standards of living, to a substantial portion of the people of western Europe.

#### WHAT IS COOPERATION?

Whenever people join together in a mutually helpful undertaking, that is cooperation. The cooperative movement in Europe is that same helpful joining together on a more permanent basis, in an organization by which cooperators supply themselves at cost with the things and services they need. While a few dream of creating a new state of society, most of them are working away to solve practical business problems. The ownership is different from that of private business; the job is done in much the same way.

Two things make the policy of cooperatives different from that of private business. In private business, in its usual corporate form, each share of stock has a vote. In a cooperative each member has a vote, and only one, no matter how much stock he may own. (And the amount he may own is usually limited.) In private business the profits are distributed to the stockholders. In a cooperative the profits (after paying a small fixed interest to the shareholders and setting aside a percentage for reserves) are distributed to the members in proportion to their patronage.

There are additional principles of cooperation that distinguish it from other ways of doing business, as explained in chapter III.

#### WHAT COOPERATIVES DO

This report deals mainly with consumer cooperatives—those institutions which supply consumer needs by distributing goods at cost, and frequently by making or importing the goods they distribute.

There are other kinds of cooperative enterprise in Europe, notably farmers' purchasing and farmers' marketing societies. The former operate much like the consumer cooperatives except that their business is limited chiefly to goods used in operating the farm—feed, fertilizer, etc. The latter are formed to sell the products of their members more efficiently and for higher prices. As a means to that end they often grade, standardize, process, export, and sometimes retail their products. There are also workers' productive societies in manufacturing or construction, owned by their workers; housing, credit, banking, and insurance societies. In parts of Europe one who is imbued with the cooperative spirit or interested in saving money may even have a cooperatively purchased funeral service, while his wife tides herself over with his cooperative insurance.

#### COOPERATIVE OBJECTIVES

While cooperatives generally stick rather closely to the fundamental principles referred to, and while they all have as a fundamental purpose the saving of money for their members, they differ widely in some of their general aims and policies.

English and Scottish consumer cooperatives look toward the ultimate abolition of private profit; to the establishment of a cooperative commonwealth in which all business will be done by consumer cooperatives, or divided between the cooperatives and the state—a set-up of society in which all national income (except for a small fixed return on capital) shall be paid to workers in wages and salaries, with all profits accruing to consumers in the form of lower prices.

In Sweden an important aim of consumer cooperatives is to be a price yardstick; to do enough business to insure fair prices to consumers. Swedish cooperators believe that competition is better than even a cooperative monopoly. They desire to define the terms of competition by doing enough retailing and manufacturing to make price fixing by private monopoly impossible. Monopoly, they say, can

be controlled much more effectively by cooperative competition than by antitrust laws.

Swiss consumer cooperators have much the same objective, except that it is confined more to the retail field. They do not desire to eliminate private enterprise. They do not consider it unholy. They are even in partnership with it in the business of meat slaughter and distribution.

In many countries consumer cooperation is basically an urban workers' movement. In Denmark farmers make up the bulk of its membership. In Sweden, its workers membership is being supplemented by rapid additions from farmer and white-collar classes. In Finland there are two groups of consumer cooperatives, one composed chiefly of farmers, the other chiefly of urban workers. In Switzerland cooperation is less a class movement than in any other country, its membership being a cross section of all classes.

#### COOPERATIVE MANAGEMENT

When a cooperative is small, practically all the members feel that they have some share in running it, and almost all of them have to assume, at one time or another, some responsibility for it. The society has a management committee corresponding to the board of directors of a joint stock company. In addition to this central directing committee, there are committees concerned with educational activities, with labor policy, with goods selection, and with other matters. The membership of these committees changes from time to time, and practically every member who has any interest in how his business is run has a chance to help run it. In such work the members develop a special loyalty to the business, which is characteristic of the cooperative method.

#### COOPERATIVE MERCHANDISING POLICIES

Consumer cooperatives in Europe grew up during a period when private retailing was inefficient. They set new standards of efficiency, reduced costs, and set standards of quality. Only recently have they faced much chain-store com-

petition. It is too soon to forecast the results of this. It is causing cooperators some worry. In England chain-store business is growing more rapidly than that of the cooperatives. In Switzerland, cooperatives are holding their own in face of the keenest kind of chain-store competition.

Cooperatives keep down retail margins by low capital costs, large volume of trade, lower executive salaries, standardized goods, and mass buying. In some countries favorable tax laws give them a competitive advantage.

#### COOPERATIVE RELATIONSHIPS

Consumer cooperatives as a rule pay higher than going wages to labor, require shorter hours, and are more liberal with vacations and sick leaves. Cooperative stores in general pay workers 10 to 15 percent more than the going rate, and pension their old workers. Most cooperatives employ chiefly union workers, have collective agreements, and arbitration boards which handle the few labor disputes that arise. In general, there is a close relationship between organized labor and consumer cooperatives.

English and Scottish consumer cooperatives have not been getting along very well with farmers. In Sweden and Switzerland, where the philosophy of consumer cooperation is somewhat different, there is relative peace on the farm front. Occasional jurisdictional conflicts have been settled in Switzerland by joint ownership of processing plants; in Sweden by an agreement (in principal) that consumer cooperatives should do the retailing and farm cooperatives the processing.

European governments in the countries we visited are generally friendly to cooperative enterprise. They regard it as a stabilizing influence. It creates a pride of ownership in cooperative members that makes them better and more intelligent citizens; gives them a more definite part in the nation's economic life, and experience in running their own business. Themselves members of a democratic organization, they become stronger supporters of democracy in government.



Cooperatives have not received many special privileges from government. Some access to government credit, some exemption from taxes on plowed back surpluses, some subsidy to cooperative education—that is about all.

In all countries consumer cooperation has become an established part of the business life of the nation. Private business has not been ruined by this new competition. It has adjusted itself to cooperative competition and has learned some things from cooperatives to its benefit, just as cooperatives in turn have learned from private business.

In most countries cooperatives are neutral in politics. In England and Scotland they contribute to the Labor Party and also support their own Cooperative Party. In Czechoslovakia the store managers are often party leaders and the stores centers of political propaganda.

#### ENCOURAGEMENT OF THRIFT

An outstanding cooperative accomplishment is the encouragement of thrift among a class of people who ordinarily save little. It is easier to save when sizable amounts of money are paid back regularly in patronage refunds. The prevailing cash purchase policy of cooperatives is a stimulus to thrift. Cooperative education in family buying and budgeting also helps. So does the fact that losses of savings deposited with cooperatives are almost unknown. The larger cooperatives have become great savings institutions.

In England and Scotland particularly, members are urged to leave their patronage refunds with the cooperatives. After they have bought shares up to a maximum limit, further savings go into loan capital at a lower rate of interest. In practice both loan capital and share capital can be withdrawn on demand. During the depression, cooperative shares were almost the only securities in Great Britain which did not depreciate in value.

#### EDUCATIONAL WORK

Another activity of which cooperatives are proud is their educational program. Many of

them set aside a definite percentage of earnings for this purpose. Principal educational projects are:

1. Cooperative propaganda directed to the general public, to explain cooperative objectives and to secure new members.
2. For the members, to secure a larger portion of their patronage, to teach them to buy more intelligently, and to help them understand the principles of cooperation.
3. For employees, to make them more efficient, and to train future executives from their own ranks.
4. Special programs for women (family budgeting, child nutrition, etc.), and social activities for young people.

Added to the formal cooperative educational efforts is the educational effect of having a large part of the population working on cooperative committees, participating actively in a business of their own.

#### COOPERATIVE ACCOMPLISHMENTS

Chief consumer cooperative accomplishments in Europe are:

1. Reduction in costs of retailing with advantages accruing to consumers, thus making possible more saving and higher standards of living, and contributing to economic stability.
2. Promotion of thrift; increasing economic security of members.
3. Education in intelligent buying, family budgeting, and general economics.
4. Better citizenship, the result of widely diffused ownership of an important democratic business enterprise.
5. Effective control of monopoly by cooperative competition.
6. Comparatively high labor standards.

#### COOPERATIVE PROBLEMS

Among the important problems not yet fully solved by some or all European cooperatives are:

1. Securing a larger percentage of the trade of their members.
2. Inducing local societies to concentrate their buying more in cooperative wholesale societies.

3. Increasing democratic control by making it easier for their members to vote. (The old "town meeting" voting method does not meet the requirement of large societies.)
4. Improving relations with farmers.
5. Meeting chain-store competition when (as in England) recent legislation has removed the cooperatives' tax exemption on surplus.
6. Holding their own in competition while maintaining trade-union standards.
7. Wise investment of growing surplus funds.
8. Finding out how to adopt the good practices of private business without the bad.

#### WHAT DOES THIS ALL MEAN TO US?

It has seemed that answers to this question can best be given individually by the members of this Inquiry. Fortunately their backgrounds of training and experience vary widely. Their frank individual expressions, given later in this report, if considered in the light of their background, will, we believe, give the reader a balanced and many-sided view that will help him in making up his own mind as to the place cooperative enterprise may fill in America, the advantages to be gained, and the dangers to be avoided.

## Chapter II

### THE TYPES AND EXTENT OF COOPERATIVES IN EUROPE

THE principal kinds of cooperative enterprise in Europe are:

1. Farmers' purchasing societies.
2. Farmers' marketing societies.
3. General-purpose farm societies.
4. Workers' productive societies.
5. Consumers' distributive societies.
6. Housing societies.
7. Utilities.
8. Special-service societies.
9. Credit and banking societies.
10. Insurance societies.

*Farmers' purchasing societies* buy supplies needed by members to operate their farms, such as fertilizer, feed, and machinery. Some are simply informal groups which get together to buy a carload of fertilizer at wholesale prices. Others may build warehouses so that supplies are always available to members. Local purchasing societies often federate into a central wholesale society which can buy in greater volume, and hence at a greater saving. Some wholesale societies save still more by doing their own manufacturing. Some of these purchasing societies also handle goods for the household, and even set up and operate general stores. Some of them handle the marketing of all or part of the products from their members' farms.

*Farmers' marketing societies* are formed to sell their members' products more efficiently and to get higher prices. As a means to this end they usually grade and standardize the products, and often do their own processing and sometimes even their own retailing. Sometimes, as in Denmark, they improve quality and get higher prices by laying down production standards for

their members. Such societies often federate for more efficient marketing, processing, and exporting. Some marketing societies also buy farm supplies for their members. In fact, farmers' marketing societies may become general-purpose farm societies.

*General-purpose farm societies*, common in Ireland, Switzerland, and parts of Czechoslovakia, buy farm and household supplies for their members, and process and market the products raised by them. Typical societies of this kind in Ireland center around a dairy plant. They receive and process milk, fatten chickens, handle slaughtered pigs, live cattle, and potatoes, receive and mill grains, and sell these products to other members or on the open market. They usually operate a store handling farm and household supplies. Some of them, with an eye to future business, pay patronage refunds in fertilizer instead of money.

*Workers' productive societies* consist of groups of workmen who own the enterprise in which they work. They are found chiefly in France, England, and Czechoslovakia.

*Consumers' distributive societies* (sometimes starting as neighborhood buying clubs) operate stores to supply their members with part or all of their household needs. They aim to handle goods of reliable quality, and at low cost. Local societies usually make further savings for their members by federating into wholesale societies. Some of these are very large, and buy in such volume that they get the most favorable prices. Some of them reduce costs still further by acquiring and operating factories. Most of them become custodians of their members' savings. Each

country has one wholesale that serves the entire country, except in Finland, Czechoslovakia, and Switzerland, where there are more than one. In such cases the various federations usually work together in protecting the interests of the consumer.

*Cooperative housing societies* have recently developed extensively in northern Europe. They build and finance houses and apartment buildings for their members, often with the aid of the city or national government.

*Cooperative utilities* build and operate telephone and power lines, buying power at wholesale or generating part or all of it in their own plants.

*Special-service societies* supply their members with such things as burial and medical service,

usually getting favorable terms on contract without much investment.

*Credit and banking societies* accept and invest savings of members, as well as borrowing money (sometimes from the government) to lend to members.

*Insurance societies* provide life, accident, health, fire, livestock, hail, and property damage insurance to members on a mutual basis.

The extent of cooperative membership and business in the countries we visited is shown briefly in the following tables and summaries.

Conclusive statistics on national retail trade are lacking, and the percentages of cooperative retail trade to total national retail trade are estimates from consumer cooperative sources.

TABLE I.—Extent of Consumers' Cooperative Enterprise, 1935

	Population, total	Membership, consumer cooperative societies <sup>1</sup>	Number of societies	Trade of consumer distributive societies <sup>2</sup>	Percent of total national retail trade <sup>3</sup>	Production of consumer enterprise	Trade of central wholesales
Czechoslovakia.....	14, 729, 536	4 817, 731	4 903	4 \$69, 264, 486	2. 7	4 \$8, 205, 738	\$39, 480, 000
Denmark.....	3, 705, 559	354, 000	1, 939	63, 400, 500	.....	11, 205, 135	40, 336, 953
Finland.....	3, 762, 026	517, 763	532	73, 076, 586	25-30. 0	13, 631, 538	41, 637, 794
France.....	41, 228, 000	4 2, 540, 290	4 2, 908	4 233, 544, 330	.....	3, 183, 378	50, 265, 402
Great Britain <sup>4</sup> .....	46, 082, 000	7, 483, 976	1, 118	1, 080, 545, 492	12. 0	354, 442, 375	573, 137, 384
Norway.....	2, 817, 124	138, 557	497	31, 906, 200	.....	4, 477, 200	10, 182, 850
Sweden.....	6, 211, 566	568, 161	719	103, 716, 950	10. 0	26, 337, 265	44, 895, 945
Switzerland.....	4, 066, 400	4 402, 535	4 585	4 94, 299, 933	10-12. 0	21, 408, 462	57, 573, 187

<sup>1</sup> Although there is some duplication of membership, these figures in general may be taken as representing families.

<sup>2</sup> Not including trade in consumer goods by agricultural societies shown in next table.

<sup>3</sup> Estimated. Total national retail trade includes goods not dealt in by cooperatives, such as building materials and automobiles. The cooperative percentage of trade in foodstuffs and other household goods is much higher than shown by these figures.

<sup>4</sup> 1934.

<sup>5</sup> Including Northern Ireland and the Irish Free State.

TABLE II.—Extent of Farmers' Cooperative Enterprise, 1935

	Rural population	Membership, farmers' cooperative societies	Number of societies	Trade of societies			Trade of central federations
				Purchasing for members <sup>1</sup>	Marketing for members	Total trade of societies	
Czechoslovakia .	7, 687, 864	597, 079	5, 376	<sup>2</sup> \$29,248,273	<sup>2</sup> \$58, 496, 550	<sup>2</sup> \$87, 744, 823	<sup>2</sup> \$71, 990, 352
Denmark.....	1, 994, 898	590, 853	5, 182	28, 170, 000	249, 525, 000	277, 695, 000	34, 606, 410
Finland.....	2, 993, 479	366, 134	1, 562	( <sup>3</sup> )	( <sup>3</sup> )	60, 076, 440	25, 195, 350
France.....	19, 616, 000	847, 686	16, 823	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Great Britain.....	9, 216, 400	150, 016	1, 090	( <sup>3</sup> )	( <sup>3</sup> )	54, 119, 154	2, 693, 325
Norway.....	2, 013, 000	<sup>2</sup> 204, 356	<sup>2</sup> 1, 363	( <sup>3</sup> )	( <sup>3</sup> )	<sup>2</sup> 36, 083, 466	5, 277, 453
Sweden.....	2, 484, 626	<sup>2</sup> 395, 474	<sup>2</sup> 1, 541	( <sup>3</sup> )	( <sup>3</sup> )	<sup>2</sup> 54, 412, 800	15, 250, 626
Switzerland.....	2, 828, 624	<sup>2</sup> 362, 927	<sup>2</sup> 6, 136	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	21, 324, 324

<sup>1</sup> Including consumers' goods, as well as farm supplies. <sup>2</sup> 1934. <sup>3</sup> Figures incomplete or not available.

#### CZECHOSLOVAKIA

This young republic has about 17,000 cooperative societies of all types, organized in some 50 federations, of which 6 represent primarily consumer cooperatives and the others include credit societies, rural electrification societies, agricultural purchasing and marketing societies, and some workers' productive societies.

The annual business of consumer cooperatives (plus trade in consumer goods by agricultural societies) amounts to nearly \$100,000,000. This sum, which is not quite 3 percent of the total national retail trade, represents a considerably larger proportion of the total trade in household commodities. Consumers' cooperatives include about 800,000 families, while the membership in the various agricultural societies totals about 600,000. Cooperative marketing of agricultural products amounts to about \$72,000,000 annually. Rural electrification societies had by 1936 constructed 3,900 miles of high-tension lines and served some 50,000 families in 1,720 village areas.

#### DENMARK

The Danish cooperative movement is outstanding for the organization of its farmers into producer cooperatives for processing, domestic marketing, export, and the purchase of necessary supplies. These producer cooperatives control 85 percent of the export of bacon, 49 percent of the export of butter, 83 percent of the import of fodder, and 39 percent of the import of fertilizer. They operate slaughterhouses and bacon factories, dairies, and other processing plants. The total turn-over of agricultural societies amounted to \$278,000,000 in 1935.

The retail trade of the consumer cooperative societies amounts to about \$63,000,000 annually. The gross business of the wholesale society is approximately \$40,000,000, about \$11,000,000 of which represents the value of its own products. The membership represents at least a third of the total Danish population, including practically every farm family but being less well organized in the cities.

The Danish consumers' wholesale society operates factories for the production of margarine, flour, binder twine, etc., while many local societies operate bakeries.

#### FINLAND

In Finland the retail trade of the consumer cooperative societies today represents between 25 percent and 30 percent of the nation's total retail trade, and an even larger proportion of the trade in household commodities. The membership represents over 50 percent of the total population. Consumer cooperation is strongly organized in both town and country and unquestionably controls the bulk of the retail food trade, with important shares of the trade in more general commodities. The total retail trade of the consumer societies amounts to about \$73,000,000 a year. The gross sales of the wholesale societies amount to more than \$40,000,000, and production by the wholesale and retail societies totals more than \$13,000,000 per year.

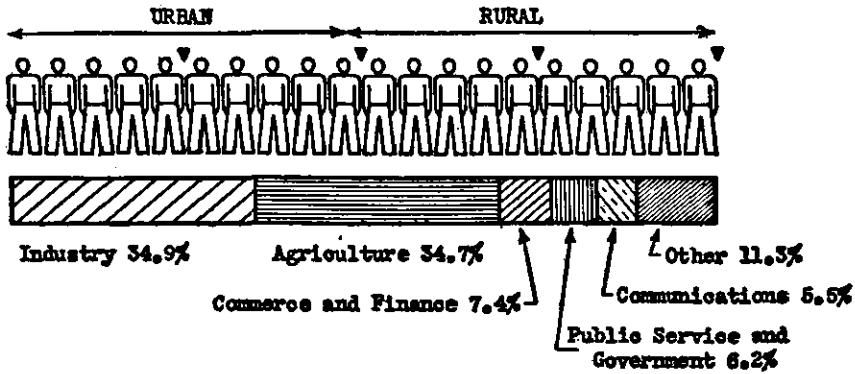
The productive enterprises of the consumer movement in Finland include match factories, a sawmill, brush works, flour mills, and factories for the production of margarine, macaroni, hosiery, underwear, chemicals, fertilizer, sweetmeats, and preserves, and for the roasting of coffee.

The farmers of Finland are also organized in a number of cooperative federations. Cooperative dairies manufacture about 95 percent of the country's butter supply. Cooperative livestock societies have their own slaughter and packing houses. The cooperative egg producers' wholesale handles 38 percent of the Finnish egg export.

A Finnish cooperative farm supply wholesale, with an annual business of \$6,000,000, manufactures and supplies agricultural equipment, and builds creameries, flour mills, saw mills, rural electrification lines, power stations, and rural telephone lines. In 1929 there were 190 rural electrification societies with about 4,000 miles of high- and low-tension lines serving 9,000 rural families.

## CZECHOSLOVAKIA

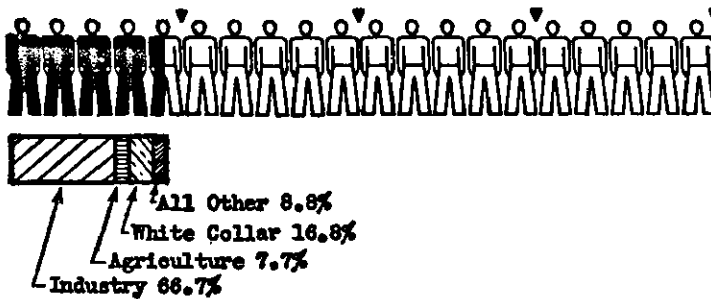
**A - Population and Classification as to Occupation or Source of Subsistence.**



**B - Population and Per Cent Affected by Consumer Co-operative and Agricultural Co-operative Enterprise.**



**C - Population, Per Cent Affected by Consumer Co-operative Enterprise Only and Classification as to Occupation or Source of Subsistence of Membership.**



Each symbol represents 5 per cent of the total population.  
Total population 14,729,556

Represents per cent of population affected by Co-operative Enterprise based on estimated average of four persons per Member Family.

### CZECHOSLOVAKIA

This young republic has about 17,000 cooperative societies of all types, organized in some 50 federations, of which 6 represent primarily consumer cooperatives and the others include credit societies, rural electrification societies, agricultural purchasing and marketing societies, and some workers' productive societies.

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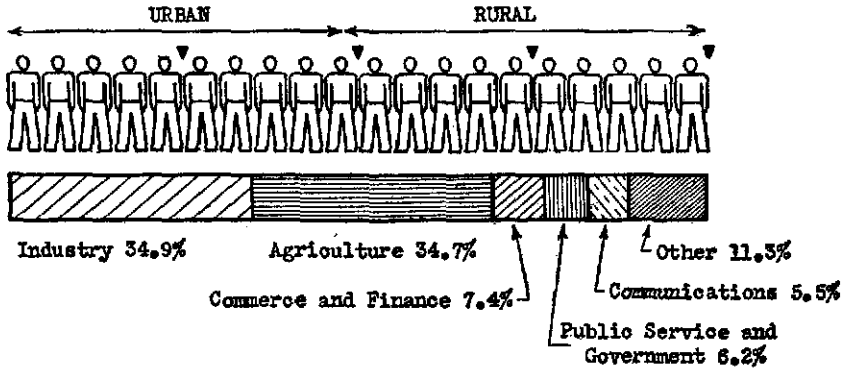
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## CZECHOSLOVAKIA

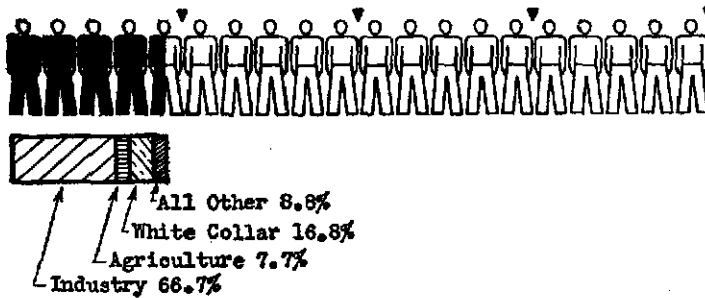
A - Population and Classification as to Occupation or Source of Subsistence.



B - Population and Per Cent Affected by Consumer Co-operative and Agricultural Cooperative Enterprise.



C - Population, Per Cent Affected by Consumer Cooperative Enterprise Only and Classification as to Occupation or Source of Subsistence of Membership.



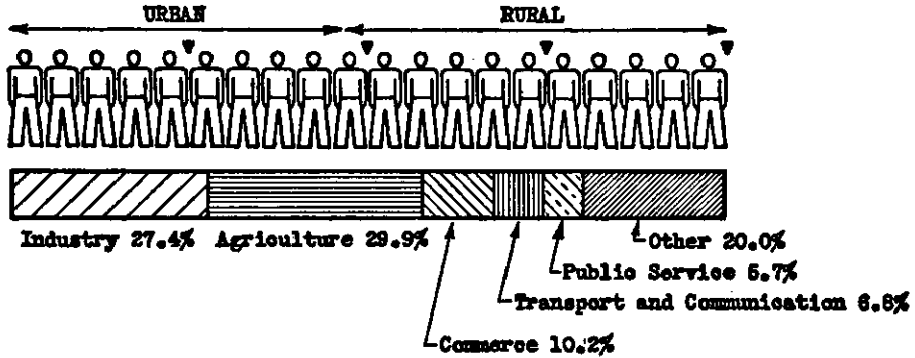
Each symbol represents 5 per cent of the total population.  
Total population 14,729,636

■ Represents per cent of population affected by Cooperative Enterprise based on estimated average of four persons per Member Family.



## DENMARK

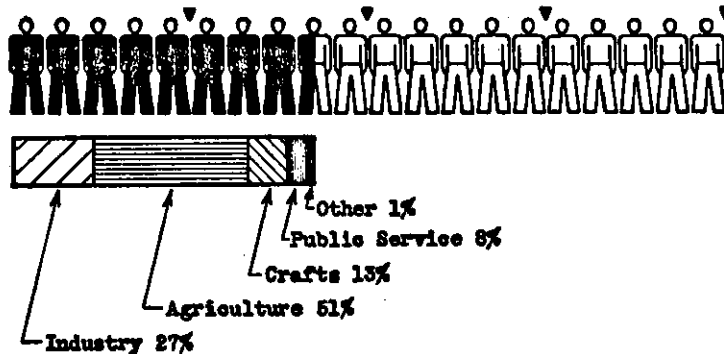
**A - Population and Classification as to Occupation or Source of Subsistence.**



**B - Population and Estimated Per Cent Affected by Consumer Co-operative and Agricultural Cooperative Enterprise.**



**C - Population, Per Cent Affected by Consumer Cooperative Enterprise Only and Classification of Membership as to Occupation or Source of Subsistence.**

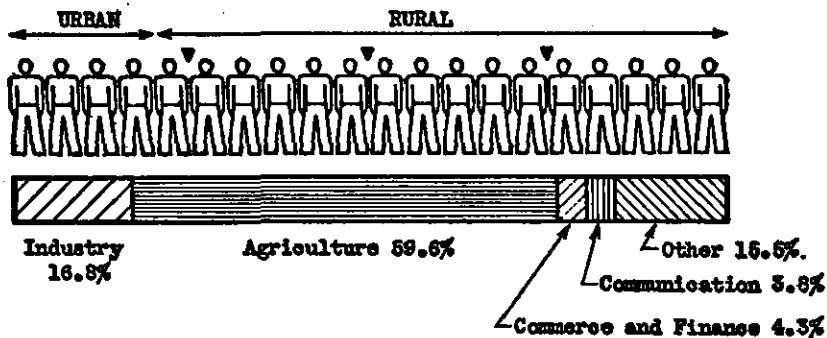


Each symbol represents 5 per cent of the total population.  
Total population 3,705,559

■ Represents per cent of population affected by Cooperative Enterprise based on estimated average of four persons per Member Family, and allowance made for Duplication of Membership.

## FINLAND

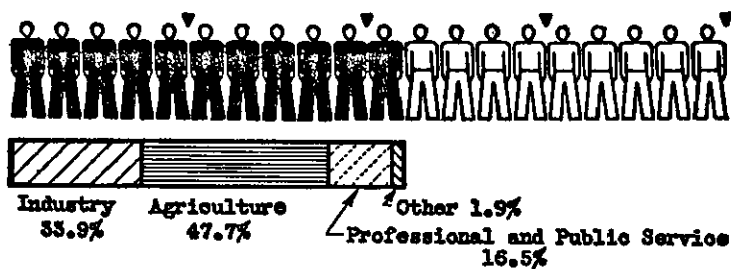
**A - Population and Classification as to Occupation or Source of Subsistence.**



**B - Population and Per Cent Affected by Consumer Co-operative and Agricultural Cooperative Enterprise (Estimated).**



**C - Population, Per Cent Affected by Consumer Cooperative Enterprise Only and Classification as to Occupation or Source of Subsistence of Membership.**

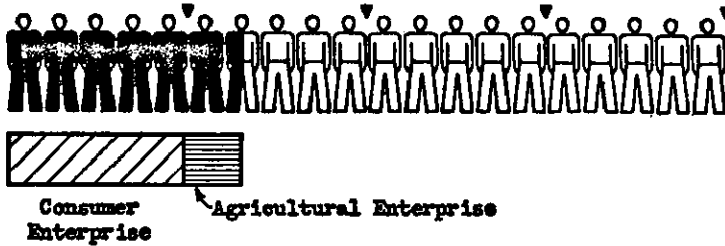


Each symbol represents 5 per cent of the total population.  
Total population 3,762,026

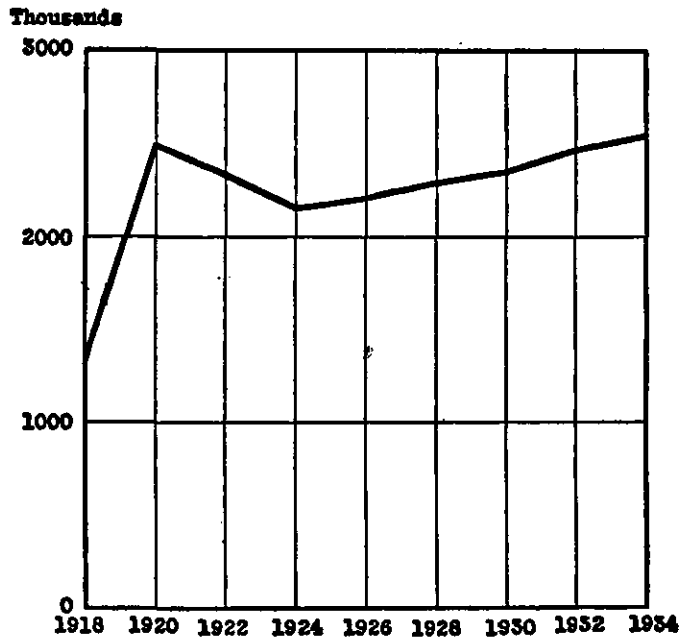
■ Represents per cent of population affected by Cooperative Enterprise based on estimated average of four persons per Member Family.

## FRANCE

**A - Population and Per Cent Affected by Consumer Co-operative and Agricultural Cooperative Enterprise.**




**B - Consumer Cooperative Enterprise, Growth of Membership <sup>1/</sup>**



<sup>1/</sup> Incomplete, 2,840 out of 2,908 Local Distributive Societies Reporting.

Each symbol represents 5 per cent of the total population.  
Total population 41,834,932.

 Represents per cent of population affected by Cooperative Enterprise based on estimated average of four persons per Member Family.

#### FRANCE

While French consumer cooperatives have a membership of about 2,500,000 and annual retail sales amounting to \$233,000,000, they do not appear to have the same importance in the national economy as in the other countries visited by the Inquiry. This is attributed by French cooperative leaders to the individualistic attitude of the people. However, there are certain regions, such as the Charente country, where a well-integrated system of urban and rural consumer and producer cooperatives has greatly improved living conditions.

The agricultural cooperative union includes about 600 regional federations with some 16,000 local societies, including cooperative dairies and cheese factories, and wine, olive, sugar beet, wheat, fruit, and vegetable growers' societies. There are also many cooperative agricultural insurance and credit societies.

The Government has supplied credit chiefly to farmers' societies; also to some 400 workers' productive societies; and to a small extent to consumer cooperatives.

#### GREAT BRITAIN AND IRELAND

In actual numbers the British consumer movement with its 7,484,000 members is the largest of the countries visited by the Inquiry. It is claimed by British cooperators that consumer cooperatives serve about one-half of the population. Their annual turn-over of more than \$1,000,000,000 is estimated to account for about 12 percent of the national retail trade. The English and Scottish wholesale societies are the largest wholesale businesses in their respective countries. British consumer cooperatives employ about 275,000 persons and pay out annually in salaries and wages nearly \$180,000,000. No comprehensive figures are available on the Irish consumer cooperative trade, but it is not large.

The British wholesale societies engage in a considerable production of consumers' goods, furnish cooperative insurance, and operate extensive banking departments.

Agricultural cooperation is comparatively less

developed in Great Britain, but is more developed in the Irish Free State.

#### NORWAY

In Norway the retail trade of the consumer cooperative societies amounts to about \$32,000,000. The gross sales of the wholesale society to its member societies are more than \$10,000,000, about \$4,550,000 of which represents the value of its own production.

The 171 productive enterprises of the local societies are chiefly bakeries, of which there are 103, and sausage factories. The wholesale society owns and operates three margarine plants, a tobacco products factory, a soap factory, a coffee roasting and blending plant, a flour mill, a chocolate factory, a shoe factory, and a branch factory of the Swedish Luma electric lamp factory.

The 497 local cooperative societies operate 795 shops and have about 140,000 members, representing with their families about 20 percent of the population.

There is in process of development along the north coast a fishermen's marketing cooperative with about 8,000 members, out of about 45,000 fishermen. Many of the fishermen also belong to the local consumer cooperative societies.

#### SWEDEN

Cooperative consumer enterprise in Sweden transacts about 10 percent of the nation's retail trade, representing a gross retail business of nearly \$104,000,000 a year. The sales of its wholesale society to the retail stores total about \$45,000,000, and the output of the wholesale's factories amounts to more than \$25,000,000. The membership of its societies represents approximately 30 percent of the population of Sweden. Although its main business is in food-stuffs, it also distributes shoes, clothes, galoshes, tires, and many other general store articles. It has recently purchased the second largest department store in Stockholm.

The production enterprises of the consumer organization manufacture bread of all kinds, margarine, flour, macaroni, shoes, galoshes,

tires, cash registers, electric-light bulbs, and a number of other articles.

The farmers are well organized into both marketing and purchasing associations, some of the livestock and dairy cooperatives operating both processing plants and retail outlets.

#### SWITZERLAND

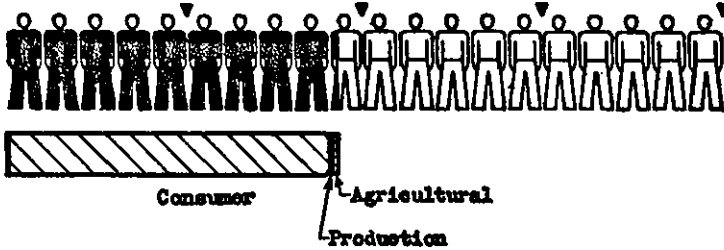
Swiss consumer cooperatives serve about one-fourth of the population and handle from 10 percent to 12 percent of the national retail trade. They include all classes of people and are recognized as an important element in the

national economy. The country's largest flour mill, largest bakery, and largest meat packing plant are owned by the consumer cooperatives. In the city of Basle, 50 percent of the food trade is handled by the cooperative which includes 80 percent of the city's population in its membership.

In the agricultural field, cooperative dairies control 90 percent of the country's milk production. Wine growers and cattle breeders are also well organized cooperatively. In addition there are many cooperative water-supply and electrification societies.

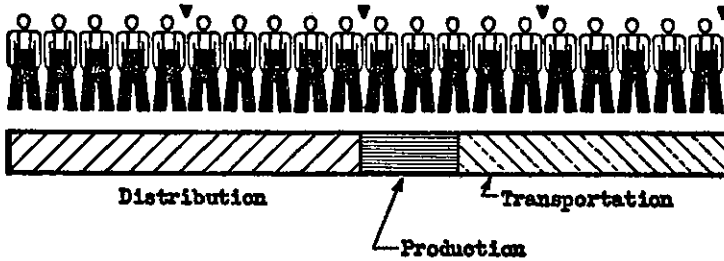
## GREAT BRITAIN

**A - Population and Per Cent Affected by Consumer Cooperative, Workers' Productive and Agricultural Cooperative Enterprise.**



Each figure represents 5 per cent of the total population of 46,082,000.

**B - Cooperative Enterprise, Number of Workers Employed.**

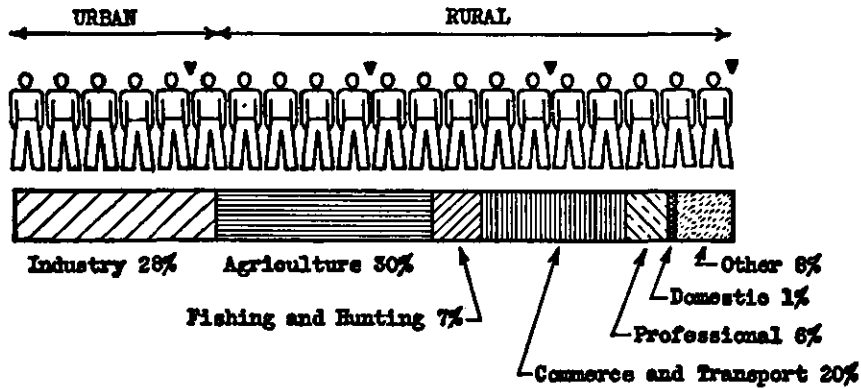


Represents 15,000 Workers

**■** Represents per cent of population affected by Cooperative Enterprise based on Estimated average of four persons per Member Family, and allowance made for more than one Membership per Family.

# NORWAY

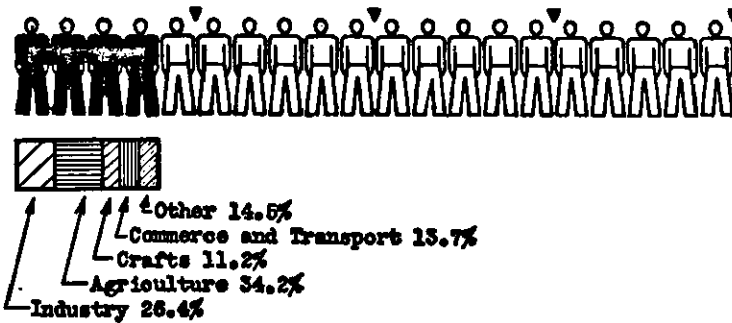
**A - Population and Classification as to Occupation or Source of Subsistence.**



**B - Population and Per Cent Affected by Consumer Co-operative and Agricultural Cooperative Enterprise.**



**C - Population, Per Cent Affected by Consumer Cooperative Enterprise Only and Classification of Membership as to Occupation or Source of Subsistence.**

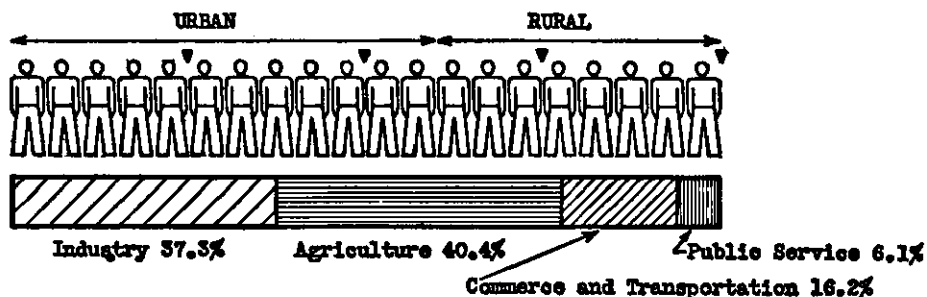


Each symbol represents 5 per cent of the total population.  
Total population 2,817,124

■ Represents per cent of population affected by Cooperative Enterprise based, on estimated average of four persons per Member Family, and allowance made for Duplication of Membership.

# SWEDEN

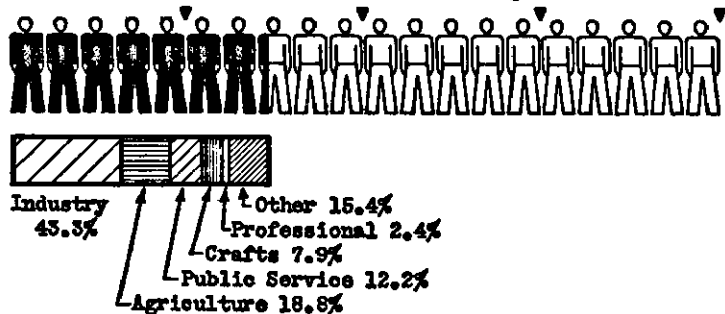
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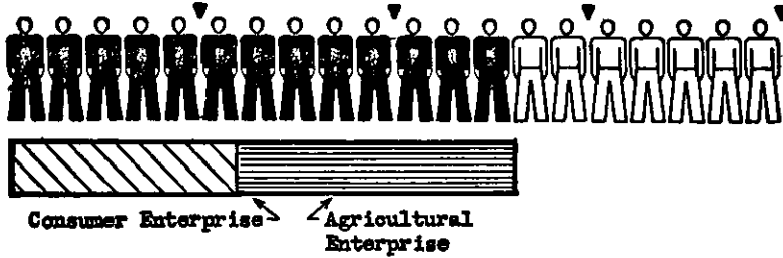
Each symbol represents 5 per cent of the total population.  
Total population 6,211,566

■ Represents per cent of population affected by Cooperative Enterprise based on Royal Social Boards estimated average of Four persons per Member Family.



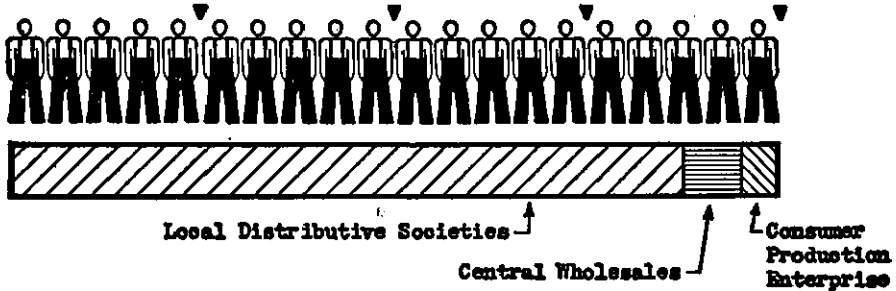
## SWITZERLAND

**A - Population and Per Cent Affected by Consumer Co-operative and Agricultural Cooperative Enterprise.**




Each symbol represents 5 per cent of the total population of 4,066,400

**B - Consumer Cooperative Enterprise, Number of Workers Employed.**



Represents 500 Workers

 Represents per cent of population affected by Cooperative Enterprise based, on estimated average of four persons per Member Family.

## Chapter III

### COOPERATIVE PRINCIPLES

THE growth of cooperative enterprise in Europe cannot be understood without attention to its special methods.

Cooperation in the broader sense is simply the voluntary joining together of people in mutually helpful efforts—as among neighbors on informal occasions or in emergencies.

What is called the Cooperative Movement, however, is organization on a more permanent basis, by which cooperators supply themselves at cost with the goods and services they need. Most simply defined:

A cooperative enterprise is one which belongs to the people who use its services, the control of which rests equally with all the members, and the gains of which are distributed to the members in proportion to the use they make of its services.

The usual point of operation is the point of exchange; hence cooperatives first engage in buying and selling, and that always remains their most important function. Other activities which they undertake are for the purpose of making their buying or selling more effective—as the manufacturing of goods in overpriced fields by consumers' cooperatives, or the grading and standardizing of products by farmers' marketing societies.

Out of the success and failure of cooperative organizations has developed a rather definite set of principles, adherence to which, in the main, has come to be regarded as essential to successful and lasting cooperative achievement.

The Equitable Pioneers' Society, formed in Rochdale, in Lancashire, England, in 1844, is commonly accepted as the original consumers'

cooperative society. It became the model of the whole consumer cooperative movement, and out of its experience have come the fundamental principles of all forms of cooperation. The Rochdale Pioneers did not state their methods in succinct form; but their principles have been formulated and restated in the literature of the movement. They appear to be the following:

1. Open membership and ownership, irrespective of race, nationality, politics, or religion.
2. Democratic control—one member, one vote.
3. Limited returns on capital; and return of gains to members through patronage refunds.

Consumer cooperators are also generally agreed upon the following as essential to successful cooperative action:

4. Regular provision of funds for promotional and educational work.
5. Cash trading.
6. Trading at market prices.

A further principle has received almost universal acceptance, and is included in the bylaws of many cooperative societies:

7. Regular provision for the building up of substantial reserves.

Most of these principles and methods will come up for fuller discussion later. Here they will be briefly reviewed.

1. *Open membership and ownership, irrespective of race, nationality, politics, or religion.*—The rich as well as the poor are welcome as members of a cooperative society; but it is people of small income who constitute the typical cooperative

membership. This fact affects the application of several of the other rules of cooperative enterprise, notably that of "cash trading."

As to politics: Since the membership of consumers' cooperatives is preponderantly composed of urban workers, who are likely to belong to labor parties in politics, the relations between labor parties and consumer cooperatives tend to be close. Similarly, in various countries, the political affiliations of agricultural cooperative members tends to be conservative. Sometimes, as a result of recent national history, cooperative organizations show a definite cleavage on lines of politics, or of race and language. In general, however, cooperative membership remains open to those of any political belief.

2. *Democratic control—one member, one vote.*—A member who owns several shares of stock has no more voting power than a member who owns one share; membership, and not investment, gives control. This is regarded as the most important of all cooperative principles.

In the smaller societies, the annual meeting of the membership is practicable as a means of exercising democratic control. With the growth of cooperative societies to large membership, a problem in democratic control has arisen, which has not been fully solved everywhere. In a number of such large societies, the percentage of voting members is very small, and employee members might have voting strength to carry elections and determine policies.

In some countries, voting is done in ballot boxes at the stores, candidates for office being nominated by petition. In one large Swiss society 40 percent of the members vote at annual meetings.

Swedish cooperators feel that "it is obviously no longer possible in the large societies to retain the old simple form of organization." A system of representation has been introduced which is substantially the same in all large societies. The area covered by the society's activities is divided into districts, which elect representatives to the annual meeting; and the district meetings elect members' councils, which act as links between the members and the management of the

society. The annual meeting elects a central board, which in turn elects an executive committee. The central board watches the work of the executive committee and makes decisions on all the more important questions. In this central board the cooperative movement in Sweden has found an organ, cooperative leaders say, which admirably meets its need for a central body that is "alike efficient in operation and firmly anchored in democratic principles", both in the larger societies and in the Cooperative Union (K. F.) itself.

Tendency toward "management control" is apparent in some societies. An English official said: "The cooperative bureaucracy does not want too many members to vote." An English women's guild member expressed the view that voting by members who are not informed about cooperative affairs serves no useful purpose. But even when the normal vote is small, the potential power of the membership to change policies and officials keeps the organization democratic, in the opinion of many cooperators. Day by day responsibilities of management necessarily remain with the employees and elected officials, as in any business.

3. *Limited returns on capital; and return of gains to members through patronage refunds.*—Capital funds are derived from the sale of membership shares and from savings borrowed from members. Interest is at a fixed low rate, in order that investment in cooperative enterprise shall not become speculative. This fixed interest is the legitimate "hire" of money, cooperative spokesmen say, and differs from the "speculative" dividend returns of capital invested in private corporations. The real distinction seems to be that in a cooperative, capital does not control. Share capital is denied the right to vote; lenders of borrowed capital do not gain any right to influence policies. There is, therefore, no pressure to earn capital returns above the low fixed rate of interest. The pressure is from members for low prices (directly or in patronage refunds) along with reliable quality.

Earnings of a cooperative, over expenses, interest, and reserves, are distributed to members

in proportion as they buy from it and use its services. These patronage refunds are usually paid quarterly. Members are urged to use part or all of their patronage refunds to buy more shares in the cooperative (up to the maximum allowed) or to invest them in the cooperative's savings account or "loan fund." The resultant family saving has become one of the major accomplishments of the cooperative movement in many of the countries visited, and has provided capital for expansion.

4. *Regular provision of funds for promotional and educational work.*—Cooperative leaders consider education of members in cooperative theory, practice, loyalty, and ideals; of employees in business efficiency and for leadership; of housewives in family budgeting and intelligent selection of goods, and of the public in cooperative economic theory, to be an important function. Substantial sums are regularly set aside for this purpose.

5. *Cash trading.*—A great many cooperative societies in Europe have never been able, in spite of their efforts, to get on a cash basis; while others that were on a cash basis have found that they could greatly increase their volume of business by offering credit, and consequently have done so. Credit is largely restricted to such goods as furniture, on the "hire purchase" plan, and is seldom given on such quickly consumable goods as groceries. There has been a constant educational effort to get the societies to observe the principle of cash trading; and the cooperatives which adhere to this principle are among the strongest in Europe.

6. *Trading at market prices.*—Market prices are in general maintained not only in order to guard against losses but also in order that the member may get a larger patronage refund than would be possible with lower prices. Present tendency, however, is toward lower prices and smaller patronage refunds. Cooperatives often sell below the market when they believe the market price is artificially fixed or margins too wide.

7. *Regular provision for the building up of substantial reserves.*—A cooperative, like any other business, needs capital funds. Since a person can become a member by buying only one share

(\$5 to \$25), share capital is generally insufficient to permit needed expansion. By regularly setting aside a portion of the net surplus into a reserve fund, instead of distributing the entire amount as patronage refunds, cooperatives provide for expansion as well as for the gradual retiring of indebtedness, thus tending to make themselves increasingly self-sufficient financially.

#### OTHER IMPORTANT CONSIDERATIONS

Saving money on purchases is not the only motive of cooperative organization. Perhaps equally important is the desire for participation with others in unselfish and useful work regarded as leading toward a better form of society. Many social and cultural and recreational activities are engaged in by cooperative members which contribute to their education and well-being, at the same time cementing their loyalty to cooperation as a cause.

It is interesting to note that some of the idealistic impetus which has gone into the organization of cooperatives has been originally generated in and disappointed by other idealistic causes. In England the cooperative movement had its first significant growth after the great hopes and disappointments of the Chartist movement; in Finland, it developed at the turn of the last century, partly as a reaction to the forced Russification of the country; in Denmark it developed during the decades after the loss of the Provinces of Schleswig and Holstein. In Europe generally there are indications that frustration of political hopes or nationalistic pride has frequently given a stimulus to the cooperative movement.

An important material stimulus to the growth of many European consumer cooperatives has been their introduction of efficiency into the retail trade. Some of the things said for and against cooperative stores in these countries are comparable to the things said for and against chain stores in our own country. The prior existence of chain stores in the United States was more than once brought up by European cooperative officials as affecting the possibilities of consumers' cooperation in the United States.

Efficiency is definitely associated with cooperative enterprise in the countries we visited, and is regarded as one of the chief reasons for its success. (See ch. V.)

#### COOPERATION AS ORGANIZED SELF-HELP

Every cooperative leader attaches importance to the idealistic aspects of the movement. Cooperative idealism is sometimes, and especially by leaders, interpreted in terms of an ideal goal—the destruction of monopoly, the triumph of the cooperative method over all other forms of business, or the building of a better life for all the people.

The individual member of a cooperative also is usually an idealist, but his idealism is likely to be of a simpler sort, with personal and practical elements. He wants, in the first place, to get a higher price for the things he sells or to pay less for the things he buys; and his idealism is aroused by the idea of getting these results through his own efforts joined with those of other people like him. His individualism becomes idealistic through becoming part of a large and democratically managed business enterprise. He is proud to have a share in the ownership and achievements of his cooperative. He gets satisfaction out of the fellowship involved in cooperative work.

Cooperatives are thus business enterprises that have inherent in them a strong and special emotional appeal, which is really necessary for their growth. This special emotional appeal is differently translated into words by different cooperative philosophers and leaders. It is a complex emotion, at once self-regarding and altruistic, businesslike and democratic; and it links up readily on the one hand with views of scientific efficiency, and on the other with progressive social and political views. One of the attempts to define this cooperative idealism is found in the term "self-help." The "self" in this phrase is both the cooperative group and each individual part of that group.

Cooperation was always referred to in the older literature of the movement in England as self-help; and the feeling is still widespread that

cooperation is the only or the best method of self-help available to either an industrial or an agricultural population. Cooperators emphasize the fact that everybody is welcome to join in these self-help efforts, which are thus not directed against other people. Cooperative stores, for example, sometimes have among their members the proprietors of the private stores which are competitive with their own.

"Self-help" perhaps expresses, better than any more elaborate phrase, the feeling that members have in building up a cooperative society. This feeling is strengthened when their local society joins with other societies in setting up central wholesale and service organizations. They not only see their own enterprise expanding and new ones like it growing, but they are able to help themselves more fully and in more ways. Starting with the sale of farm produce, or with buying to meet their family needs, they go on to provide their families by the same method with medical, funeral, and other services, which are otherwise very expensive. They safeguard their individual savings by depositing them with their society. They can extend their self-help into the fields of processing and manufacture if necessary. As time goes on, the cooperative movement, of which their society is a part, has an increasing influence in the national economy, as a means of price control, as a check on monopoly, and as a way of improving standards of living.

While cooperatives are set up for as many different local reasons as there are problems, they grow to have more and more similarity as they grow older. Their purposes become broader and simpler. Now in the main throughout these European countries they have the one broad purpose of service to the membership that uses them. From this point of view the cooperative motive is often described as the "service motive." At other times they call it the "consumer attitude." Essentially it is the motive of operating the business for the service of the people who use it, rather than for the profit of other people who own it—the cooperative method, of course, combining use and ownership.

## Chapter IV

### COOPERATIVE ORGANIZATION

IN ALMOST any city or village in northern Europe, one who looks for a consumers' cooperative will first find a local grocery store. It is usually clean, orderly, and efficient, and distinctive in appearance. In a small village there may be only one such store. As membership increases, other shops are set up in different neighborhoods. Typically a town has several cooperative stores, while a large city may have hundreds.

Often a farm marketing cooperative begins with a dairy plant, which may have branch receiving stations at convenient points. Frequently, as the society grows, departments are added to receive eggs, poultry, and other farm products. Farm supplies may be purchased by the same society, and a general line of household goods is sometimes added.

Upon making further inquiry, one learns of central federations, in which local societies join together for more effective buying or selling. These are the wholesale societies of the consumers' or farm purchasing societies, and the central sales, export, or processing agencies of the farm marketing cooperatives. Beyond these there are occasional international cooperative organizations.

#### HOW COOPERATION GROWS

Cooperative enterprise grows by contagion as well as expansion. Farmers or urban workers hear of a successful society somewhere else, and proceed to set up one of their own. Often some local crisis will lead to the establishment of a cooperative.

A grapevine disease (phylloxera) started a

complex system of cooperatives in southwestern France. Temporarily the wine industry was all but ruined, and farmers turned to dairying, and to cooperation to give them a market. In this instance a local farmer without much outside information worked out a cooperative dairy plan and enlisted the interest of his neighbors.

In other cases, high prices at local store or sharp practices by local buyers of farm products, may furnish the stimulus to cooperative organization.

Whatever the immediate reason, action usually results whenever one or more persons with some capacity for leadership become imbued with the cooperative idea. Meetings are held in the homes. Often someone is present who has been a member of a cooperative elsewhere or who has lived where there was one. At the present time, speakers and literature and model bylaws are available from the central cooperative educational agency.

With such help, an organization is formed and incorporated, officers elected, a campaign for membership undertaken, the necessary financing accomplished, and the enterprise launched as a going institution. Usually more money is needed than can be supplied by the initial sale of shares. This may be borrowed from members, from the wholesaler, from banks, or occasionally directly or indirectly from the Government. In any case the policy is to pay it back from earnings as rapidly as possible.

A great deal of unpaid volunteer work enters into the early stages of a cooperative, as well as later. In every successful cooperative enterprise will be found a group of earnest people

whose work is unrewarded except by the satisfaction of having helped in a useful undertaking.

At present the tendency in Europe is for the number of consumer cooperative societies to become fewer, although the membership grows steadily. Weak societies combine or are absorbed by stronger ones; and strong societies unite. Most cooperators believe that consumers can be served best by large, strong societies. In Finland, 14 stores are held to be the minimum number for an efficient society. Swedish cooperators believe that no city is too large to be served by one society; the Stockholm society is an amalgamation of more than 20 consumer societies. In London, cooperators are discussing the desirability of combining the four consumers' societies into two. In Scotland, cooperative leaders are beginning to speculate on the desirability of eventually having one large retail society to serve the entire country.

#### THE CONSUMER WHOLESALE SOCIETIES

While the large (usually national) wholesale societies are of later growth than the local societies, in recent years they have become the center of the cooperative movement. They guide its policies and foster its educational efforts. They are a source of strength to local societies, helping them financially and in other ways if need arises. Sometimes they go so far as to take over and operate local societies that get into difficulty. In Scotland the wholesale society has begun to set up stores in sparsely settled areas in the north and in the Hebrides, where local interest is not yet sufficient to establish local societies. Local members elect advisory committees which have considerable influence in determining local management policies.

There is a tendency in Scotland for the wholesale society to assume permanent ownership of local stores which it has reorganized or founded. This is partly due, we were told, to the desire to concentrate all the buying of the local stores in the wholesale, and partly to the feeling that local management can be improved by expert overhead direction.

The Cooperative Wholesale Society (C. W. S.)

of England dates back to 1864, when it was formed by a number of local societies near Manchester, which had grown to the point where to buy efficiently they had to go outside the local district. It was felt that a central wholesale society could serve the local societies in much the same way that local societies serve individual members. Since that time central wholesale societies have been established in all the countries we visited. They reduce cost by buying in large volume, as well as by importing and manufacturing.

The wholesale societies provide other services which the local societies could not provide as well, or perhaps not at all. The Scottish Cooperative Wholesale Society (S. C. W. S.) has recently established a nation-wide funeral service. Tendency toward increased local activity by wholesale societies is to be found in every part of Europe, partly because ample financial resources make this the easiest way to meet new cooperative demands.

In contrast with this general policy, the Cooperative Wholesale Society in Denmark, according to one of its officials, is scrupulously careful not to infringe on the sense of responsibility of the local societies, even when the wholesale uses its financial strength to save a local society from bankruptcy. The difference between this and the tendency toward centralization in Sweden is due, he says, to the natural independence of the Danish farmers who make up the bulk of the cooperative movement in that country.

While most local cooperatives are members of wholesale societies, two of the largest in Scotland (Aberdeen and Dundee) are not members of the S. C. W. S. Many other local societies do at least part of their buying outside the wholesale.

Local societies affiliated with V. D. W. the union of German cooperatives in Czechoslovakia, buy about 65 percent of their requirements from the wholesale. In one of the two consumer cooperative systems in Finland, 70 percent of the supply of goods bought by local societies comes from the wholesale (O. T. K.). Local societies buy locally only when there are special

advantages, as determined by discussion with O. T. K.

In France there has recently been formed a national society for merchandising and auditing control. Societies which have borrowed money from the government must use this service, for which there is a small charge. The national federation and the wholesale urge all local societies to do so. Auditing of local societies by V. D. W. (Czechoslovakia) and purchase through the wholesale, have increased their business efficiency and success.

More often than not cooperative educational work is also centralized, either as a department of the wholesale or as a separate central educational agency.

Functions of the cooperative wholesale societies in part are similar to those of private wholesale companies and trade associations, added to which are other functions found only in the cooperative way of operation.

#### OTHER TYPES OF ORGANIZATION

Farm cooperatives are similarly joined together in central federations, such as the Irish Agricultural Wholesale Society. Farm purchasing societies in Finland are joined in a strong central federation. In both Denmark and Finland, farm marketing societies have combined into effective export agencies.

Inter-society organizations are formed for special purposes. Successful cooperative experience often leads to the formation of a new cooperative for any needed purpose—to provide telephone service, distribute electric power, supply tested seed, or to sell certain kinds of timber. A farmer in the Charente country in France buys seed and fertilizer through a cooperative society formed for that purpose, harvests grain with machinery owned cooperatively, has it ground at his cooperative mill, and the bread baked in a cooperative bakery and sold back to him over the counter of his cooperative store.

A complex maze of cooperative enterprise may exist throughout a whole country, as in Finland and Denmark, or in a region such as

the Charente and Charente-Inferieure country in France. The services of the United Baking Society in Glasgow (owned by a group of local societies) are widely used in southern Scotland, northern England, and in the North of Ireland.

In some places there is a tendency to simplify this maze of special-purpose societies by having the general society offer a widening range of services. In Sweden, as in England and Scotland, all services to the cooperative membership are tending to come more and more under the control of the wholesale societies. In Ireland the local general purpose societies market dairy products, poultry and eggs, rabbits, potatoes, and pigs for their members, provide them with the services of breeding bulls, purchase farm supplies for them, and carry a full line of household goods.

There is a growing tendency for wholesale societies to work together. The English and Scottish Wholesale Societies jointly own tea plantations, cocoa and chocolate factories. Five Scandinavian wholesale societies jointly own the Scandinavian Wholesale Society, which buys on world markets and imports goods for its member wholesales.

The national wholesale societies of Europe have formed an International Wholesale Society, which aims to act as a clearing-house to make more efficient the activities of the national societies.

#### TOTAL COOPERATIVE TRADE

The International Cooperative Alliance (headquarters in London), whose membership includes most consumers' wholesales and some farmers' national federations, holds a cooperative congress every 3 years to discuss methods and policies. Promotion of world peace is an important subsidiary purpose.

Total cooperative membership is difficult to estimate because one person often belongs to a number of societies. Reports of the International Cooperative Alliance list as members 108,000 organizations in 39 countries, with a membership of 90 million. Estimates credit



farm cooperatives with about half as many members as consumers' organizations. On this basis, with allowances for duplication, estimates give a total world cooperative membership of about 100 million.

Total figures on cooperative business are not available. Consumer cooperatives, says the Alliance, do an annual business of 33 billion dollars. This includes transactions of cooperative banks and credit societies, as well as cooperative housing and other activities outside the field of retailing of consumers' goods.

In some countries and regions, cooperatives supply a considerable proportion of all needed goods and services. Since people of small means, with incomes going principally for food and clothing, comprise the largest part of consumer cooperative membership, most societies deal chiefly in these primary requisites.

The money saved by cooperative buying of these necessities, part of which is retained by the cooperative societies as reserve funds, makes possible gradual expansion of the range of cooperative service, both economic and educational.

#### THE TIME ELEMENT IN COOPERATION

It ordinarily takes a long time to build a cooperative. This is less true of a farmers'

marketing cooperative than of a consumers' organization. But in both, time alone can provide certain of the elements necessary for full cooperative success.

The rate of accumulation of capital by a cooperative, being dependent on member savings, is necessarily somewhat slow. Also, the ability to run an extensive cooperative business efficiently usually requires time for development.

A complete understanding by the members of all the details of the enterprise is the essence of the cooperative method. The process by which cooperation comes to be understood by the public, through observation and experience and discussion—called "education" by cooperators—may be slow.

It is true that this understanding can in part be gained through knowledge of cooperative experience elsewhere. The cooperatives in Finland, by making use of the experience of the movement in other countries, were able to build, in less than 25 years, strong societies which conduct a very large part of the nation's business.

Where cooperative education is vigorously carried on, other processes of growth may be somewhat hastened. But the experience of Europe indicates that there is no short cut to cooperative success.

## Chapter v

### MERCHANDISING POLICIES OF CONSUMER COOPERATIVES

A COOPERATIVE store looks much like many others. The task of keeping the shelves filled with the kind of goods consumers want, measuring or weighing them out over the counter, and operating efficiently enough to come out with a gain instead of a loss at the end of the year, is much the same no matter what the form or organization. Cooperative and private stores alike must please their customers if they are to remain in business. But in a cooperative, customers can affect policies not only through their patronage, but even more authoritatively through their votes. It is their store; they can say how it is to be run.

The private merchant tries to make a profit. The cooperative store has a different objective, that of supplying its members at cost. Whatever difference there may be in merchandising methods grows out of this difference in fundamental aims.

#### STANDARDIZATION AND QUALITY

One of the earliest consumer cooperative policies was to provide plain, quality goods, in full weight and measure, at lowest possible prices. Cooperators are selling to themselves, they say, and so have no incentive to misrepresent the quality of their goods. Many societies make a point of informing their members about the factors of value in goods they offer. Usually the cooperative stores do not carry either the highest-priced or the poorest quality goods. One observer told us that the poorest people cannot afford to trade at cooperative stores. Cooperators admitted that this might be true, and said they do not try to compete with the

shoddy goods of the lowest price shops. In their opinion, neither the poorest nor the most expensive goods give consumers the greatest value, but durable, standard articles in the middle price range. That is the kind they handle, they say, and they endeavor to educate their members to appreciate and demand that kind of value.

Results of attempting to carry out this policy vary in the different countries. In Finland, the managing director of the S. O. K., one of the two cooperative wholesale societies, showed us through the society's laboratories, in which three technicians and four assistants are constantly carrying on tests. Everything bought is tested. About 25 percent of all goods examined are rejected because of inferior quality, the director said. He estimates the saving to members by this insistence on quality to be about 40,000,000 marks (\$1,000,000) a year.

The other Finnish wholesale society (O. T. K.) also operates a testing laboratory. So does the Swiss Cooperative Wholesale Society (V. S. K.). While these are perhaps the outstanding examples, most strong cooperatives follow similar methods to some extent.

Cooperatives are often under pressure to give consumers the wide range of style and choice available at competing stores. Some of them attempt to meet this competition. C. W. S. soap works make a full line of competing soaps, going much further in this direction than it believes to be economically sound. The Royal Arsenal Society in London decided to reduce bread costs by making only one kind. It was of higher quality, and sold for less. But after several years the society yielded to the demand

of its members for greater variety, and is now baking as complete a line of bread as its competitors.

Persons interviewed were doubtful about the possibility of educating members to accept the severely standardized goods to which early cooperatives thought the cooperative stores should limit themselves. That can only be done through more membership loyalty than now exists, an educator said.

An English cooperative executive said: "It is hopeless to try to counteract the style craze."

Until standards of quality are enforced by law, said another, cooperatives will be forced to use some of the methods of private trade.

#### EFFICIENCY

Consumer cooperatives in Europe were built up during a period when private retailing was not efficient, being conducted for the most part in small family stores. The cooperatives are generally credited with leadership in "rationalizing" the retail business—introducing efficiency and modern methods.

In Sweden, according to an official of Kooperativa Förbundet (the cooperative wholesale), newly established chain stores are now adopting methods which the cooperatives introduced. The director of a large private concern in Sweden, one selling all over Europe and America, told us that the consumer cooperative movement cannot be properly appraised without realizing that the societies are efficient merchandisers.

The manager of a large private enterprise in England which sells its products all over the world, while agreeing that cooperatives are efficient, said that their efficiency varies widely in degree. Many of them have competent managers, he said, who operate the stores "in much the same way as the chief executive of a multiple shop" (chain store). But efficiency is lower in societies where the manager is relatively weak, he added, and where the management policies are decided by committees which often know too little about the retail business.

In Stockholm, management of cooperative

stores seemed to be equal to efficient private or chain-store management in the United States. Equipment was modern and standards of cleanliness and merchandise arrangement were high. Efficient merchandising, we were told, is the reason for Kooperativa's growth to the place where it handles 10 percent of Sweden's total retail trade.

A professor in the University of Stockholm said that cooperatives have greatly improved the standards and efficiency of retailing. In his opinion, it is impossible to say how rapidly this "rationalization" would have proceeded under private auspices had there been no cooperative movement, but he feels that it would have developed less rapidly and completely.

In the opinion of an official of the Bank of France, cooperative shops in that country are on the whole conducted efficiently and use modern merchandising methods. A counter opinion was expressed by an English economist who contended that the consumers' cooperatives of his country are not particularly efficient; that they have a wide margin in which to operate, making a high degree of efficiency unnecessary.

The merchandising methods of the regional cooperative society at Saintes, France, involve a variety of premium devices that appeal to the thrifty French housewife, who apparently delights in making something out of something else. For example, the cooperative's coffee bags are made of material that can make washcloths; flour bags can be made into handkerchiefs, etc. The advertising posters make effective use of a figure that originated in Nancy, which has "COOP" for eyes and ears.

Consumer cooperatives often set up separate shops for meat, groceries, dry goods, hardware, and furniture. Sometimes these unit shops are later brought together in a single large building. When such shops occupy a three- or four-story building, they are difficult to distinguish from a department store. The chief difference is that each shop or department in any cooperative store is coordinated in management with the society's other shops of the same sort, which may be scattered about the community; that is,

all groceries are responsible to one manager, all clothing shops to another, etc. Sometimes, however, there is a tendency toward the adoption of department-store methods of management, whereby the same manager controls all the shops under the same roof.

Cooperative leaders say that further development in the department-store field to meet middle-class customer demand will require stores in city centers instead of home neighborhoods. Cooperative management has proceeded slowly along these lines. There is one large department store in Stockholm, another in Basle, and in the major suburbs of London there are a number of establishments which, though still called unit shops, are in every respect department stores. The same is true in Glasgow. In the opinion of some cooperative leaders, the next great merchandising expansion of cooperative distribution in Europe will be in the department-store field, where they expect to gain new ground in increased efficiencies, and new territory in middle-class membership.

#### MANUFACTURING EFFICIENCY

In the production activities of cooperative enterprise, the same kind of efficiency appears to exist. The extensive Tre Kronor Flour Mill in Stockholm, and its plants for making rolled oats, hard bread, and macaroni, are completely modern in equipment, with mechanical and operating efficiency apparently at a high level. Similar modernity was observed at the Luma electric plant, also in Stockholm, where more than 4,000 types of electric bulbs are manufactured, including special types required for surgical and dental work; and here, apparently, cooperative management has been very successful in training workers in machine operation. Other notable examples could be cited in Swiss and Finnish practice.

Some of the cooperatives' factories in England and Scotland are very large, in a few cases the largest in the British Empire.

At the rubber plant of Kooperativa Förbundet at Gislaved, Sweden, we were told that the speed is less than in American mass-production plants;

but we learned from a competitor that the efficiency in the cooperative plant is at least equal to that of its leading Swedish competitor, with the costs of production about the same.

One of the technical advisers at the cooperative rubber plant pointed out that the plant was able at all times to gear its production to a definitely known consumer demand. It is "production for known consumption needs and not for speculative sale possibilities." In consequence, the management is able to maintain steady production schedules throughout the year. This point is emphasized by all cooperators, and was recognized by competitors with whom we talked. Steadiness of production enables cooperative enterprise to level out the peaks and valleys of required capital investment, plant extension, and employment.

#### COOPERATIVE OPERATING COSTS

To compete with private business, sell goods at market prices, retire indebtedness, build up reserves, and pay patronage refunds, cooperatives must keep operating costs low. An added problem is the policy of most consumer cooperatives of paying somewhat more than going wages for labor, plus such benefits as paid vacations, education, pensions, and shorter hours of work per week. (See ch. XII.)

One saving is in salaries to higher executives, which are less—and in the highest brackets, much less—than in private business. That this may not always be an advantage, however, is the opinion of an official of the Bank of England, who credits the increasing success of English chain stores in competing with cooperatives to the more able executives and managers who are attracted, he says, by the higher chain-store salaries.

To save money, as well as out of loyalty, many members will go a long way to trade at a cooperative store. This helps the cooperative to maintain a large and steady trade, which is a factor in keeping down costs. Volume of goods sold per employee is usually considerably greater in a cooperative than in a private store. It is generally agreed that in rush periods service is slow

in cooperative stores. People stand around and wait. So in order to avoid these rush hours, the members come in more steadily throughout the day. In England, we were told a cooperative store can handle £1,000 of trade a week with 8 shop assistants, while a private store would need 20. Output per man in cooperative warehouse and trucking service is also said to be higher.

In comparison with many private retail shops in Europe, cooperative stores arrange goods more conveniently, and make and record sales more simply and expeditiously. The managing director of S. O. K. in Finland said that the important function of cooperatives is like that of chain stores in the United States—rationalization of distribution. It is by this that the greatest saving for members can be made, in his opinion.

A cooperative official in Switzerland, quoting statistics of the Basle society showing that each employee costs the enterprise 1,000 francs a year more than the average for private business, said that the cooperatives are able to carry this higher labor cost because they have a bigger average turn-over. According to Dr. Jaeggi, of the Swiss Cooperative Union, the annual turn-over per cooperative employee in Basle averages 42,500 francs as against 20,000 francs in private retail stores. Turn-over per employee in the cooperative stores in Sweden is 50 percent greater than in private trade, according to a Kooperative official.

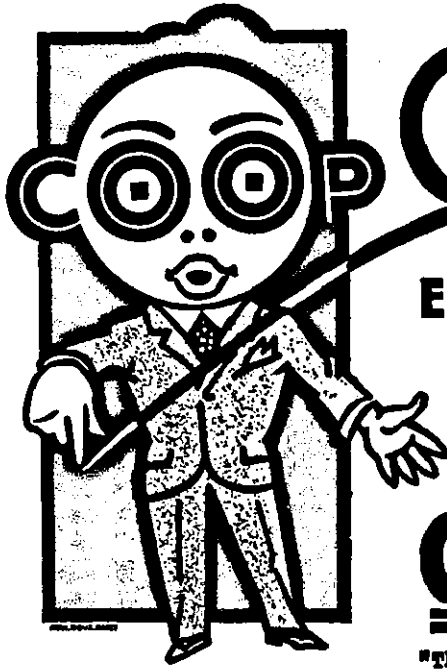
The general manager of the Royal Arsenal Society of London, in explaining how cooperatives can pay higher wages and yet maintain competitive prices, said it is because of superior organization in cooperative business. He said that the amount of trade in each cooperative shop is much greater than that of private chain stores. He explained that cooperative members would travel much farther to trade in their own shops, so that the wage cost per unit of sales is less than in private business. He cited as an example the Royal Arsenal Society's milk and bread departments, in which they are obliged by Government boards to charge the same prices as those prevailing in private shops, with

the result that the gains in these departments are a very substantial proportion of the patronage refunds paid by the society to its members.

Another important factor in lowering cooperative costs is the low cost of capital. In most European countries, the net cost of money to cooperatives is much lower than to private traders. There is a steady flow of share and loan capital to the societies without the promotion costs that accompany private security issues. The cooperative policy of charging off the cost of plants and equipment rapidly, and of building up interest-free reserve funds, means that most European cooperatives have large amounts of capital on which no interest is paid, and which therefore do not represent an item of cost.

Cooperative spokesmen cite smaller advertising expenditures as a cost factor in their favor. They depend for their trade instead, they say, on the loyalty of members and the price and quality reputation of cooperative goods. But the cooperatives set aside funds for education, which serve to some extent the purposes of advertising. Actual advertising in many orthodox forms is being used increasingly by cooperatives. Kooperativa in Sweden promotes sale of some of its own manufactured products by nation-wide advertising. The English Cooperative Wholesale Society has a fully-equipped advertising department which spends more than a million dollars a year. The Scottish wholesale follows a similar policy; a uniform price is set on all products manufactured by the S. C. W. S., so they can be advertised nationally, and advertising expenditures by the wholesale amount to \$400,000 a year. Local English societies use newspaper and billboard advertising extensively. In many countries, cooperative publications of large circulation serve directly and indirectly to carry cooperative advertising.

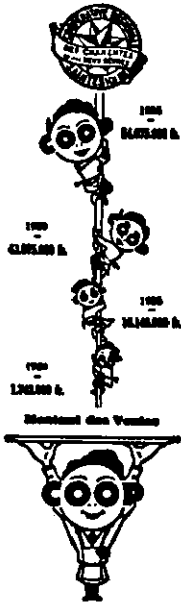
The prevailing cooperative policy of selling for cash undoubtedly represents a saving; credit losses are a negligible item of cooperative costs. Delivery of individual items and other such uneconomic services are less likely to be found in cooperative than in private stores.



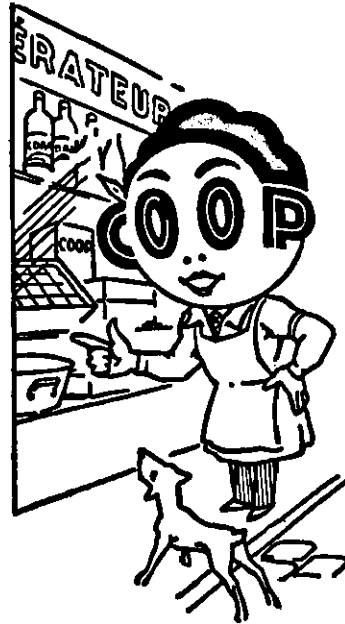
# Co. magasin

N'APPARTIENT PAS À UNE  
ENTREPRISE COMMERCIALE  
mais....  
à une VÉRITABLE  
**COOPÉRATIVE**

"This store is not a commercial enterprise,  
but a true cooperative."



Ingenious  
use of  
the word  
"CO-OP"  
adopted  
by many  
societies  
in France



In some countries certain tax exemptions help to reduce cooperative costs. When cooperatives engage in profitable manufacturing enterprises, the savings paid back to the local societies as patronage refunds help pay operating cost, leaving less to be charged against the goods handled.

The customary  $\frac{1}{2}$  to  $1\frac{1}{2}$  percent allowance to private chain-store managers for losses is not allowed by Swedish cooperatives, according to an official. The cooperative manager may return spoiled goods, but except for such returns, he must show a sales ticket for all goods checked into his store.

## Chapter VI

### CONSUMER COOPERATIVES AND PRIVATE BUSINESS

PRIVATE businessmen in Europe regard cooperative enterprise as a competitor, but they seldom charge it with being an unfair competitor. Their chief objection is to tax laws that favor cooperatives, where such laws exist. (See ch. XIV.)

Cooperative competition may force some changes in private-business methods, but it does not seem to have been fatal to private business in any great number of cases. Efficiently operated private retail stores of all classes are found competing successfully with cooperatives. Cooperative competition is felt most by stores which cater to the working-class trade. In many countries where class distinctions are important, many people avoid the "workers' stores", as the cooperatives are called.

Stores which boast of "catering to the high-class trade" do not feel cooperative competition much. Nor do those at the other end of the scale, which specialize in extremely low-priced and low-quality goods and, in some cases, credit for people too poor to be able to buy a share in the cooperative or wait for a cooperative dividend or pay cash.

In Denmark, in the view of a director of the country's largest bank, "it is not true to say that the cooperatives destroy private business." Their total effect is so much to improve the situation of a community that it could reasonably be said that there is more business and more work to be done as a result of cooperative enterprise than there would have been without it, in the opinion of this observer.

A director of the State Bank of Denmark said that private business feels that the cooperative

movement means more competition and lower prices, but that business in general is better and industrial production steadier as a result of cooperative enterprise and its tendency to hold down prices.

In Finland, according to the governor of the State bank, private trade has grown at about the same rate as cooperative trade after the former "learned its lesson" from cooperatives and reorganized on an efficient basis. The percentage of cooperative to total retail trade has remained nearly constant at 25 to 30 percent for some years.

Frequently private business finds it necessary to change its methods in order to meet cooperative competition. On the other hand, cooperatives also adopt some of the methods of their private competitors.

There was general agreement among the people whom we interviewed outside of cooperative ranks that cooperative standards of efficiency have been adopted by private retail trade to its great advantage. In Finland, said an official of the State bank, cooperative competition forced private retailers to set up their own voluntary chain organizations, which are now furnishing their member retail stores with accounting service and advice on efficiency methods in much the same way as cooperative wholesales.

In Sweden, according to the director of a private bank, cooperatives have improved the level of retail business efficiency and have served to make their competitors more efficient. In Switzerland, two of the three private chain-store systems in Basle have pooled their orders for wholesale buying.



Even the patronage refund has been adopted from the cooperatives by many chain and private stores throughout Switzerland.

In most countries cooperative pressure is in the direction of lower price levels. (See ch. VIII.) To meet this competition private retailers try to adopt most or all of the cost-reducing devices of cooperatives. (See ch. V.) In addition, the cooperatives say, private traders pay their labor less and require longer hours.

While cooperatives charge that this is unfair competition, private retailers say that the tax advantage given to cooperatives by some governments is unfair. In France, the outcry of small retailers against tax favors to cooperatives brought about a change in the law; now French cooperatives are taxed on exactly the same basis as their competitors. Similar pressure in England in 1933 secured repeal of tax exemption for cooperative earnings retained for reserves. A more complete discussion of cooperative taxation will be found in chapter XIV.

Managers of both cooperative and private stores are keen businessmen who try to keep their customers satisfied, but who are sometimes forced by competition to do things they would rather avoid. At least that is the explanation given by cooperators to explain some of the methods they have borrowed from their private competitors, notably the use of exaggerated claims for their goods. This is particularly prevalent in the patent-medicine trade.

In England, the cooperative stores handle many trade-marked articles under an agreement with the Proprietary Articles Association which pledges them to maintain established prices and discounts. This is an unwritten agreement, the cooperatives not being able to bind themselves further than permitted by the year-to-year decisions of their membership meetings, but it is fully observed, according to the secretary of the Proprietary Articles Association. As part of this agreement, cooperatives do not pay patronage refunds on certain proprietary articles. The profit from these has the effect of making the refund on other goods larger, however.

Cooperatives enter into and carry out price-fixing and quota agreements both with governments and with associations of private manufacturers, but in general they prefer free and vigorous competition.

While in England and Scotland cooperative theory looks forward to eventual complete cooperative production and distribution of consumer goods, in practice there as in other countries practically all cooperative enterprises have vigorous private competition.

Many cooperative leaders, particularly those of Sweden, regard this as a desirable condition. They believe that competition is the real test of cooperative service and furnishes the stimulus to keep it at a high pitch of efficiency.

Similarly, they have no great sympathy for competitors who cannot meet fair competition. Like chain stores, they have been accused of putting their competitors out of business; they reply that when this happens the real reason is the inability of the private stores to measure up to the highest standards of efficiency.

The United Cooperative Baking Society (Glasgow) believes that there should be no competition between cooperatives. Officials said that the Irish societies "play off" Scottish bakery and wholesale societies against the English.

In Czechoslovakia, we were told, many small merchants operating dairy stores have been bought out by the cooperatives. These merchants have reestablished themselves in other businesses. In France, we heard the story from a cooperative source of the establishment of a cooperative store in a town of 1,000 inhabitants. None of the four small stores already there was able to compete successfully with the cooperative. The owner of one became manager of the cooperative store, the owner of another became an employee, a third owner moved away, and the fourth went bankrupt. We were told by the secretary of the cooperative party in England that in buying out private stores, the cooperatives usually take over most of the personnel at higher wages.

Private as well as cooperative stores benefit from the expenditure of cooperative patronage

refunds. Quarterly "dividend week" in London, we were told by the manager of the London Cooperative Society, is usually a week of special sales in all private stores which compete with the cooperatives. They go after and get part of the patronage refund money. The cooperatives in turn hold special sales of their own, together with membership drives. Some lines of goods cannot be obtained in cooperative stores, so cooperatives perforce furnish some of the money which their members spend with private merchants.

Cooperative enterprise has been good for the retail trade and general economic life of Sweden, according to a leading merchant of Stockholm. He objects, however, to the freedom of cooperative refunds from taxation.

Cooperatives as a rule go into manufacturing only when convinced that prices are being held at artificially high levels. In Czechoslovakia, we were told, shoes and textiles are being produced and distributed so economically by private industry that there is no need for the cooperatives to handle them in large volume.

Cooperatives do not usually find it necessary to dominate the manufacture of an article in order to break monopoly prices. In Sweden, cooperative policy is to engage in any business only so far as may be necessary to secure fair prices for consumers. Sometimes the existence of a well-financed cooperative with a "trust-busting" record to its credit is all that is neces-

sary to prevent further monopolistic attempts. In England, however, we were told by a director of the Bank of England that the mere threat of cooperative expansion did not check monopoly prices, but that actual production, as in the case of cooperative flour mills and bakeries, did have that effect.

The Danish Wholesale Society's flour mill, the largest in the country, supplies only three-fourths of the cooperative demand even when running 24 hours a day the year around, but it has exercised effective control over all Danish flour prices. Similarly, the Basle (Switzerland) Cooperative Society's bakery, supplying 40 percent of the bread needs of the district, effectively regulates all bread prices.

In numerous instances European cooperatives are in association with private business. Swedish cooperatives own a fertilizer plant that is operated by the fertilizer trust under a management and national price control contract. Swiss cooperatives own 51 percent of the stock in a large meat slaughtering and distributing company; private owners hold the rest. English cooperatives are minority stockholders in a number of private corporations.

No cooperative societies are engaged in heavy industrial production, nor are any steps being taken in that direction. There is some cooperative coal mining, and certain cooperatives operate or participate in the operation of some other extractive industries, such as salt wells.

## Chapter VII

### COOPERATIVE COMPETITION

COOPERATIVE enterprise in some countries serves as a "yardstick" by which prices and services of competitors can be measured in full public view. This frequently results in lowering prices and improving services throughout a country or district, often with wide public support outside the cooperative movement.

#### RETAILING

Where tests have been made in Sweden, it has been shown that prices in a community fall when a cooperative store is established. Indeed, the Swedish cooperative movement is generally credited with lowering prices throughout the whole country; a group of Sweden's largest private businessmen not only said as much to us but added that this control had been very useful to the public.

Similar results, in somewhat lesser degree, have been achieved in Denmark. There the cooperative stores, particularly in rural areas, do not reduce prices much because the members like large patronage refunds. Statistical studies in Geneva, Switzerland, showed slightly lower prices in cooperative than in private stores for all except special-quality goods. Cooperative store prices in France seem to be about 5 percent to 6 percent lower than in private shops, according to the best information we were able to get. In certain strong cooperative districts the difference in favor of the cooperatives is said to be as much as 10 percent.

The Cooperative Information Service of the International Labour Office at Geneva carries a report from the Danish Cooperative Wholesale Society, in which prices of food sold at coopera-

tive stores are compared with those published by the government statistical office of Denmark. Prices in cooperative stores are shown as 7 percent lower if patronage refunds are not taken into account, and 14 percent lower if these refunds are included.

At Sandvika, in Norway, a comparison of prices was made. The first study was undertaken before the opening of a cooperative store. Representatives of the Cooperative Wholesale Society shopped for 12 items from the town's 18 private stores, making 3 purchases of each of the 12 items, using 5 different persons to make the purchases, and recording the exact requests of the purchasers and the exact price and quality of the items purchased. From these records a list of average prices was made.

Two months later a cooperative store was set up; and 2 months after that a second test was made by purchases of the same 12 items, in the same private stores, by the same purchasers. Again average prices were determined; and the figures showed a 7½-percent decrease in price. We obtained no exact figures showing the movement of national prices over this same period; but the opinion of the cooperative official who reported the test was that the cooperative had unquestionably been the cause of the retail price decline in Sandvika.

A similar result in a Finnish town was reported to us by a cooperative leader. In this instance there had been a long-standing local demand for a cooperative store; and when the decision was finally made to set one up, retail prices in the community dropped about 10 percent before the store was actually opened.

In Switzerland farmers' cooperatives set the prices for fertilizer and other farm supplies while consumer cooperatives set the prices of food products, shoes, and many articles of clothing for the whole country. The cooperative stores are now having to meet more effective private competition than formerly, with the entrance into the field of well-managed, modern, and efficient shops and chain stores. Some of these private competitors use methods which resemble those of the cooperative, including the paying of rebates to customers.

A chocolate manufacturers' combine in Switzerland which threatened to gain monopoly control of the retail field was broken up by action of the cooperative societies. Control of prices was at issue, and four separate interests were involved; the manufacturers' combine, the independent manufacturers, the private dealers, and the cooperatives. The struggle over prices was conducted by alliances, actual or threatened, between various of these interests.

The combine first raised the wholesale price of chocolate. It refused to permit a raise in retail prices, but offered a rebate to retailers who would buy only from the combine. There was a threatened revolt of dealers, and the possibility of private and cooperative stores allying themselves with independent manufacturers. The combine and the private dealers, however, composed their differences and raised both wholesale and retail prices. Here the cooperatives took an independent course, buying for a time only from independent manufacturers and not raising prices. This had the result of breaking up the combine, of restoring free competition in the producing field, and of preventing monopolistic price control and price raising.

We were told by the director of the French Cooperative Wholesale Society that the society, in its efforts to hold retail prices down, has at times discontinued the handling of trade-marked articles on which the manufacturer fixes retail prices, and has instead handled competing articles of corresponding quality on which it was allowed to set its own prices.

Lower cooperative prices are likely in the long run, if not immediately, to result in a widespread reduction of prices. The general manager of the Royal Arsenal Society of London told us that for years the society had sold bread at a halfpenny under the ordinary market price; that this had operated to bring down the price of bread to everybody in the city, so that the cooperative price is now the same as that charged in private trade.

The uniformity of cooperative prices tends to bring down the prices charged in "high-price neighborhoods", according to this same official.

V. O. L. G. in Switzerland, which is primarily a federation of agricultural societies, operates its retail stores on a small margin. Its price calculations are as follows: To the actual cost of production or the manufacturer's price V. O. L. G. adds 5 percent to 7 percent. The local societies add an average of 20 percent, from which they pay operating costs and a 4 percent to 11 percent patronage refund to individual members.

#### MANUFACTURING

To combat monopoly effectively, European cooperatives have frequently gone into the manufacturing as well as the retail field.

The theory upon which the Swedish consumer cooperatives base their production policy is described by Anders Örne, postmaster general of Sweden and former secretary of the Swedish Cooperative Union:

In the nature of things, State control of private enterprise must always be very defective. . . . To achieve a real control over the forces of monopolistic price fixing we must resuscitate competition. This can be done only by establishing a new undertaking, superior in productive power and in technical equipment for distribution and invulnerable to the financial influence of monopoly interests.

Here enters consumers' cooperation. . . . The State is scarcely in a position to revive the necessary competition; it lacks the most essential apparatus of all for the task—selling facilities. These the State could procure only by establishing a public monopoly to displace the private monopoly, and thus compelling retailers to submit to its domination. . . . A well-conducted, well-developed consumers' cooperative has at its disposal excellent machinery for the distribution and sale of goods which, if necessary, it manufactures.

Consumer cooperation is a means, according to its leaders in Sweden, of insuring that the progressive increases in the efficiency of industry are accompanied by reductions in price. They have opened up competition in one field at a time, and only as it was made necessary by the price-fixing policy of an organized industry.

Results of such a policy are to be found not only in Sweden, but in a number of the other countries we visited. In Sweden the cooperatives undertook to deal in this way with price-fixing in the production of margarine, flour, galoshes, electric bulbs, and fertilizer; in Finland with matches, margarine, flour, and fertilizer; in Denmark, with margarine, oatmeal, flour, binder twine, and feed.

The following accounts were obtained from cooperative sources, with considerable confirmation from others. The facts and figures were not checked with statements by competing industries, nor did we have the opportunity to check methods of accounting or costs of production in cooperatively owned factories. A number of these accounts have previously been published, and so far as we have been able to learn, have not been refuted.

#### BINDER TWINE <sup>1</sup>

Prior to the depression there were four Danish binder-twine companies competing with imports from the factories of Holland and America, and the farmers of Denmark secured cheaper binder twine than was available anywhere else in Europe. Then the Danish Government established its control of foreign exchange, and, as Danish capacity was sufficient to supply the domestic market, took steps which effectively shut off imports of binder twine. The private manufacturers immediately set up a cartel and divided up the Danish market.

The Danish cooperatives, however, were selling 2,200 of the 5,500 tons of binder twine used each year in Denmark, and were producing 1,000 tons annually in the factory of their Cooperative Wholesale Society. The managers of the

<sup>1</sup> Interview with Frederik Nielsen, manager, grocery department, Danish Cooperative Wholesale Society.

two factories from which the cooperatives purchased the additional 1,200 tons, immediately went to the cooperative wholesale office and said that they would not take advantage of the opportunity to raise prices, apparently feeling that if they did, the cooperative would expand its production. According to the manager of the wholesale:

As a result of their factory's making less than 20 percent of the Danish requirements in binder twine, the cooperatives decide the price of binder twine in Denmark.

#### BREAD <sup>2</sup>

The production of bread was undertaken by the Stockholm Society, which in 1922-24 erected what was then the largest, most up-to-date, and best-equipped bakery in Sweden. Previously unstandardized weights and sizes made it hard for consumers to know just what they were paying for. An official accountant who, at the instance of the Stockholm Society, made an investigation in 1926, found that on the basis of comparable types and weights the society's prices averaged 32 percent below those of the private bakers, representing a saving of about \$7 a year in the budget of a family of four.

The society started a campaign for standardized loaves of bread, and as a result private bakers were forced to approach such standardization and to reduce prices. The entire population of Stockholm benefited. Monthly comparisons of prices of foodstuffs, prepared by the statistical department of the Cooperative Union, show that in Stockholm the prices of various types of bread at cooperative stores ranged from 1 to 5 cents per unit below the average Stockholm prices compiled by the Swedish Royal Social Board. This meant reductions ranging from 8 to 23 percent.

#### FERTILIZER <sup>3</sup>

In 1929 the Swedish Cooperative Union purchased a superphosphate plant in the vicinity of Stockholm, in part because it wanted the

<sup>2</sup> Interview with Axel Gjores, general secretary, K. F.  
<sup>3</sup> The Position of Cooperation in Swedish Economy, committee report to K. F. Congress, 1934, by Axel Gjores, general secretary, K. F.

land, which is adjacent to the island on which its Three Crowns flour mill and subsidiary industries are located. It also saw an opportunity to assist farmers.

The factory produced half a million bags of superphosphate annually, equivalent to a quarter of the country's demand.

As the consumer societies could not dispose of the entire annual output, an agreement was worked out by which the Farmer's National Purchasing Association leases the plant, in turn subleasing it to the private company which owns the country's remaining superphosphate plants. The lease to the private company contains a clause which enables the cooperative organizations to control the price. As a result, the prices of superphosphate have fallen, saving farmers about \$500,000 in the first 2 years.

The joint action of the two cooperative organizations in this field also enabled them to exert considerable pressure on the German-French lime syndicate, with the result that Swedish farmers have obtained cheaper lime. As a result of the success of this collaboration, it has been extended into other fields.

#### FLOUR <sup>4</sup>

The Swedish Cooperative Union found flour prices controlled by the Swedish Flour Mill Association and allied organizations. The formation of the cartel resulted in a jump from 9 percent to 23 percent in the yield on the share capital of the mills, the profits actually rising to a high point of 33 percent in 1919.

In 1922 the Cooperative Union bought the Three Crowns flour mill near Stockholm. In 1923 it was rebuilt and subsequently enlarged. Another mill was purchased, the Three Lions Mill on Gothenburg Harbor. In this way, with their mills grinding 25 percent of the flour produced in the machine mills of Sweden, the cooperatives were able to influence the price of flour. An official Government inquiry showed that, after the state regulation of the grain market came to an end in the autumn of 1920, and

<sup>4</sup> The Position of Cooperation in Swedish Economy, committee report to K. F. Congress, 1934.

until 1924, the association (cartel) was able to maintain an obvious disproportion between grain and flour prices. Thus the monopoly kept for itself the advantages which the Swedish grain duty has been intended to confer on farmers. There was no reduction in the price of flour corresponding with the heavy fall in the price of homegrown grain.

After 1923, however, the Swedish Flour Mill Association was unable to control the price. The margin between grain and flour prices fell from 88 to 47 cents per hundred pounds, a reduction of 41 cents. According to the Government inquiry, the change of price policy was the result both of foreign competition and of the competition afforded by mills outside the association, particularly those of the Cooperative Union.

#### GALOSHES <sup>5</sup>

The galosh monopoly was formed in Sweden in 1911, under the protection of an import duty through the linking together in a ring of the four Swedish galosh factories. According to Axel Gjores, the resulting price inflation was scandalous, the associated companies in the next 14 years securing profits totaling \$12,000,000 on an original capital of \$1,000,000. Management costs were also inflated until they exceeded the entire wage bill.

In 1926 the Cooperative Union Congress decided unanimously to take steps to break this monopoly, which controlled a product necessary to the people on account of the Swedish climate. Immediately following this decision, the galosh cartel decided to reduce the price of galoshes from \$2.27 to \$1.74 per pair of men's galoshes.

The Cooperative Union called for a further reduction of 26 cents per pair, and when this was refused, decided to have its own galosh factory. Its efforts to purchase one of the existing factories met with the demand for an exorbitant price, but, when it announced its intention to build a factory, more reasonable offers were received. As a result, at the end of 1926, the Cooperative Union proceeded to acquire a majority of the shares of the Gislaved factory.

<sup>5</sup> Interview with Axel Gjores, general secretary, K. F.

The operation and extension of this factory by the Cooperative Union finally brought the price of a pair of men's galoshes down to 93 cents, a saving of \$1.34 per pair over the original cartel price.

The result of this cut in prices was the virtual doubling of the use of galoshes in Sweden. As pointed out by the Swedish Prime Minister, farmers stopped using homemade wooden shoes and purchased galoshes. The number of workers employed by the cooperative factory increased from 220, at the time it was acquired, to 1,100 in 1936, including some additions for the establishment of a tire department. It is interesting also to note that although the Cooperative Union is paying higher wages than were paid in 1926, the wage cost per unit of output has gone down.

Sweden's cooperative galosh factory establishes prices on the basis of cost plus 10 to 15 percent—the excess going into reserves to be used chiefly for experimentation.

#### ELECTRIC LIGHT BULBS <sup>6</sup>

An international cartel, beginning in 1902 with producers of 90 percent of the European supply, had limited production and established secret price agreements on electric light bulbs. Legal proceedings on an antitrust basis had only consolidated its position. Not only were prices under complete control, but they varied enormously from country to country.

Swedish cooperators, to reduce the unreasonably high prices set by the cartel, took the lead in founding the North European Luma Cooperative Society. Its members were the national consumer cooperative wholesales of Sweden, Denmark, Norway, and the two wholesale societies of Finland. A factory was built at Stockholm, and in 1931 Luma began making electric light bulbs.

Even before production began, however, the threat of competition drove down the price of standard 25-watt bulbs in Sweden from 37 cents to 27 cents. When the Luma bulbs appeared

on the market, the price declined 5 cents more. As the yearly consumption in Sweden alone amounts to 10 to 12 million bulbs, consumers there are saving between a million and a quarter to a million and a half dollars a year.

In 1932, the first full year of operation, the Luma plant produced 2,460,000 bulbs. Production increased to 3,670,000 bulbs in 1935, including a complete line of bulbs for medical and industrial use as well as for ordinary household purposes. In that year, sales of bulbs were divided as follows:

	<i>Bulbs</i>
Swedish consumers' societies . . . . .	1,643,000
Danish consumers' societies . . . . .	213,000
Finnish consumers' societies . . . . .	115,000
Norwegian consumers' societies . . . . .	71,000
Other customers: Sweden . . . . .	892,000
Other customers: Export . . . . .	736,000

This was the first time that the cooperative movement had fought an international combine, and the first time that an attack on monopoly was launched by an international group of wholesale societies.

#### MARGARINE <sup>7</sup>

In 1909, as part of a campaign to stop the growth of the Swedish Cooperative Union, the Margarine Manufacturers Association decided to boycott the union by refusing it the usual agent's commission. The Cooperative Union bought a small margarine factory not affiliated with the association. Immediately after this purchase, the association reduced the price of margarine by one-half cent per pound. This meant a general saving to consumers in Sweden of \$160,000 a year. Within 2 months the price per pound had fallen 2½ cents, bringing the total annual saving to \$800,000 for consumers throughout Sweden. The ultimate result was the breakup of the cartel. The entrance into the field of margarine production was an emergency measure, but the Cooperative Union today has an up-to-date factory with an annual production of 32,120,000 pounds. This serves effectively to check any monopoly price control.

<sup>6</sup> Interview with Albin Johansson, director, K. F.; Herman Stolpe: *A New Family Economy*, M. S.

<sup>7</sup> *The Position of Cooperation in the Swedish Economy*, committee report to K. F.'s Congress, 1934.

### MATCHES <sup>8</sup>

Although the cooperatives of Finland have gone into lines of production similar to those in Sweden and Denmark to check monopoly price fixing, the most interesting story of their dealing with a trust is in connection with matches.

The Swedish Match Trust had secured control of the market by buying up all the available match factories. To meet this situation both of Finland's cooperative wholesale societies built their own factories, and won from the trust an agreement under which the price of matches in Finland cannot be raised without the consent of the cooperatives.

### OATMEAL <sup>9</sup>

When the business crisis came, Danish consumers were paying 8 cents a pound for packaged rolled oats, having to a considerable extent substituted these for bulk rolled oats at 4.6 cents a pound and barley at 2.6 cents. The Central Wholesale Society of Denmark did its best to secure a reduction in price, but without success. So the cooperatives decided to manufacture their own brand of packaged oats and reduced the price to 5.8 cents per pound, a saving of 2.2 cents.

As soon as it was known that the cooperatives were actually going into production, the big companies were ready to cut their prices. The cooperatives, however, already had their machinery and went ahead with production. The private companies then maintained their price rather than try to compete for the market represented by members of consumer cooperative stores. The Danish law which discourages cooperative stores from selling to other than members tends to preserve the noncooperative market for the private companies.

### RAYON <sup>10</sup>

The Swedish Cooperative Union's rayon factory is being directed at high prices along a rather

<sup>8</sup> Thorsten Odhe: Finland, a Nation of Cooperators.

<sup>9</sup> Interview with Frederik Nielsen, manager, grocery department, Danish Cooperative Wholesale Society.

<sup>10</sup> Interviews with Herman Stolpe and Ragnar Lund, K. F. officials.

different route. This factory is at present producing cellulose from woodpulp, and selling it in the raw or as cellophane. It is carrying on experiments in the production of artificial silks, wools, etc., from this raw material. The most interesting fact, however, is that at the directors' meeting last May it was decided to use a large percentage of the surplus to expand research and to offer engineers throughout the country an opportunity to come to the factory and study the process, learning formulae and methods kept carefully secret by cartel manufacturers. The purpose is not only progress in the technique of the industry, but also that these engineers may be able to go out and independently produce rayon in Sweden so as eventually to break the present monopoly control.

### SALT <sup>11</sup>

The Cooperative Wholesale Society of France some years ago found that the price of salt was higher than production cost justified. The cooperative wholesale, in conjunction with several local societies, bought a salt mine, which keeps its corporate identity and is managed by the wholesale. It has lowered the price of salt in the whole northern third of France. Due to the cost of transportation, it is not possible to ship salt farther south than that, and in consequence the cooperatively owned mine does not influence prices outside of the territory served.

### SOAP, FAT, AND MARGARINE <sup>12</sup>

When Uni-Lever was organized as a European holding company its purpose was the cartelization of the soap, fat, and margarine business of the Continent. To meet this monopoly, the Cooperative Wholesale Society of France with a number of private industrialists organized a competitive soap, fat, and margarine business with the necessary manufacturing plant. The

<sup>11</sup> Interview with A. J. Cleuet, director of the Central Cooperative Wholesale Society of France, and president of the International Cooperative Wholesale Society.

<sup>12</sup> Interview with A. J. Cleuet, director of the Central Cooperative Wholesale Society of France, and president of the International Cooperative Wholesale Society; interview with officials of the Cooperative Wholesale Society in England.



cooperative owns 50 percent of the stock in this company, and by this means it feels it is able to maintain competition in the soap, fat, and margarine business in France.

The English C. W. S. has also reduced somewhat the price of soap products through its very extensive soap works. However, the English and Scottish societies have not brought the price down as much as they could, and in consequence some of their soap works have shown phenomenally high profits, having fully returned capital investment in periods of less than 5 years. The price of soap to the general public has not been as much reduced in England as on the continent.

#### SUGAR

The records of joint-stock company investors at Somerset House in London reveal the fact that the Cooperative Wholesale Society owns substantial blocks of stock in a number of private industrial concerns. In the case of sugar it is a minor holder of the stock of Tate and Lyle. Its influence is not exercised in these industrial holdings in the direction of price control. The major purpose of such holdings, aside from the profitableness of the investment, is the assurance of a supply of particular commodities. During the war the cooperatives of England and Scotland had great difficulty in getting adequate supplies of a number of commodities. This was true of sugar along with others, and the purpose in this investment is simply to place an obstacle

in the way of monopolistic quota distribution that would shut off the cooperatives from the commodity.

#### OTHER EXPERIENCE

The viewpoint expressed by leaders of cooperative enterprises is that cooperative organization comes into being chiefly to meet specific problems. Mr. Frederik Nielsen, manager of the grocery department of the Danish Cooperative Wholesale Society, said:

The Central Wholesale Society can only buy, import and manufacture for the members as they want it. We never go into manufacture if we are well treated by private industry—that is, we go into the field of production only if we can manufacture an article more cheaply. If private business establishes a trust or price convention tending to peg the price of a commodity at an artificial level, then the cooperatives may set up a factory.

The story of the entrance of Danish cooperatives into the manufacture of margarine and flour corresponds closely to the Swedish experience. Their margarine factory production is equivalent to 25 percent of the country's demand. Their flour mill, the largest in Denmark, is operating 24 hours a day throughout the year, except Sundays, while the private mills are averaging only a little more than half time. In both cases they exercise an effective influence on prices.

Not all cooperative efforts to break monopoly prices have been so effective. This is particularly true of efforts to combat the petroleum products cartels.

## Chapter VIII

### PATRONAGE REFUNDS AND CREDIT POLICIES

THE French word "trop-perçu" (overcharge) perhaps best indicates the cooperative concept of the nature of the sum periodically returned as patronage refunds. The distribution of surplus earnings as patronage refunds to members is one of the fundamental cooperative principles.

The practice of selling at or near the market price and returning the gain, rather than selling at cost price, appears to have been adopted by consumers' cooperatives for two reasons: it protected the societies from operating at a loss because of the difficulty of accurate cost accounting in advance; and it protected them from the charge of price cutting.

The economic benefit represented by the patronage refund is in the view of many observers the chief appeal of cooperatives to their membership. An English business man described cooperative business success as based upon the ability to buy cheaply, sell on a strictly competitive basis and pay patronage refunds in addition. A family, in his opinion, becomes a member of a cooperative not for any idealistic reasons, but in order to obtain this patronage refund. These refunds are commonly regarded as perquisites of the woman of the family. Patronage refunds are usually declared and paid quarterly, sometimes annually, and sometimes at shorter intervals, as in the mining sections of the north of England, where they are paid every 15 days.

The rate of patronage refunds varies in different countries and sections, even within sections where the actual costs of the various societies are approximately the same. The manager of a large English concern referred to the difference

between the "low dividend" and the "high dividend" societies. High dividends are characteristic of Scotland, where in some instances as high as 20 percent is paid. Goods must be correspondingly high in price in order to make possible these large patronage refunds.

Price and refund policies are in some degree governed by the desires of the membership. In France, the members prefer low prices, and in consequence the prevailing patronage refund is 4 percent. Danish cooperators prefer to pay going prices and get a larger refund—8 to 10 percent.

Retail cooperative societies in Scotland charge relatively high prices, and pay refunds of 12 to 20 percent. This, despite pressure from the wholesale society for lower prices and smaller refunds. Laundry and funeral services, provided by the wholesale, are furnished at close to cost. The minimum price of a complete funeral if £10, the local society getting the order receiving a refund of 15 percent.

Patronage refunds in England, according to a cooperative official, are generally held at 4 percent, although in some districts where the membership demands are similar to those in Scotland, the rates may run up to about 15 percent.

Danish cooperative officials, speaking of the two cooperative stores at Skaevingo and Ullerd, told us that these stores paid 10 to 12 percent patronage refunds annually on the items authorized to be counted—certain commodities not being included for purposes of calculation. Despite these large patronage refunds, one of the managers said that the quoted sales prices were not higher than those charged by other dealers

Members of the large cooperative society at Basle, Switzerland, receive 9 percent patronage refunds on their purchases, according to an official of the Cooperative Union of Switzerland. Five percent of the total amount of purchases is paid whenever a membership book shows 200 francs' worth of purchase stamps, the remaining 4 percent being paid at the end of the year.

Another Swiss cooperative official said that the patronage refunds range from 2 up to 15 percent, being prevailingly high. In the Italian section of Switzerland, they are 2 to 3 percent, but in the eastern section they range from 10 to 15 percent. In Basle, the patronage refund is 9 percent; in Zurich, 8 percent; in Berne, 7 percent. It was explained that the 9 percent Basle patronage refund is not solely out of surplus from trading. The trade refund is 7 percent, the added 2 percent coming from income on invested surplus funds. The general average for Switzerland, it was said, might be placed at 8 percent.

A member of the board of managers of the Basle Society said that the bakery department was regarded as a deficit department, in that it earns only 4 percent, which is 3 percent less than the patronage refund paid on all cooperative purchases. It was explained that the chief counterbalancing gains in other departments were groceries with 10 percent, wine with 15 percent, and household goods with 10 to 12 percent gains.

In the French cooperatives, after operating and other expenses and substantial reserves have been deducted from society earnings, 80 percent of the remainder is generally distributed as patronage refunds, 20 percent being devoted to education, sick-benefits, etc. Many other societies withhold substantial amounts for education as well as for reserve funds before paying patronage refunds.

In Sweden, where cooperative prices have had a considerable effect in reducing national retail prices, patronage refunds are generally set at 3 percent. When sales are made to nonmembers, accrued patronage refunds may be, as in England and Finland, credited to the nonmembers' share account, as an inducement to membership.

In some societies refunds are credited to nonmembers at a lower rate; in others, nonmembers get no refunds.

#### BUYING FOR CASH

The success of the original Rochdale Society was in part attributed to its adherence to the principle of cash purchase. Obviously this policy eliminates dangerous risks.

Cooperative share and loan capital is usually withdrawable on demand. Under these circumstances the cash purchase policy provides an important counterbalancing element of stability in cooperative finance.

The cooperative ideal of buying for cash has been made the basis of a theory of family thrift. The cash purchase method in retail cooperative trade has been regarded not merely as a sound policy but also as an essential principle.

Cash trading has been an important stabilizing influence in Sweden, according to one of the leading industrialists of that country. Swedish cooperative spokesmen say it is their policy to encourage members to save part of their income as well as to buy for cash.

During 1936, Kooperativa Forbundet in Sweden conducted an extensive thrift campaign among young people, stressing the dangers of installment purchases for young wage earners. A housewife in Stockholm told us: "Kooperativa Forbundet's thrift campaign is the greatest thing ever done in Sweden for our households."

After the World War the financial situation in Swedish consumer cooperatives was disturbing. Real estate was heavily mortgaged. Net worth was small, and a large part of the assets were really owned by creditors. A campaign for cash trading, backed by strict rules, put members and local societies on a cash basis. In the case of the latter, this meant smaller stocks, more rapid turnover, and a more careful purchasing. Change to a cash policy put the cooperative movement in a position to become an effective influence for lower prices. The ratio of outstanding member credit to net worth of the local societies decreased from 50 percent in 1908 to 2 percent in 1935.

The cash purchase policy is practiced by most European cooperatives. Since credit costs money, the elimination of credit trading is one of the means of reducing the operating costs of cooperative business. The policy has, however, never been universally followed.

#### CREDIT PURCHASE

Cooperative arrangements for credit differ from one society and place to another; credit is always carefully restricted.

An officer of the Royal Arsenal Cooperative Society in London described the system of "hire purchase" or deferred payment, through the organization of "mutuality clubs" within the society. A member must be vouched for by the club collector, who is responsible for his payments. This system has now been extended to cover clothing, as well as furniture, pianos, etc. The down payment required is 2 shillings in the pound, or 10 percent of the purchase price. The rest is paid off at the rate of a shilling per pound per week. There is no interest charge on the unpaid balance, and members using the deferred-payment system get their articles at the same prices paid by cash customers. An exception is coal. When purchased on deferred payments it costs 2 shillings a ton over the cash price. About 60 percent of the society's dry goods business, and 50 percent of its coal business, are conducted on a deferred-payment basis. The society does not allow the purchase of groceries on credit.

The cooperative policy in Switzerland is to keep the members' business on a strictly cash basis, and this is widely carried out, according to a member of the supervisory council of V. S. K. In the case of unemployed workers, however, and in farm areas where income is irregular, the cash policy is not always maintained.

In Czechoslovakia, during periods of unemployment, the cooperative considers it justifiable to grant credit moderately. Credit, however, is usually limited to the amount of share capital held by the member. Local credit policies tend to adjust themselves to monthly, weekly, or other

wage periods of the membership. It is pointed out that those societies which adhered to or returned to a strict cash basis have increased their turn-over more than other societies. The habit of credit trading, however, has made it difficult for societies to keep entirely to cash trading. In recent years, they have developed systematized methods of credit trading replacing unorganized forms. In general, the managers of societies are allowed to give credit up to 2 percent of their gross business, but there is much difference between localities. The responsibility for such credits is in some instances carried by the personnel of the stores and in some instances by the societies.

A cooperative official in Denmark expressed the view that it was unfortunate that the consumer cooperative stores in the rural areas had departed from strict enforcement of the rule of cash purchase, and said people ought to be taught never to buy consumers' goods on credit; but he pointed out that the farmer was in a different position from the city worker receiving a regular wage or salary each week or month.

When general store managers or other sales personnel, as in Switzerland, are paid on a basis of part salary and part commission on sales, they share in gains from credit sales and have an incentive to extend them discreetly.

Cooperatives frequently find it difficult to reconcile a credit policy with traditional consumer cooperative principles. The cooperative movement in Europe has not only built itself up successfully on a cash purchase policy, but has widely committed itself in the past to the view that credit purchase is wrong in family economy.

It appears that there are several reasons for the frequent departure in practice from the principle of cash purchase. Some of these departures may represent necessary and desirable adjustments to specific retail trade or membership conditions, while others may perhaps weaken the stability of cooperative enterprise. As yet, cooperative thought does not always make clear distinction between these cases.

## Chapter IX

### THE FINANCING OF COOPERATIVES

#### SOURCE OF MONEY

IN their early stages cooperatives got most of their operating capital from their members; first from sale of membership shares, then from sale of bonds to members or borrowing of member savings deposited with the societies. These funds are sometimes supplemented by borrowing from banks or government credit institutions. Later reserve capital is accumulated by diverting to surplus part of the trading gains that would otherwise be paid as patronage refunds.

Members usually own from \$5 to \$25 worth of shares. There is an upper limit to the amount they may buy, which may be as high as \$1,000. Cooperative shares cannot be sold from person to person. They are not bought and sold on exchanges. Societies will usually buy back any or all of a member's shares on demand, paying for them at par.

In England, societies which conduct banking operations with individual deposits of more than £20 are required by law to have nonwithdrawable shares. If a member wants to withdraw from the society, his shares are placed on a transfer list and sold to new members. In practice, the member can usually get his money almost at once.

Most Swiss societies now have no share capital. A member joins merely by signing an application. Societies finance themselves first by sale of bonds to members or by loans from the wholesale; later by building up their own reserve funds.

In most societies, after a member has bought shares up to the limit, he can deposit further savings in the society's "loan fund." On this money he gets a fixed rate of interest, as on his

shares, but at a lower rate. Loan funds can be withdrawn on demand. When funds accumulate beyond the operating and expansion needs of the local societies, these societies in turn deposit the surplus with the wholesale societies. Some of the latter have accumulations of such funds far beyond their own needs. The surplus is invested in government and municipal bonds, and to a smaller extent (in England) in the stocks of private corporations. It is sometimes difficult to get sufficient earnings from surplus funds to pay members the promised rate of interest. That is the case with the Belfast Society at present. As a result, the deficit becomes an operating cost—reducing patronage refunds for the benefit of the investing members.

In a number of societies there is a differential in rates of interest on share capital, depending on the member's volume of trade. In one society in England, members buying less than \$50 worth of goods each 3 months get 2 percent interest; those who buy more than this minimum get 3½ percent. In Scotland the interest rate on share capital is 4 percent on loan capital, 3 to 3½ percent. In the Belfast Society the rate on loan capital is 4½ percent. In some countries there is a tendency to abolish interest on share capital.

European experience shows that during the first 20 or 30 years accumulation of cooperative capital has been slow and difficult. Utmost economy is practiced and members are urged to subscribe as much as they possibly can. Later, when adequate working capital is available, new members may come in with small down payments (often as little as 25 cents), the balance being paid out of their patronage refunds.

### SOCIAL CAPITAL

Building up reserve funds and paying for plant and equipment as quickly as possible (long before they are worn out) is a policy that gives cooperatives a considerable amount of cash and physical assets against which there is no charge. This "social capital", as the Swiss call it, helps to keep cooperative costs low.

The manager of the London Society objects to this in theory, saying it means taking money away from one generation for the benefit of the next. The Swiss and the Danes often start a cooperative by borrowing the necessary money on the joint note of members, paying it off from reserves as rapidly as possible.

Some Danish farmers' marketing cooperatives liquidate their enterprises about every 20 years, then reorganize, with the present members signing new notes. By this means accumulated reserves are returned to retired members. This is a policy directly opposite that of Swiss "social capital." The latter becomes the property of the society, without carrying cost; individual rights in this accumulated capital are entirely eliminated. Under the Danish plan these individual rights are carefully preserved.

In most societies the bylaws require that reserves be accumulated. One set of "model rules" requires that 20 percent of the annual surplus be added to reserves. In France the law requires that cooperatives retain 5 percent of earnings for reserves until accumulations equal 10 percent of the share capital. Usual cooperative reserves far exceed this legal requirement. Swiss policy is to set aside one-half of 1 percent of gross turn-over for reserves.

Rapid accumulation of reserves tends to reduce the size of patronage refunds, or to keep prices higher than they would be otherwise. After an adequate amount of interest-free capital has been accumulated, this tendency is reversed.

### SOURCES OF CREDIT

In the early stages of cooperative development, before adequate reserves have been accumulated, credit is sometimes needed. Societies ob-

tain this credit from both private and public sources.

Sometimes particular kinds of credit organizations operating under government encouragement or franchise are used, such as the credit associations of Denmark. In England the Provincial Banks formerly extended credit as required by consumer cooperative societies. In all cases where the commercial banks extend credit, the usual practices exist of rediscount with the central bank of discount. In France, considerable appropriations have been made to earmarked funds for lending to cooperative enterprises, although rural credit societies, farmers' purchasing and marketing societies, and workmen's cooperative manufacturing activities have shared far more heavily in this credit than have consumers' societies.

The manager of the Cooperative Union of Norway said that during the period of early development of the Norwegian cooperative movement, credit was furnished at low rates of interest through the state bank. This credit was well secured, but was available at the time when the need of the cooperatives was greatest, and when they would have had to pay considerably higher rates to private banks. Recently, the Norwegian cooperatives have needed no bank credit.

In Finland the development of consumers' cooperation has been made easier by Government credit. The governor of the Bank of Finland stated that cooperative credit was excellent, the two large cooperative federations in Finland being among the preferred class of borrowers. They were able to obtain credit directly from the Bank of Finland at an especially low discount rate. Any bank would be glad to get their business, he said; and they were good for unlimited credits because they always paid their loans quickly.

### UTILIZATION OF FUNDS

Cooperative earnings are used to build up reserves, for paying debts, and for educational purposes, sick benefits, and other activities, as well as to pay patronage refunds.

The accompanying table exhibits the use of

money by the British local and wholesale societies. It will be seen that the £20,000,000 of share and loan capital which is in active cooperative investment is only one-sixth of that whole investment, the rest being composed of debt-free plant and interest-free reserves. This portion of the loan and share capital could be paid out to members by reduction of inventories—while the £120,000,000 of share and loan capital which is now invested by the societies in noncooperative fields could be withdrawn and the members promptly reimbursed.

Satisfaction of all debt claims against the British cooperatives would leave them an unencumbered plant valued at £40,000,000 and interest-free reserve capital amounting to £60,000,000. In other terms, as the table shows, 83½ percent of the total value of active cooperative investment in Great Britain is made up of what the Swiss call "social capital", bearing no interest.

#### INVESTMENT FUNDS

Almost every local cooperative, from its beginning, accepts loans from members for investment in the society. Locally or through central organizations, the cooperatives in all the countries we visited have assumed to a large extent the responsibility of taking care of their members' savings.

The size of cooperative investment funds in

each country depends upon the age and strength of the movement. The use of such funds appears to be much the same in all the countries we visited. As shown in the table, £120 millions of the accumulated share and loan capital of English cooperatives (86 percent) are invested outside the cooperative field. Only 14 percent is invested in the societies' cooperative activities. Surplus cooperative funds (the 86 percent) are invested almost entirely in municipal and Government bonds.

A substantial amount, though relatively small in percentage, is invested in stocks of private companies. The C. W. S. has invested approximately £1,000,000 in minority stock holdings in 26 industries, which include some of the joint-stock companies that are members of price-fixing groups.

The Scottish Cooperative Wholesale Society also invests in municipal bonds. Glasgow's city treasurer told us that when municipal bonds were to be floated by the Corporation of Glasgow, it found the conditions imposed in the usual bond market onerous; the city was asked to pay 3¼ to 3½ percent interest, as well as fees of approximately £68,000 for the flotation of a £2,500,000 loan. By local arrangement the loan was floated in Glasgow at a cost of £900 in fees and at an interest rate of 2¼ percent. The most important factor in enabling the city to float this loan at these rates was the Scottish

TABLE III.—*Cooperative Financing and Application of Funds in Great Britain, 1936 (Approximate Totals)*

Combined assets of British local and wholesale societies	Distribution of total values		Distribution of book values		Distribution of members' share and loan capital		Distribution of cooperative investment	
	Pounds	Per-cent	Pounds	Per-cent	Pounds	Per-cent	Pounds	Per-cent
Hidden assets fully depreciated but having present value in active cooperative investment.....	<i>Millions</i> 40	16%	<i>Millions</i> .....	.....	<i>Millions</i> .....	.....	<i>Millions</i> 40	33½
Reserve (active cooperative investment).....	60	25	60	30	.....	.....	60	50
Share and loan capital:								
Active cooperative investment.....	20	8½	20	10	20	14	20	16%
Noncooperative investment.....	120	50	120	60	120	86	.....	.....
<b>Total.....</b>	<b>240</b>	<b>100</b>	<b>200</b>	<b>100</b>	<b>140</b>	<b>100</b>	<b>120</b>	<b>100</b>

Cooperative Wholesale Society, which made its funds available for underwriting, and the final subscription took a preponderance of the loan.

In Scotland, in accordance with the usual practice, some local societies deposit their surplus funds with the wholesale society. Wholesale society shares become objects of investment by local societies, the amount of such investment being limited to £2 per member. The manager of a Scottish society said that his society is getting back annually in interest on its invested surplus more than it is paying to members in patronage refunds.

Some of the persons interviewed in England and Scotland criticized the cooperative movement for not using its surplus funds for more rapid expansion into new fields. Cooperatives reply that expansion should never be undertaken simply because funds are available; that other conditions, and particularly the profit margin existing in a given industry, are much more important.

From 1919 to 1933 shares and funds of the Swedish consumers' societies rose from 17 to 92 million crowns. During the same period debts were reduced from 21 to 9 million crowns, and mortgages of 4 million crowns were paid off. Savings deposits with 40 local societies in 1935 were 17½ million crowns; with Kooperativa Forbundet (central wholesale) 76 million crowns. Kooperativa no longer needs such funds in its business. It prefers to have the local societies administer their own savings funds, but most of them deposit these with the wholesale for investment.

#### ACCOUNTS AND REPORTS

Good accounting is especially important in democratically controlled business. Because the members of a cooperative enterprise know less about business methods than do the members of the board of directors of a joint-stock company, or the officials of a municipality, the books of the cooperative must be kept so simply and so accurately that every member can understand them.

There is nothing unique about the accounting and reporting methods used by cooperatives

except that they are always complete and intelligible. Practically every cooperative society in Europe prints an annual report with complete statements of income and expense, profit and loss, assets and liabilities, accompanied by an adequate explanation of what was done and why. These reports are printed in sufficient quantities so that every member may have one, and they are discussed at the annual meeting at which the management committee is elected. Explanation and study of auditors' reports is a part of the educational program of most societies.

The Cooperative Wholesale Society in England employs four full-time auditors to assure the proper accounting procedure of its own departments. The wholesale society also has a special staff of auditors eligible to be chosen by retail societies for the auditing of their accounts. There are also professional auditors who specialize in cooperative accounting.

Auditing by cooperatives represents membership interest and control. An auditing committee is elected from the membership, and this committee employs auditors of its own choosing. In England such auditors must be approved by the British Treasury Department and the Registrar of Friendly Societies.

In some countries, including Sweden, Finland and Czechoslovakia, auditors employed by or reporting to the cooperative federations have authority to advise local cooperatives in regard to merchandising practices and minor administrative matters.

In Sweden, such auditors in the Kooperativa Forbundet report to the head of the auditing committee, who is a member of the executive committee of Kooperativa Forbundet and is empowered to follow up such criticisms to correct faults of local administration. In Czechoslovakia, the auditors of the consumers' cooperative unions exercise a certain degree of control over the administration of local societies through advice and through the discipline imposed by the reports made to the Government by these auditors. Nearly all the local societies employ the auditing departments of their respective central unions for this service.



## Chapter X

### EDUCATIONAL ACTIVITIES OF CONSUMER COOPERATIVES

TO LIVE, a cooperative must have a loyal membership with a broad understanding of its purposes and methods. To grow, it must "sell" the cooperative idea to prospective members. That is why the cooperative movement attaches such great importance to its educational and propaganda work.

Most cooperative bylaws require a definite percentage of earnings to be devoted to education. The amount in Sweden is 2½ percent of the surplus. The same percentage is usual in England, varying up and down with the desire of the membership. A few societies allocate a definite sum per member to their educational departments.

Cooperative educational activities include:

1. Activities directed toward interesting the general public in the ideals and practical advantages of cooperation.

2. Education for members, to induce them to do more of their buying at cooperative stores, to help them understand the economic and social value of the cooperative movement, to keep them informed of its progress, to assist them in solving their problems as purchasers of family supplies, and to give them instruction in democratic management of the administrative affairs of their own society. There are specific educational and social programs for women and for young people.

3. Technical and other training to raise the standard of the service rendered by employees, managers, and directors of local societies.

In addition there are broad educational effects of cooperative membership and practice that are very striking to the outside observer.

Scandinavian Government officials confirm this observation by such statements as this:

"The two greatest values of cooperatives are in their promotion of national and popular understanding of all the problems of economics and business, through giving individual families in their cooperative societies direct experience in business management, and in the relationship of business management to national and in some cases to world economics; and in their contribution to adult education, not only in economics but in cultural things."

In Great Britain, today as in its earliest cooperative history, the education committee ranks next to the management committee in importance. Elected by the membership, it is responsible for all the educational and recreational activities of the society. These activities include adult and young peoples' study classes, a cooperative library and reading room, special lectures, membership meetings, anniversary programs, choirs for members and employees, and all kinds of social and sport activities. Originating in England, the education committee has become an important part of cooperative organization in most countries.

The Swedish cooperatives have developed with remarkable success a system of local groups or study circles. This system begins with economic education rather than with membership or sales propaganda; it does not hurry toward practical results, and is permanent rather than superficial. All who wish can have the benefits of an adult education which links cooperation with broad economic interests as well as with immediate household savings.

Similar study circles are gaining a foothold in Switzerland.

In Denmark, cooperative educational activities are intimately associated with the adult educational programs of the folk schools, which are of independent origin.

The women's guilds, described later in some detail, are in most countries important agencies of member education.

In some countries, educational and propaganda activities are centralized in the wholesale organizations; in others there are specific educational unions having much the same society membership as the wholesales. These are the Cooperative Union, which is the central educational agency for England, Wales, Scotland, and Ireland; Pellervo, which serves the Finnish farmers' cooperative organizations; Y.O.L. and K.K. the two consumer cooperative unions in Finland; U. S. C. D. and V. D. W., the two largest consumer federations in Czechoslovakia; and the Consumers' Cooperative Federation in France.

Cooperative schools, to be described presently, are generally for cooperative employees, though some classes are open to members. The popular interest in cooperation has led to the inclusion of cooperation as a course of study in some public schools in England, Scotland, France, and Switzerland.

Spreading knowledge of cooperative methods and ideals, and coordinating the work of local societies, are among the functions of the central educational societies, and of the educational departments of the various wholesale societies, in all countries. All these central societies publish newspapers, magazines, and pamphlets.

In nearly all countries the cooperative movement has its own publishing house. In Sweden we found the cooperative publishers to be not only the largest publishers in the country, but the most distinguished publishers of economic books. The magazine which has the largest circulation in Sweden is published by the cooperatives. A unique publication of the British cooperative movement is a Sunday newspaper which contains only a minimum of cooperative propaganda.

The circulation of some of the leading cooperative publications is as follows:

English C. W. S.: "Wheatsheaf", monthly.	1,000,000
France: "Cooperator of France", weekly...	240,000
Czechoslovakia:	
Czech federation newspaper.....	230,000
German federation newspaper.....	22,000
Switzerland:	
V. S. K., weekly (eds. in 3 languages)..	335,000
V. O. L. G., weekly.....	25,000
Denmark:	
Central Cooperative Committee, weekly.	20,000
Central wholesale, semimonthly.....	250,000
Finland:	
Y. O. L., weekly.....	182,000
K. K., weekly.....	163,000
Sweden: "Konsumtbladet", weekly.....	500,000

Cooperative magazines and newspapers include fiction, art criticism, and economic discussion. Their treatment of current problems is such as to broaden the cultural as well as the economic understanding of their readers. The periodical press of the Scandinavian movements as a whole may be described as combining features familiar to American readers in the Saturday Evening Post, the Nation, and the Wall Street Journal. In all countries there are also special publications of technical interest to cooperative managers and staffs.

In Scotland a modern printing plant is located at Shield Hall, the Scottish Cooperative Wholesale colony built in connection with factories near Glasgow; it does much work for the C. W. S. in England. In Switzerland, V. S. K. has its own publishing house. In Czechoslovakia the German Cooperative Union has an impressive printing plant.

The promotion of sales is one of the direct objects of cooperative educational activity. In England the C. W. S. uses the cinema for this purpose, as well as newspaper advertising and trade propaganda in every form. The official in charge of C. W. S. advertising told us that their soap film had been shown in 1,000 regular cinemas. By arrangement between the C. W. S. and local societies, series of advertisements are carried in local weekly newspapers. Cooperative exhibits were described as particularly effective, drawing the attention of the general

public, and interesting thousands of school children in cooperative business. The C. W. S. takes space at all agricultural fairs. A poster advertising some particular commodity is issued to each society every month.

Many societies use the direct-by-mail method of keeping in touch with members. The managers of the Liverpool Society told us their practice is to circularize the society's 120,000 members several times each year. The manager of the London Society sends a weekly sales letter to each of the women members.

Cooperative propaganda seeks not only to gain new members but to make more enlightened and loyal customers of old ones. In one British society half of the members spend an average of less than \$50 a year with the cooperative; in another society with 120,000 members, 30,000 buy little or nothing from it.

The need for continuing education and propaganda was emphasized by an English C. W. S. official, who said: "The cooperative movement in England has grown from two to seven and a half millions since the war. It is like the mass-conversion of Britain to Christianity; the problem of education remains."

According to Vaino Tanner of Finland, president of Elanto and K. K., "cooperative shops and prices are the best propaganda of all."

Several international agencies deal with cooperative educational tasks and problems. The most important of these are the International Wholesale Society, the International Cooperative Women's Guild, the International Cooperative Alliance, the International Institute of Cooperative Studies, and the Cooperative Section of the International Labor Office. The Guild and the Alliance meet in a congress every 3 years. An international cooperative school is conducted by the Alliance year to year in a different country, in which "cooperative education" is among the subjects of the curriculum.

The cooperative movement has had an important educational influence in the ranks of private business, especially in Scandinavia, according to Stockholm business leaders, one of whom said: "The country owes the cooperative

movement much for generating a truly social outlook among private businessmen. As a result of the growth of consumer cooperation, they have come to recognize that their business is not altogether private, but that it involves social responsibility. This social outlook is an important factor in the stability of the Swedish economic situation." Similar statements were made by businessmen, bankers, and government officials in other countries.

#### THE COOPERATIVE WOMEN'S GUILDS

To be fully effective, cooperative education must reach the women members, who are the chief family buyers. Formerly women did not attend business meetings or vote, much less speak up in public; they were supposed as women to be incapable of readily understanding the economic history and theory which make up an important part of cooperative argument. The organization of the women's guilds has changed this state of affairs and given women an influential part in the cooperative movement.

The attitude of men toward women members of cooperatives was formerly marked by kindly condescension to an inferior sex. The women's guild has gained the right to criticize and the power to improve cooperative enterprise through demonstration of the superior effectiveness of its own methods of appeal to women members. It does conduct membership drives and sales campaigns to the satisfaction of cooperative managements. It is, perhaps more than any other agency, effectively working to close the gap between cooperative membership and use of cooperative services. It has also fought for shorter hours for employees, and higher wages—including a minimum wage for women.

Social motives have accelerated the organization of women members, and cultural interests are usually pursued by women's guilds. They represent, first of all, domestic interests of an economic nature. They not only offer "cooperative thrift" as a contribution to the solution of family economic problems, but they help women to learn how to budget and use economically the family income in their charge;

and they foster the learning of various household arts and techniques.

These cooperative women's guilds are organized nationally and internationally. In seven of the countries we visited they are very active, the exceptions being France, Finland, and Denmark.

It has been said of the guildswomen that, "starting from buying bread and butter, they have reached an international outlook." Organized in 1924, the International Cooperative Women's Guild now includes the national organizations of 13 countries. The declared aims of the Guild are: to unite cooperative women of all lands (a) for the development of the spirit of cooperation, (b) for the furtherance of the principles and practice of cooperation, (c) for raising the conditions of home life, and (d) for international peace.

In England the organization dates back to 1883. The English Guild, which includes Wales now has 80,000 members. It has in recent years emphasized the "power of the woman's market basket." The Guild urges women to buy only goods produced under trade-union conditions, and states that the best labor conditions are assured by consumer cooperative production. It exercises a powerful influence over local cooperative policies, and militantly guards the interests of women and labor in the cooperatives. It supports the Cooperative Party.

The Guild has been of service to the cooperative movement in England in training women for positions of responsibility. Women still have some difficulty in securing positions of importance in the English cooperative movement, especially paid positions. The Women's Guild is urging greater representation of women in directorships.

Women have been, it is said, neglected not only as administrators but also as voters. We were told by a Manchester guildswoman that wherever there are guilds, the women attend the quarterly meetings of cooperative societies. The guilds are interested in having the cooperative movement go further into production. They visit the production works and learn something at first hand of the qualities of the products. In

our own visit to the Irlam soap works we met several groups of women, members of guilds, who were being conducted through the plant.

In the opinion of a distinguished university professor, the English guilds have been effective in training women for management and educational work, but have not made the best of their opportunities and responsibilities as purchasers of cooperative goods. He pointed out that women cooperators in Sweden and America, with the history of the English guilds to guide them, can begin at the point now reached in England and go on from there in creating a program of consumer education. The ideals of the cooperative movement, he felt, can be given vitality by the guilds.

The Scottish Guild is separate from the English. It has about 25,000 members; it is credited with work of great value to the societies and to women. The Irish Guild is small in membership, and limited almost entirely to the city of Belfast.

In Sweden we talked with a Stockholm housewife, a member of the national executive board of the Swedish Cooperative Women's Guild, who told us that there are now about 300 guilds in Sweden, with about 11,000 members. The guild theory, she said, is that women are the economic leaders of the family and must educate themselves in order to exercise their leadership to the best advantage. It is because the cooperatives are established to serve their households that women should understand their nature and operation. To appreciate the cooperative movement they must also have a general understanding of economics.

The Swedish guilds meet once or twice each month; they study nutrition and food value, quality and prices of household commodities, care of children, practical nursing, sewing, and the organization of housework to provide more free time for culture, as well as cooperation and economics. There are also special summer courses for guildswomen at the K. F. cooperative college in Saltsjobaden.

The Swedish guilds began in 1906 with a meeting of 500 housewives in a small town near

Stockholm—a sensational break with the old Swedish idea of women's restriction to the home. Young women, unhampered by any feeling of inferiority to men in the understanding of economic questions, are now active in guild work. They are energetic in propaganda and in securing new members, and are said to be definitely responsible for much of the great increase in cooperative business in recent years. There are now, we were told, many women executives in cooperative societies, though "not so many as there should be."

In Czechoslovakia, the first women's committees, as they were then called, were formed in 1926. Their outstanding work has been in special schools for the training of women.

In Switzerland, the organization of women's guilds is a recent development, but there are now more than 25 of them.

The international headquarters of the guild in London was visited by the members of the Inquiry. This international office maintains a close relationship with all women cooperators the world over, and is able to get united action on important questions. It sends delegates to various international meetings, especially to those engaged in promoting world peace.

Membership in the International Women's Cooperative Guild is held by the national cooperative women's organizations of Austria, Belgium, Bulgaria, both the Czech and German-speaking guilds of Czechoslovakia, England, Ireland, Norway, Poland, Polish Ukraine, Scotland, Sweden, Switzerland, and Russia. A triennial congress is held in connection with the congress of the international alliance; the United States, which has women's cooperative guilds but no national organization eligible for affiliation, sends regular representatives (without vote) to this congress.

In pursuance of a plan adopted by the international guild in 1934, a campaign is undertaken each year to promote the sale of a few chosen articles cooperatively produced or distributed.

There is ample and impressive testimony as to what work in the guild has done for women in

enriching their lives. Its influence is frequently spoken of in terms which suggest a deep and vitalizing religious experience. Guild work has been of great value not only in promoting cooperative membership and sales, but also in maintaining cooperative standards. Guild economic education in general and its teaching of household expertness in particular are of value to women as family buyers and housekeepers. Doubt is occasionally expressed, however, as to whether the guild's consumer education has gone far enough in helping women to recognize and demand quality goods rather than popularized goods.

#### COOPERATIVES AND YOUTH

As a part of the educational program by which cooperative societies undertake to secure the loyalty of member families, increasing attention to youth is given in nearly all the countries we visited. The problem of education for young people appears in general where the cooperative movement is old enough for its reiterated phrases and slogans to seem old-fashioned to the children of cooperative families. The measures taken by cooperatives to engage the interest of young people through education and recreation, are along well-established and familiar lines, but imbued with a spirit which comes from the applicability of cooperative ideals to everyday life.

There are two national cooperative youth associations in England which provide simple recreation and promote knowledge of the movement. These are the British Federation of Cooperative Youth, and the Woodcraft Folk.

The B. F. C. Y. program includes lectures, socials, debates, hiking, sports, and study groups; all young people between the ages of 16 and 25 are invited to join. Its motto is "Comradeship is cooperation."

The Woodcraft Folk organization is for both boys and girls, and its program includes camping, hiking, handicrafts, dramatics, dancing, games, and physical exercise. It is anti-war and anti-Fascist, and "associates itself with the efforts of the working class to build a new social order." It is promoted by trade unions and other

working-class organizations, as well as by cooperative societies. The members elect their own officers and determine their own local policies.

Cooperative extension classes for young people from 10 to 17 years old are arranged in many localities with the assistance of the British Cooperative Union; during the past year these classes were attended by about 30,000 young people.

In Switzerland, a training school is provided for women who teach children "the cooperative philosophy", along with recreation, in community vacation schools.

In Czechoslovakia, we saw an impressive 150-page book recently issued, containing draw-

ings and poems, together with essays on cooperation by the children of cooperative families.

In France, on our visit to the French Wholesale Society, we were told that education for cooperative youth is growing; week-end camps and schools are conducted by the wholesale and local societies. The young man who is president of the Paris unit of the Young Cooperative Club described that organization to us; it was formed in 1934 and has a membership of about 800, of whom 400 are in Paris; its aims are recreation and cooperative education with a view to the later formation of business and service cooperatives by the members.

## Chapter XI

### EMPLOYEE EDUCATION

THE directing positions in cooperative management are quite generally occupied by those who have worked up from the lower ranks of cooperative employment. While the directing positions in cooperatives are not so highly paid as in private business, they offer security and prestige. In most of the countries we visited there are schools in which both the theory and the techniques of cooperative merchandising and management are taught, usually together with some broadly cultural subjects.

In this employee education, cooperative theory is important as well as cooperative technique, since the employees who directly carry out the policies of all cooperative societies have a considerable influence in the determination of those policies.

It was noted by the members of the Inquiry that in Great Britain there appeared to be little or no opportunity in the cooperative movement for college men or women, the higher positions being filled almost entirely through the promotion of workers who began as shop boys or clerks at the age of 14 or 15.

Visiting the London society, which has 600,000 members, we heard from its very capable manager how he had worked up from the bottom as a 14-year-old shop assistant 36 years ago. His education beyond the elementary grades was gained through attendance at adult classes in the East End of London.

The situation is somewhat different in other countries. In Sweden the leaders are usually though not invariably men with college degrees. In all countries we found great emphasis placed upon the training of cooperative employees.

It was asked by members of the Inquiry, in an interview with a group of cooperative leaders and educators in London, if there is any definite policy for the development of necessary leadership for cooperative enterprise as it expands, or whether it is assumed that such leadership will normally come up from the ranks. The answer was in part an account of cooperative schools in England. Other observers expressed the opinion that the development of an adequate supply of competent leadership is one of the serious problems of the movement.

A joint committee on technical education has been established in England within the last few years to interest employees of the C. W. S. and of the retail societies in vocational courses to increase their efficiency. The British Cooperative Union has established classes for the training of departmental managers.

About 20,000 employees of local cooperatives in various communities attend extension classes and take correspondence courses supervised by the British Cooperative College; these classes offer graded work up to secretarial and managerial courses. Many students who have received diplomas in the management courses are now store managers, we were told, and employees who obtain certificates in lower courses are rewarded by some societies with wage increases and promotions. The value of such training is said to be increasingly recognized by societies and managers. A summer school is also conducted at Manchester.

The Royal Arsenal Society of London sends each year two employees to the Cooperative College for a full year's course, selecting them by

competitive examinations based on general knowledge. The employee's job is held open for him. The children of members of the society may also compete in these examinations and attend the college, but are not guaranteed a job upon completion of the course.

In Scotland, we were told by a director of the S. C. W. S., an employee in the accounting department is taken on at the age of 17 in evening classes. Many retail society managers expect their younger personnel to make use of evening classes to better themselves as cooperative employees.

At a meeting of the St. George Cooperative Society in Glasgow, attended by members of the Inquiry, an interesting item appeared in the minutes of the finance committee: "It was noted with pleasure that one of our employees had gained honors in Cooperative Union classes. Agreed we write congratulating him."

In Switzerland we visited the cooperative training school for salesgirls in Freidorf, the cooperative garden community near Basle, conducted by V. S. K. The school is attended by between 25 and 30 girls, who spend 2 years in the study of nutrition, family budgeting, economics, history, cooperative theory, French, German, and some English, among other subjects. They plan, prepare and serve their own meals, keep house, and make a garden, all on a limited budget, as part of an education to enable them to advise housewives on all such matters. We asked, "Do you not find that a number of girls leave you to get married just when you have them well trained?" The reply was, "Yes, of course, but we don't worry about that. They make good customers and loyal cooperators."

This school costs the girls nothing; it has received small Government subsidies, but is chiefly supported by the local cooperative societies who choose the girls that are to attend. Besides this 2-year course there are 2 weeks' courses in summer, attended by two or three hundred girls. V. S. K. also conducts other training schools.

V. O. L. G., in Switzerland, furnishes an educational service for employees. Education for officials and staff members is undertaken in the

central office of V. O. L. G., where, for example, the newly elected president of a local society will go for general instructions as to how to handle the responsibilities of his position.

In Sweden, the college Var Gard, located at Saltsjobaden near Stockholm, owned and conducted by Kooperativa Forbundet and its member societies, provides a fine example of training given to cooperative employees. About 40 or 50 students at a time attend this college, most of them managers and assistants in local cooperative societies. At certain seasons of the year there are special courses for women's guilds and other cooperative groups. The technique of leading cooperative study groups and committees is among the subjects studied, especially by women, who compose about half of the attendance.

A preparatory correspondence course is conducted by K. F. Special training is given in management, with college training conducted at intervals in a period of several years, during which some 400 beginners are gradually reduced in numbers to the 15 who take the final course of study. Prospectively valuable workers are recommended as students by the local societies, and their work in the local societies after training is reported upon by the traveling auditors of the K. F. Though the training is extensive and exacting, the only formal textbook used is one on health and food; laboratory work, charts, posters, a model shop, library reading and discussions are the methods of learning. The course of study is described as beginning with the cookbook, which represents the consumer's point of interest, and proceeding on the basis of "kitchen economics."

In Czechoslovakia, the U. S. C. D. follows closely the example of the Swedish K. F. Its new cooperative house will include commodious quarters for the cooperative school. Classes are conducted chiefly for managers, shop assistants, and committeemen. Courses are short, some being held over a week end, and others running for a full week, but longer courses are planned. Since 1929, 6,000 store managers and other officials have taken these courses. A few of the



larger cooperatives conduct courses of their own, with the aid of lecturers supplied by the central union.

The German Consumers' Federation, V. D. W., in Czechoslovakia, also conducts schools for store managers and shop assistants. Each year it takes over part of an eleemosynary institution at Hirshburg for a period of 3 months, bringing in groups for 3-week courses in store management, cooperative planning, accounting, and other subjects; about 120 pupils attend each year.

In Denmark, the Consumers' Cooperative Wholesale Society has created its own school at Staurby Skor near Middlefarth, at a cost of 400,000 kroner, according to its director; this cost having now been paid off, the school is supported out of fees from the students in the same manner and at the same rate as in folk high schools. The wholesale society pays annually from 10,000 to 15,000 kroner to enable workers in cooperative stores to go to this school, in the same way that the State assists certain pupils in the folk high schools. There are courses in cultural subjects as well as in the technique of store operation and management.

In France, the central wholesale society subsidizes a school and conducts short training courses for cooperative employees and members. The Central Office of Cooperative Instruction, an organization which works closely with the Consumers' Cooperative Federation, also conducts a 2-month course annually in commercial subjects for employees.

In the Charente country in France the dairy cooperatives have a dairy school at Saintes, where managerial training is provided for all the dairy cooperatives.

A similar training is provided for the employees and managers of dairy cooperatives at Cork College in the Irish Free State.

An international cooperative school is conducted every summer, and each year in a different country, by the International Cooperative Alliance. Cooperative leaders from the various countries teach classes and give lectures.

In our discussion with British cooperators on the question of leadership there was some dif-

ference of opinion as to whether these methods were adequate to the needs of cooperative enterprise. One participant in the discussion expressed the view that as the movement expands it requires a higher type of directive ability than before, and must be prepared to pay for it in high salaries as private enterprise is obliged to do.

Another view was that private enterprise overpays its executives, and that the reason cooperative enterprise sometimes fails to get the best ability is not because of the salary it offers, but because it does not know how to distinguish between first-rate ability and second-rate ability in making its selections.

Another opinion was that the infiltration of executive talent from the regular business world is affecting the outlook of the cooperative movement, and that it is already tending to develop an official class concerned only with the production and sale of goods and almost completely unconscious of cooperative ideals.

Still another opinion was that the managerial staff of the cooperative movement compares favorably upon the whole with that of its private competitors, but that the movement is not attracting the young people best qualified for such work.

Other observers, in all the countries we visited, are much impressed by the quality of cooperative leaders. They are recognized by government officials and prominent private business men as organizers of great ability. Most of these cooperative leaders have come out of small societies. The pressure in local societies for efficient operation appears to bring out and make known those who can achieve the greatest efficiency, and who at the same time have the idealism required to carry forward the full purposes of the movement. Commenting upon Swedish cooperative leaders—who are said to receive offers of much more remunerative jobs in private business, but who continue to direct large enterprises for comparatively small salaries—an outstanding private business man explained that "they are imbued with the spirit of their movement."

## Chapter XII

### COOPERATIVES AND LABOR

COOPERATIVE spokesmen claim that their workers are better paid and better treated than those of their private competitors. That seems to be true in all the countries we visited.

In most of these countries cooperative enterprise started as a labor movement. Cooperatives and labor unions are friendly and work together. Unions use cooperative labor standards to bring pressure on private employers. In many cases cooperative enterprises operate on a closed shop basis, regardless of the attitude of their competitors.

It is impossible to make exact statistical comparisons of wages, hours and working conditions in cooperative and in similar private employment, for lack of sufficient comparable data. We have, however, besides the statements of cooperative officials, those of labor officials, private employers in commerce and industry, bankers, and disinterested observers in government and university posts. The statement of a member of the Danish cabinet with regard to cooperatives in his own country, that on the whole they pay somewhat higher wages than are paid in private employment, appears to be applicable to cooperatives in all the countries we visited.

Higher wages are particularly characteristic of employment in stores and offices. In manufacturing and transport, rates in many cases already have been set by the unions, and cooperative wages tend to be approximately the same as those generally paid, or only slightly higher. The cooperatives provide shorter hours, more generous vacations and pension arrangements and tend to furnish more secure employment

than is generally the case in private trade. There are some exceptions, but cooperatives are among the best employers from the point of view of the workers. In Sweden, according to a labor official, the 3,000 retail workers of Konsum in Stockholm average 10 percent to 15 percent higher wages per month than corresponding workers in private retail trade.

In London, according to the general manager of the Royal Arsenal Cooperative Society, transport workers are paid 10 percent more than similar workers receive under agreements negotiated with private employers by their union; the wages of building trade workers employed by the cooperative are about 12 shillings a week above normal trade union rates; and in its dairy the society pays the same wages for a 6-day week that private dairies pay for a 7-day week.

The proceedings of the British Cooperative Congress of 1936 record this statement by a delegate of the Manchester and Salford Society: "We have not any employee out of 2,200 who is not getting above the recognized union rate of wages."

Women in cooperative employment generally receive lower pay than men for the same type of work, a disadvantage common in private employment. Higher wages and better working conditions are generally maintained by the cooperatives in distribution, although the few private shops catering to high-class trade are exceptions to this comparison, according to a British Government statistician.

The secretary of the National Union of Distributive and Allied Workers in Great Britain estimated that wages for ordinary employees

average 10 percent better in cooperative than in private stores.

Collective bargaining is accepted by cooperative management, with the exception of an important group of societies in Finland. The unions with which cooperatives deal range from organizations composed almost wholly of cooperative employees, such as the National Union of Distributive and Allied Workers in Great Britain, to unions of craftsmen and transport workers whose chief strength is outside the cooperative movement. When issues arise between cooperatives and their employees, the difficulties are usually settled by conciliation, adjustment, and arbitration. Strikes and lockouts are rare. The cooperative movement and the unions meet each other half way. That is the official cooperative policy. It often has to be put into effect despite management resistance, however.

The reasons why cooperatives can pay better wages and give better working conditions without sacrificing their competitive standing have been discussed under cooperative costs. (See ch. V.) An added reason, some cooperators say, is the greater interest and zeal of their workers.

Cooperators have experimented with methods of relating wage scales to the condition of the business, thus giving the workers greater feeling of participation. One experiment, historically long drawn out, has been that of the bonus on wages, corresponding to the cooperative patronage refund.

The Royal Arsenal Society of London pays employees a bonus on wages at a percentage equivalent to that of members' patronage refunds; all employees who have been in service 6 months or over receive this bonus. In Glasgow we were told by the manager of a retail society that it paid employees a bonus on wages. In France, in the regional consumers' cooperative society of the Charente country, we were informed that employees are considered associates in the enterprise and are paid wages plus a bonus on a percentage arrangement.

This practice of giving bonuses to workers is

now, however, uncommon. Cooperatives generally regard it as contradictory to cooperative theory to distribute a "profit", which it is the purpose of consumer cooperation to eliminate. And trade union leaders, as we were told by an official of the National Union of Distributive and Allied Workers, fear that such a bonus may come to be calculated as a part of the wages.

#### SHORTER HOURS

A British Parliamentary Committee on Shop Assistants, in an extensive survey in 1931, found that actual hours worked by cooperative employees were appreciably lower than for other employees. The 48-hour week, which the committee recommended in its reports, has been general in cooperative stores since about 1916 but has not yet been widely adopted in private trade. In Scotland, the cooperatives have a regular week of 47 hours in the distributive trades, we were told by a director of the Scottish Cooperative Wholesale Society. The cooperatives and one private chain of stores, he said, are the exceptions to longer hours, which in the distributive trades are generally 68 a week, with some competitors requiring 84 hours a week from their employees.

In Glasgow, no cooperative workers have a normal week in excess of 49 hours, and 93 percent work for 48 hours or less. In the private grocery trade in Glasgow, the Parliamentary Committee reported 15 percent of the workers have a week of 48 hours or less, 36 percent a week of 43 to 53 hours, and 49 percent a week of 53 to 60 hours. Long hours are also characteristic of private butcher shops. In Newcastle, England, the hours of work in cooperative stores have been shortened to 44 a week by an agreement made between the unions and the cooperatives' Northern Sectional Council of Wages and Hours Boards. The average weekly hours of employment in private trade are: For grocers, 51½; for butchers, 53; for pork butchers, 50½.

In England, hours in C. W. S. employment vary from 41 for clerical and administrative

workers to 48, the maximum, for certain productive workers.

Distributive employment includes boys and girls as young as 14. For them shorter hours mean better health and education as well as recreation. Early in this century, British cooperative managers began to realize their responsibility for the long hours to which cooperative employment, along with that of the whole retail trade, was subjecting shop assistants and clerks and delivery boys and girls; and the situation was gradually improved. In 1936 a representative of the Teachers' Union, speaking before the British Cooperative Congress, gave the cooperative movement credit for the reasonable hours which enabled its young employees to continue their education in evening classes.

#### OTHER BENEFITS

In Finland workers employed by the consumer cooperative Elanto receive free medical service for themselves and their families, a "recreation home" with supervision for children, educational classes, theater groups, orchestras, sports clubs, and free Finnish baths; they receive, without charge, death benefits of from 2,000 to 10,000 marks (from \$40 to \$200) according to a member of the board of managers. Elanto also has a system of pensions for men over 65 and women over 58 who have been with the society 30 years; the men pay 50 percent and the women 35 percent of the premium, the society contributing the rest; maximum pensions for men amount to 52 percent of average wages, and for women 40 percent. Elanto also provides that when women employees have babies they can take 6 months off (without pay) without losing their positions.

French consumer cooperatives gave vacations and sick insurance to their workers long before such benefits were made compulsory by law, we were informed.

The British cooperative movement provides for the retirement of employees on pension, usually at 65. In January 1936 there were superannuation plans in effect for employees of the C. W. S., the S. C. W. S., the English and Scot-

tish Joint Wholesale Society, the Cooperative Union, the Cooperative Insurance Society, 228 retail distributive societies, and 26 local federations and special societies. 228 retail societies had plans in effect covering their 141,899 employees. 907 retail societies, with 58,597 workers, were without superannuation schemes. Thus about 71 percent of the workers in retail societies were covered, as against 65 percent at the beginning of 1935. Including the other societies with the retail societies, 217,194 persons, or 76 percent of the employees of the British cooperative movement, were protected as of January 1, 1936. Most of these pension arrangements are of the contributory type, and most of them provide a maximum retiring pension amounting to half wages after 40 years' service.

In Sweden, cooperative employees get 3 months' free medical care in illness and annual vacations of 10 to 12 days with pay, the usual vacation in private trade being, we were told, 5 to 8 days.

#### STABILITY OF EMPLOYMENT

European cooperative enterprise offers its workers very generally a greater degree of security than does private employment. This is made possible by the greater stability of cooperative distribution and production, due to more steady and determinable consumer demand. Workers in the Swedish Wholesale Society's rubber factory, according to the managers of the plant, feel a sense of security in their jobs, and there is always a waiting list of workers seeking employment.

Cooperative leaders have a sense of responsibility for their part in the increasing of stability in general employment, which in turn contributes to steadiness of purchasing power among their own members. One of the objects of a proposed national cooperative society in Scotland, uniting the many autonomous local Scottish societies, is to promote stability of employment, according to the secretary of the S. C. W. S.

Finnish cooperatives during the last crisis did

lay off some workers, but not to the same extent as private business, according to the president of the Central Federation of Finnish Labor Unions. A large apartment house with business quarters on the first floor, built by Elanto, was mentioned as a cooperative construction project which helped to provide employment during the depression.

For the purpose of softening the violent fluctuations of the labor market, a general cooperative policy of holding in reserve some construction projects and carrying them out in depression periods, thus furnishing work when it is most needed, was urged at the Swedish K. F. Congress in 1936.

In Sweden, the combination of a strong labor movement and the consumer cooperative movement served to moderate the depression, we were told by the secretary of the Swedish Central Labor Organization. While private business cut down spending during the depression, cooperative business followed a policy of expansion, he said, building and improving plants, buying new machinery and adding to its warehouses. Kooperativa Forbundet built its macaroni factory during the depression.

The London Society's policy of building a reserve against a future depression by maintaining a 5-percent patronage refund irrespective of higher gains, is regarded as a protection for wages, according to an official of the Amalgamated Union of Shop Assistants, Warehousemen and Clerks; with such reserves there would be less need for curtailment of staff or reduction of wages in a depression.

"Sharing the work" is sometimes resorted to when work is slack, we were told by the manager of the S. C. W. S. boot and shoe department; 50 percent of the employees work 1 week, the other 50 percent the next.

We nowhere heard of less employment because of the spread of cooperation. In some instances workers have been transferred from failing to going concerns. In general, cooperatives seem to have increased the stability and amount of employment along with their increase in consumer trade.

## WOMEN'S WAGES

The problem of women's wage scales has grown in importance since the war. The wartime replacement of men by women workers, in certain distributive departments (dry goods, for example), and in production, appears likely to be permanent, as is already the case in office work. Here private and cooperative employment are equally affected.

In Sweden, the lower wages and salaries of women workers cause an increasing employment of girls and women, both by cooperatives and by private business, according to the principal of the cooperative college Var Gard. Women's organizations would do a great service to both men and women, he said, if they made an issue of equal pay for equal work in cooperative enterprise.

In England, a typical wage-scale agreement (negotiated in 1935 by trade unions and a sectional council of local cooperative societies) shows considerable differentials between men's and women's pay. Basic pay scales, beginning at age 14, are 11 shillings 6 pence a week for male employees; 10 shillings 3 pence for female employees. Porters and caretakers from 21 years of age up get 53 shillings 6 pence if they are men, 34 shillings 9 pence if women. Other British sectional agreements show similar inequalities between the wages of men and women for the same kind of work in retail trade.

The manager of an English cooperative macaroni factory said that for women over 24 years of age the pay is 33 shillings a week, for men 61 shillings a week. The National Union of Distributive and Allied Workers, according to one of its officials, does not expect the C. W. S. to pay equal wages to women so long as lower wages for women exist generally in private employment.

## COOPERATIVE-LABOR UNION PROBLEMS

In the view of some observers, the cooperatives have been somewhat handicapped in competition through their willingness to allow union organization and collective bargaining and their concessions to union demands. This opin-

ion was expressed concerning British cooperatives by an economist with bank connections. A Copenhagen city official pointed to the fact that the organization of workers in the distributive trades is almost entirely limited to cooperative stores, and suggested that this meant higher costs which explained the slow growth of consumer cooperation in that city.

Various cooperative officials have complained that labor unions are too aggressive in their demands upon cooperatives; they should, it is said, spend their time organizing those employees whose conditions are below cooperative standards. An official of the Belfast Consumers' Society, which requires all employees to be members of trades unions, told us: "We don't get the support from labor unions that our policy warrants."

The British Trades Union Congress of 1935 passed a resolution condemning newspapers which attack cooperative conditions of work and wages but are silent about bad conditions in private business.

#### GENERAL EFFECT OF COOPERATIVE LABOR POLICIES

The effect of the generally higher cooperative wages and conditions upon private employment is difficult to ascertain. In manufacturing and transportation, the workers in almost all the countries we visited are well organized and able to bargain with employers; while in retail distribution, even in England and Sweden, trade union organization has not become very general.

In Sweden, according to a national labor leader, the higher standards of cooperative employment have had a definite effect in raising standards. A Swedish bank executive, however, declared that the one primary and essential reason for the rise of real wages is the strong labor movement.

In England, according to a government economist and statistician, the influence of cooperatives on labor standards is slight, and general improvements are due to the pressure of organized labor.

In the view of an official of the (British)

National Union of Distributive and Allied Workers, the wide geographical spread of good cooperative conditions should demonstrate the practicability of shorter hours and better conditions, and result in legislation in behalf of all distributive employees.

In order to level out the differences in wage costs between cooperative and private employment, some cooperative leaders have demanded the establishment by law of uniform minimum standards, especially for distributive employment. Such legislation has been recently enacted in France.

A government "Trade Board" regulating distributive employment is expected by Scottish C. W. S. directors, who pointed out that better standards in private trade would improve the competitive position of cooperatives. This view was expressed at the British Cooperative Congress in 1935, where it was said that, "as good employers," the cooperatives deserved the support of government regulations. Such regulatory action is being strongly urged.

#### COOPERATIVE-LABOR UNION AGREEMENTS

General agreements of one kind or another have existed between cooperatives and unions in England since 1893, in Norway since 1915, in France since 1920, in Switzerland since 1914. At present, more or less detailed agreements are in force in Finland, France, Great Britain, Norway, Sweden, and Switzerland.

An agreement between consumer cooperatives and labor unions in Sweden gives the employee an increase in wages each year for the first 5 years.

The preamble to the 1920 agreement, still in effect between the French Federation of Labor and the Consumers' Cooperative Federation, declares that "Consumer cooperatives are institutions which by their nature do not pursue profit, and by their ideals constitute the elements of a new society", and that labor organizations should consider them in this light in their relations with them. Cooperative organizations are obligated to conform to union regulations. "Nevertheless, consumer cooperatives must not

be put at a disadvantage with regard to their private competitors or they will disappear and no longer fulfil their role in behalf of consumers and particularly of the workers who for the most part compose these societies."

Collective bargaining is provided for, with arbitration as a last resort; sympathetic strikes are forbidden. This general agreement is binding only upon the cooperative societies specifically negotiating it with unions representing employees. Its more general acceptance was again urged at the 1936 French National Cooperative Congress, inasmuch as it had been found satisfactory by the societies which had adopted it.

In Finland, there are about 50 collective agreements between organized labor and the "Progressive" group of cooperatives, O. T. K., K. K., and Elanto. A 1935 contract between K. K. and the Finnish Central Labor Organization sets up a joint board of conciliation and provides for the nonparticipation of cooperative employees in strikes.

In Norway, a general agreement between the Norwegian Confederation of Trade Unions and the Norwegian Cooperative Union lays down the principle that conditions of employment shall be at least as favorable as in private enterprise of the same kind, and that wages are to be somewhat higher when the position of the cooperative permits of this. Disputes are to be settled by arbitration, with decisions binding upon both parties.

In Denmark, many employees of the cooperative dairies and bacon factories are organized in unions which have recently become affiliated with the Central Labor Organization. There is now an organization of distributive workers, not yet affiliated with the organized labor movement.

The Finnish Cooperative Wholesale, S. O. K., and its member societies are exceptional in their refusal to bargain collectively with their workers. This policy is related to the split in the Finnish cooperative movement which took place during the World War and which was widened by the subsequent civil war in Finland. The managing director of S. O. K. states that the society

pays 25 percent higher wages than are paid in private business.

#### THE CLOSED SHOP

Though collective agreements are general, the closed shop is not. No exact figures are available as to the number of societies in various countries which employ only union labor.

Between 85 percent and 95 percent of cooperative employees were union members in 1934, the British Cooperative Union's labor department estimated. But, while union membership is customary in British cooperative societies, it is required of employees by only about 200 out of 1,000 local societies, according to an official of the National Amalgamated Union of Shop Assistants, Warehousemen, and Clerks.

The Swiss V. S. K. permits but does not compel union membership among employees; every society is independent in policy, but in general the larger societies have agreements with the unions.

In Czechoslovakia, trade-union membership is required of all employees of consumer cooperative (V. D. P. and U. S. C. D.) plants and stores.

#### ADJUSTMENT OF DIFFERENCES

The English National Conciliation Board is an institution for such of the cooperative retail societies and trade unions as wish to use its services (the C. W. S. does not subscribe to it, preferring to deal with the unions directly). Panels composed of six cooperative representatives and six worker representatives meet in different sections of the country as needed; an impartial chairman presides, but does not vote. If both sides are willing, a case upon which the panel remains divided may be referred to the impartial chairman for decision. The National Union of Distributive and Allied Workers, to which the largest number of cooperative employees belong, brings in most of the cases.

Some recent cases have been these: Guaranteed hours are asked for laundry workers in London. Disagreements over the classifications of individual workers; is this one a shop assistant or a clerk? Should drivers of electric trucks be

paid per delivery at the same rate as others? Overtime pay on the eve of a holiday. A 6-day week for dairy employees is demanded. A society which has refused to meet with the union's representatives is directed to do so. A compromise is reached in a case where restoration is demanded of wage cuts voluntarily accepted by the unions during the worst of the depression.

Sweden has a national arbitration board set up by the Cooperative Union and the Central Labor Organization. The unions have the right to strike, said an official of the Central Labor Organization, but thanks to arbitration "they do not have to."

In Geneva a conciliation board has averted strikes. Czechoslovakia has a joint commission to settle disputes between consumers' cooperatives and organized labor. In Denmark, we

were told, the joint body representing labor and the cooperatives has not been very active.

It appears that the relationship between cooperatives as employers and their workers is not automatically regulated by the fact that the members of the cooperatives are generally of the working class. Their differences of economic interest are for the most part adjusted by the ordinary methods of collective bargaining, conciliation, compromise and arbitration. Cooperatives are "good employers", and set standards of wages, hours and other conditions higher than those generally existing in private business of the same kind, without, however, being able to raise such standards in general to any determinable degree.

Relations of cooperatives to labor parties and other political parties are considered in the chapter on "Cooperatives and the State."



## Chapter XIII

### CONSUMER COOPERATIVES AND AGRICULTURE<sup>1</sup>

CONSUMER cooperatives in Europe vary greatly in their attitude toward farmers and farm marketing cooperatives.

In the countries we visited, except in Denmark and Switzerland, the consumers' cooperative movement is primarily a working class movement, having its greatest strength in the large cities and industrial centers. In some countries, notably Finland, farmers and workers each have their own consumer cooperative movement. In Denmark all cooperatives have their membership largely among farmers. On the other hand, the Danish consumer cooperative movement has made comparatively little headway in Copenhagen, labor leaders complaining that it is too greatly dominated by farmers. "Farmers are afraid of too much consumer representation", said an official of the Wholesale Society. "But it will be too bad if we split up; when naked all classes are alike."

#### SWISS EXPERIENCE

In Switzerland, consumer cooperation is less a class movement than in any other country studied. Its membership includes all classes. The Basle Consumers' Society, for instance, boasts a larger proportion of membership to population than any other consumer cooperative anywhere. In fact, most of the population in the canton is included in its membership—the middle class and government employees, and even a millionaire, it is said, as well as working people.

<sup>1</sup> Mr. Olds accepts inclusion of this chapter in the report, subject to the considerations presented in his memorandum, p. 91 and following pages.

Farmers in Switzerland are thoroughly organized, too. Most of their products are marketed cooperatively. Their farm supply cooperatives not only operate extensively in this field, but also own a considerable number of stores supplying food and other household needs.

Fifty of these stores are in villages where there are also consumers' cooperative stores. There has been relatively little conflict, however, since the farmers' stores serve the rural population and the consumers' stores serve the villagers. In fact, V. O. L. G., the farmers' cooperative federation, buys some of its supplies jointly with V. S. K., the Swiss Consumers' Federation; and V. S. K. in turn buys a good deal of farm products from V. O. L. G. A recent agreement provides that neither type of cooperative will establish a new store where the other already has done. Disagreements between the two organizations are referred to a permanent joint arbitration board.

In past years there has been rather acute competition between farmer and consumer cooperatives in the fluid milk trade. The Geneva experience is typical of that in a number of other cities. In Geneva, farmers' and consumers' cooperatives had complete and duplicate milk distributing systems, from the local village milk station through the processing plant to the consumer. This problem of cooperative competition was solved by creating a new milk distributing company. Both farmers' and consumers' cooperatives turned their milk processing and distributing facilities over to this new company, which buys its milk from the farmers' cooperative. Each owns 50 percent of the stock

in the milk company. In actual operation this plan has apparently been satisfactory to both interests.

The head of the cooperative dairy federation told us that before the war dairy prices in Switzerland were under pressure from consumer cooperatives as well as from private buyers, but that this is no longer true. The employment of a number of "agricoles" (agricultural college graduates) by consumer cooperatives has helped them to understand the farm viewpoint, he said.

#### SWEDISH POLICY

Consumer cooperatives in Sweden are studiously friendly to farmers. They number a considerable percentage of farmers among the members of their village societies and want more. They buy from farm cooperatives whenever possible. They have helped farm organizations finance their processing plants.

There are differences of opinion, of course. Kooperativa Forbundet (the central cooperative union) is a buyer; it does not always see eye to eye with farmers on price questions. It complains now and then about the price of milk. It would like the farmers' livestock cooperatives to quote a uniform price for meat all over Sweden. But these questions have led to no serious difficulties, partly due, perhaps, to the fact that prices of farm products are under rather rigid Government control.

More annoying has been the question of jurisdiction. Milk Central in Stockholm, the farmers' dairy cooperative, operates 150 retail milk stores in the city. (Practically all of Stockholm's milk is sold through special milk stores.)

Kooperativa buys its milk from Milk Central, as do most of the private milk dealers. In return it thinks Milk Central should go out of the retail business. This Milk Central is not willing to do. It wants to know what it costs to retail milk; it wants to keep a finger on the pulse of the milk consumers. And so it keeps its stores despite Kooperativa's objection.

More acute is the situation in Skane, Sweden's southernmost and richest farm province. There an aggressive farmers' livestock cooperative

(Skansa Andelsslakterier) owns its slaughterhouses and retails a substantial part of its output through 50 stores and 15 retail meat trucks.

Kooperativa objects vigorously to this, and has bought slaughterhouses and enlarged its creamery holdings. The manager of the livestock cooperatives stated that his organization will not give up its retail stores. This he explained by saying that farmers want to sell more meat. To do that, they must sell it to the consumer at the lowest possible price commensurate with a fair return to the producer, in order to stimulate consumption. The farmers' stores, says this official, sell meat at cost. The consumers' cooperative stores must "load" their costs with the 9-percent patronage refund which most of the members in that part of Sweden have been taught to expect. True, the member gets that 9 percent back later, but patronage refunds do not step up consumption like low prices over the counter.

The farmers' and consumers' cooperatives are negotiating an agreement which they hope will minimize present and avoid future difficulties. This agreement recognizes the status quo. The farmers are to keep their stores; Kooperativa is to keep the processing plants it now owns. But in the future, the farmers are to acquire no more stores and Kooperativa is to acquire no more processing plants, without first talking the matter over together.

The agreement recognizes the principle that farm cooperatives should own the processing plants; and that consumer cooperatives should own the retail outlets.

In general, consumer cooperatives in Europe have accumulated far greater reserves than have farm cooperatives. Kooperativa owns big flour mills because it had the money to buy them; the farm cooperatives did not. In some cases Kooperativa has bought processing plants and then sold them to farm cooperatives to be paid for over a term of years. There is still a feeling in consumer cooperative circles in Sweden, however, that farmers' cooperatives should be content to do the simplest processing closest to the

farm; that more complicated processing can best be done by the consumer cooperatives. In Malmo, Sweden, the milk distributing business is owned jointly by farmer and consumer cooperatives, with one-third of the earnings going to the farmers' society, one-third to the consumers' society, and one-third to surplus.

Consumer cooperative views are expressed as follows by an official of Kooperativa:

As producers, the farmers are naturally interested in finding the best possible market for their products. Since the organized consumers need the commodities that the farmers can market there is a natural basis for cooperation, and they have a common interest in their desire to shorten as much as possible the distance between the producer and the consumer. (From unpublished manuscript by Herman Stolpe, *A New Family Economy*.)

Kooperativa has asked farm cooperatives for preferential treatment. This they have not granted because Kooperativa buys only 15 per cent of the milk and meat used in Sweden, and the farmers feel that they cannot discriminate between buyers.

An official of the national dairy federation said that instructions to member organizations are not to raise prices without first discussing the question fully with the consumer cooperatives and private traders. There is relatively little conflict between farm and consumer cooperatives in Sweden, he said, because many city people came from the farms or have relatives on farms, that there is a general understanding of the farm point of view in the cities, and a feeling of friendliness toward farmers. "It is not possible to set these two parts of the nation against each other", he said.

#### ENGLAND AND SCOTLAND

It is in England and Scotland that the poorest working relationship exists between agriculture and the consumer cooperatives. The latter have consistently opposed the Government farm marketing schemes, which in those countries are farmer-controlled, as tending to create a "farmers' monopoly." They also object to the marketing schemes because consumers have no voice on the marketing boards, because some of their

quota restrictions limit the growth of consumer cooperative enterprises, and because they have caused some increase in food prices. Farmers, on the other hand, have voted overwhelmingly for continuance of the marketing schemes whenever occasion arose, and favor keeping them as a permanent feature of British marketing.

There is relatively little cooperative marketing of farm products in England and Scotland. Farmers seem to regard the marketing schemes as a practical and acceptable substitute for cooperative marketing.

The theoretical objective of English and Scottish cooperatives is ownership and operation of all facilities for producing consumer goods, including farm land. They believe that the consumer cooperatives should own processing plants, and have carried out this policy even to the extent of going into active competition with the plants of farm cooperatives.

While boasting that they pay more than the going rate for labor, consumer cooperatives do not extend this policy to the purchase of farm products. Scottish cooperatives, as the largest buyers of cattle, sheep, and eggs in Scotland, determine prices at local markets on the basis of paying "what we have to and no more."

A Welsh agricultural economist said that the C. W. S. has aroused dissatisfaction among the farmers in Wales because of its close buying of livestock and poultry. English agricultural economists interviewed at a meeting at St. Andrews were generally agreed that consumer cooperatives tend to hold down prices for certain farm products.

Another economist, interviewed elsewhere, said consumer cooperatives are "good buyers", that they do not try to shade prices, or to get farmers under their control by loaning them money. Farmers like to sell to cooperatives, said an official of the Horace Plunkett Foundation, because they get prompt payment, and because such sales put a high stamp on the quality of their output.

Much consumer cooperative opinion in England and Scotland holds that farm marketing cooperatives are not real cooperation, but

merely a "modified capitalism." Some years ago the English Cooperative Wholesale Society acquired from 80 to 100 creameries in Ireland, disregarding the farmers' cooperative movement there, according to Irish farm cooperators. The C. W. S. duplicated facilities wastefully. It operated these creameries solely in the interest of its own membership. It paid as little as possible for milk, often less than the price at private creameries. This situation was only ended by legislation which forced the C. W. S. to sell its creameries to the Irish government, which in turn closed some and turned others over to Irish farm cooperatives.

It must be noted, however, that C. W. S. has for the past several years furnished to the Irish Agricultural Wholesale Society a liberal line of credit. This source of credit to the Irish cooperative movement is second in volume only to that extended by the Irish Free State.

The C. W. S. still owns a number of creameries, flour mills, and other processing plants in England, however. From the standpoint of the English farmer, these are no better than private processing plants—buyers who buy as cheaply as they can.

S. C. W. S. officials were positive in their opinion that consumers' cooperatives should own the processing plants. The Scottish Wholesale is the largest flour miller in Scotland. It owns bacon factories and creameries, including some of the latter in Ulster, and is building more creameries in Scotland. It operates a large dairy farm supplying milk for its Glasgow trade. The Ulster Farmers' Union objects to S. C. W. S. ownership of creameries there, believing that processing should be in the hands of the producers; but as long as consumers' organizations play the game, producers are content to let them do it.

Although the farm cooperative marketing movement in Denmark controls most of the bacon processing, and has done an outstanding job of improving the quality of bacon production, the English C. W. S. established several of its own bacon factories in Denmark. Asked why, one English cooperative spokesman said,

"It is our policy to go just as far as possible in controlling our own sources of supply."

Asked if he would not consider it an unfriendly act if Danish farmers should establish their own meat stores in England, he replied, "We certainly should." This seeming inconsistency is based on the fundamental English conception of consumer cooperation as the only real cooperation.

The agricultural adviser of the Cooperative Union first said, in response to our question, that it makes little difference whether farmers or consumers own the processing plants. Asked if ownership did not determine who gets the savings, he said that perhaps joint ownership is best, with the savings divided. The Herts and Bets Bacon Factory is owned jointly by the C. W. S. and a farm marketing cooperative. The manager of the Liverpool Cooperative Society said that it is best for consumers' cooperatives to own the processing plants because they have an assured market.

A director of the Scottish Cooperative Wholesale referred to farmers as "capitalists who exploit their laborers." In response to a question, he said that the typical Scottish farmer (either tenant or owner-operator) has about 60 acres of land and 20 cows.

Asked by a member of our Inquiry, "Do you see any place for farmers to assemble and process farm products for sale to you?" a Scottish consumer cooperative leader replied, "No." An official of the Scottish Cooperative Wholesale Society said that organization prefers to buy from farmers individually. An opposite view was expressed by the secretary of the Cooperative Party, who said the ideal situation would be to have all farm marketing done by farm cooperatives, selling directly to consumer cooperatives. He does not believe that consumer cooperatives should own and operate farms.

One Scottish leader said, "In many markets we are the largest buyer of cattle, and we set the price."

Both English and Scottish consumers' cooperative leaders state frankly that they expect and ought to be in position to dominate the price of

farm products, and that farmers should trust their sense of fairness.

After the War, both English and Scottish consumer cooperatives bought a considerable amount of farm land (56,900 acres were owned in these two countries at the close of 1936). They lost, and are still losing heavily in this venture. The reason given for these losses was that the cooperatives paid agricultural labor very much better than going wages, that they improved living conditions, built cottages, and gave vacations and sick benefits.

As a result, some of them have modified their theories somewhat. As one Englishman put it: "Farming is by nature a family enterprise that can best be conducted on an individualistic basis." A Scotch cooperator said: "Farming can't be done on an 8-hour basis."

Others have not given up so easily, but talk about having farms owned and operated in large cooperative producing units by farmers themselves. At least one influential leader advocates national ownership and operation of farm land. The agricultural adviser of the Cooperative Union said he favors the organization of agriculture into large producing units, owned cooperatively by the farmers themselves.

The relationship between consumer cooperatives and the farmers in England and Scotland is complicated by the fact that farmers have not organized strong marketing cooperatives capable of dealing with the consumer organizations. According to statistics of the International Labor Office, in the whole of Great Britain and Ireland (but excluding the Irish Free State) farm cooperative business amounted in 1934 to only \$12,304,000, the larger part of which represents wholesale purchase of farm requisites.

#### FRANCE

The manager of the French Cooperative Wholesale Society said: "Farmers too often want an ungodly price. We buy where we can buy cheapest, so as to sell cheap. What we want to do is to get farmers to take less profit and sell more." He referred to a new law permitting interlocking directors between farmer and con-

sumer cooperatives, and said that might lead to better working relations.

In the Charente country of France, the Inquiry found farmers' and consumers' cooperatives getting along amicably together, with a number of mutually satisfactory intersociety business relationships, including joint purchasing activities. The manager of the regional consumers' society there said: "The best price is not a price that permits the producer to starve." The consumers' society financed a farmers' egg cooperative, to enable it to pay cash and meet private competition.

#### CZECHOSLOVAKIA

Czechoslovakian consumer cooperative spokesmen say that farmers' cooperatives "oppose abolition of the profit motive while the very basis of the cooperative movement is the elimination of private gain." A farm leader said, "The farmer is not a socialist, he is not a collectivist; he owns his farm or at least the equipment with which he farms; he is an individualist—a small capitalist."

Despite such sharp disagreement in the social or political field, Czechoslovakian consumer and farmer cooperatives are usually able to deal with each other harmoniously in business, as is illustrated by a farm leader's communication to the International Committee on Inter-Cooperative Relations:

In our cooperative working alliance the delegates meet as occasion arises, without any formality. Often they exchange their views daily in the office of one delegate or another, in personal interviews or by telephone, the collaboration between them being very close.

The results of this collaboration are more than satisfactory. They are to be seen in the first place in the mutual trading relations between the two important commercial cooperative institutions belonging to the working alliance. The "Cooperativa" delivers goods to the wholesale society of the distributive cooperative societies and vice versa. These relations are evidence of loyalty and friendship, and are steadily growing in importance, as may be judged from the fact that the total transactions effected in 1931 and 1932 involved goods to a quantity of 11,584.2 tons and a value of 11,354,700 koruny (\$336,000).

Many transactions have been carried out on a joint account, in particular as regards importation, and if one

member of the working alliance concludes a transaction, he is guided by the firm conviction that it will be placed to the joint account.

The previous statement is somewhat qualified by one by the same farm leader in another connection:

Consumer cooperatives, being buyers, are naturally trying to get products at the lowest possible price. Agricultural cooperatives, being sellers, naturally are trying to get the best possible price for their products.

To which another Czech farm cooperative leader added: "Consumer cooperatives affect farm prices adversely."

#### FINLAND

In Finland there are two strong nation-wide cooperative organizations operating side by side: the S. O. K. group, dominated by farmers, and the O. T. K. group, composed of urban workers with a considerable membership of small farmers.

Of 265,169 individual members of distributive societies affiliated with O. T. K. in 1935, 28,536 or 10.8 percent were farm freeholders or tenants, 18,694 or 7 percent were cottagers, and

28,446 or 10.7 percent were agricultural workers, making a total agricultural proportion of about 28½ percent. This proportion has remained nearly constant with the growth of the society over a period of 15 years.

An official of the Central Federation of Finnish Labor Unions declared that the question of prices had had nothing to do with the split of the consumer cooperative movement of Finland into its two parallel organizations. The workers, he said, looked on the cooperative movement primarily as a means of lessening the spread between the farmers' price and the consumers' price. In his opinion, this represented a mutual interest uniting labor and the farmers, who shared equally in the resulting advantage, the farmer getting a higher price than he would otherwise get, and the workers paying lower prices for their necessities. Conflict could come, he said, only if one side tried to take all the advantage. This, he said, was not labor's attitude, because labor felt an identity of interest with the small farmers.

## Chapter XIV

### COOPERATION AND THE STATE

COOPERATIVES aid government, in the opinion of the majority of people interviewed, by creating a sense of responsibility and ownership among the members and by broadening their economic outlook, all of which makes for better citizenship; they do some things that otherwise the government would have to do ("trustbusting" and administration of farm relief acts); and they enhance economic stability.

In some cases cooperatives ask from government exemption of their surpluses from taxes on profits. Some credit, and some subsidies to cooperative education are also occasionally asked for.

Many of the cooperatives manifest their interest in government by active participation in politics.

An ideal of certain sectors of the cooperative movement, still actively championed to a greater or less extent, is that finally the cooperative commonwealth should take over most of the present functions of government. Other cooperators would have a complete socialistic state, with the cooperatives acting as its agency for production and distribution. In view of this talk about creating a new state of society, we endeavored to find out if European governments regard cooperative enterprise as a threat to existing forms of government and national institutions. That does not seem to be the case. Most government officials seem to judge the cooperative movement by what it does rather than by the statements of some of its philosophers. It is a business enterprise; it has made a place for itself among other forms of business. It is recognized as an integral part of the national economy. More than that,

because of its democratic structure, its widespread membership participation, its educational contribution, it is felt to be one of the mainstays of democracy. That sums up the opinion of government officials interviewed.

Cooperative members have a keen sense of owning something. Pride in their cooperative institutions is intensified by the active part that so many of them take in directing cooperative policy. This has given stability to the cooperative membership, making it a valuable bulwark of democracy, in the opinion of the secretary of the British Cooperative Party. Pride in their part in cooperative ownership and management, together with their theory of a free and voluntary society, leads cooperators to reject fascism, communism, and other approaches to the totalitarian state, he believes.

A business man at the head of a great British food concern referred to thousands of homes that have been built with cooperative assistance, as being a conservative influence. He regards the present situation, with trade divided between private and cooperative enterprise, as tending to keep political action from going to extremes in either direction.

Widespread ownership and participation in cooperative societies by their members, plus the cooperative incentive to saving, make for conservatism and stability, in the opinion of an English Government economist.

One of the reasons for Great Britain's political stability is the experience which many thousands of people have had in practical democracy in the cooperative movement, said an official of the Cooperative Union.

An executive of the Conservative Party in England said that if it came to a choice between the cooperatives and the multiple stores, he would prefer the cooperatives because they develop "a sense of responsibility" in their members.

Cooperatives are an antidote to radical political movements, said a leading Swedish banker. They furnish an outlet for the energies of the working class, diverting it away from political radicalism.

Cooperative education and experience give members a broad understanding of economics, in the opinion of many government officials, who refer to the importance of the cooperative store as a center of economic discussion.

Two Danish cabinet ministers told us that cooperatives have improved the standard of living for large sections of the population, enabled them to buy more, and checked upward price tendencies.

Swedish cooperatives helped soften the effects of the depression by expansion at a time when private business was retrenching, said a public official of that country. Their cash trading policy lessened the volume of personal debts which diminished buying power in the early years of the depression. The fact that during the past 3 years Sweden has found the comparatively small expenditure of \$75,000,000 in public works sufficient to eliminate unemployment is in part due to the influence of the cooperative movement. During depression years cooperatives have contributed to the health of their working class members by making their money go farther in the purchase of food, Swedish welfare officials said.

Cooperative enterprise, according to the secretary of the Cooperative Party, was the only business in England that did not go to the Government for assistance during the depression.

#### REGULATION OF MONOPOLY

Sweden does not believe in the effectiveness of antitrust laws; Government officials are glad to see monopoly prices broken by cooperative action. Such a task is a burden to the Gov-

ernment; the action of the people themselves in taking it over through their cooperatives is welcomed, two Danish cabinet ministers told us.

In France, cooperatives for years have had representation on the National Economic Council and other advisory extraparliamentary bodies for economic planning created by the Government. The more recent appointment of an official consumers' cooperative representative to a place on the board of directors of the Bank of France leads cooperators to believe that the present Government is counting on the cooperative movement in its attempts to prevent further increases in prices of consumers' goods.

All European governments have put into effect comprehensive farm "subvention" (relief) schemes. Where strong farm cooperatives exist, governments have used them as administrative agencies, thus avoiding the necessity of setting up a complicated official organization solely for that purpose.

In Denmark, according to an official of the State Bank, control of bacon production (made necessary by reduced foreign import quotas) was placed by the Government entirely in the hands of the farm cooperatives, which applied the reduction equitably and relieved the Government of a difficult task.

In 1932 Sweden passed a law imposing a processing tax to provide funds with which to subsidize exports of farm products, as well as to even up prices between producers of milk for manufacturing and for city delivery. Operation of the law was contingent upon the formation of a cooperative by at least 60 percent of the producers of any one class of farm products. In the case of dairy products, operation and control rest almost entirely with the S. M. R., a federation of dairy cooperatives handling more than 90 percent of all the milk produced in the country. In the case of grain, which was not controlled in any large measure by cooperatives, the Government established a semipublic marketing corporation both for exports and imports. With eggs and other products the Government used a system of control between



that of a Government corporation and management by a cooperative.

In Switzerland, the National Dairy Cooperative Federation administers the dairy-marketing price-control plan, under authority of the Government. In the Irish Free State, government regulation of the manufacture and marketing of dairy products is administered by the cooperatives and the Government board creameries. One of the cooperative creameries has been given a national monopoly of process cheese making.

The Czechoslovak Grain Co., organized by the Government, made use of the Central Agricultural Cooperative Organization of Czechoslovakia (Centrokoooperativ) in buying surplus grain. In order to secure the marketing and sale of butter and to regulate the retail milk market, the Czechoslovak Cattle Association was set up by the Government. The law establishing this association stipulated that it should be made up of the "Centrakoooperativ", representing agricultural interests, the Central Organization of Cooperative Unions to represent consumers, the Union of Cattle Trade Organizations for the cattle merchants, the Cooperative Dairies Trading Co., and the Union of Traders in Dairy Products.

Another instance of the interplay of government and cooperative activity in Europe is to be found in the cooperative housing projects in Sweden and Denmark, in which there is financial assistance from the Government. In Denmark, the municipality of Copenhagen is buying up adjacent farm lands to be used for the further expansion of the cooperative housing program; and the National Government has taxed increases in land values to prevent speculation.

In Finland, the Government's own plant breeding station and the experimental farm and plant-breeding station of the Farmers' Cooperative Purchasing Society divide their experimental work so as to avoid duplication, according to one of the faculty at the University of Helsinki. The cooperative station receives from the Government an annual subsidy of about a quarter of its budget.

#### GOVERNMENT CREDIT TO COOPERATIVES

In Denmark the cooperatives have had full access to the whole credit machinery of the country. In Finland, for the benefit of both consumers' and farmers' cooperatives, Government credit at an especially low rate is issued through the wholesale to the local societies, and its availability has enabled the cooperative movement to grow rapidly, according to a Finnish cooperative leader. The Government in 1917 provided a separate fund for lending to consumer cooperatives on a sound credit basis.

The Bank of France rediscounts the notes of the Cooperative Wholesale Society on the same terms that apply to all other organizations; in addition there is special legislation providing for long-time discounts for a variety of cooperative enterprises, and the bank makes these discounts as required. In 1917, as a means of combating rapidly mounting prices, a law was passed creating a loan fund for the benefit of consumer cooperatives; societies may obtain loans from this fund running over a period of 3 years at an interest rate of 3 percent.

#### TAXES

Consumer cooperative policy is to sell at cost. Any margin above cost is not a profit, cooperators contend, whether it is added to reserves or returned to the members as patronage refunds. In consequence, they say, these funds are not properly a subject of taxation. Private businessmen, on the other hand, contend that in order to establish fair competition, cooperative and private reserves should be taxed on the same basis.

In Great Britain, legislation enacted in 1933 requires cooperatives to pay the same rate of tax as private competitors on the money set aside annually for reserves; patronage refunds are untaxed.

In France, consumer cooperatives have no tax advantage over their private competitors. Workers' productive societies get 25 percent reduction in taxes on their gains.

Danish cooperatives that sell to nonmembers, or market the products of nonmembers, are

taxed the same as private business. Taxes are also levied on annual accumulated surplus. As a result most of them deal only with members; this has had some effect in slowing down cooperative expansion, which usually proceeds by letting a nonmember's patronage refunds pay his membership fee. The same tax policy applies to wholesale societies which sell to anyone except their member societies.

Swedish cooperatives pay no tax on money used for patronage refunds, nor are such refunds taxed as part of the income of the individual. In all other respects save one, Swedish taxation is the same for cooperatives and private business. The exception is that cooperatives pay a graduated income and capital tax on the same basis as natural persons or foreign corporations, while domestic joint-stock companies pay at a lower rate. For that reason Kooperativa and some of the larger local societies are using the joint-stock company form of organization for their productive units. A Government committee which has been studying this question has recommended that the law be changed to put cooperatives on the same basis as domestic joint-stock companies.

Norwegian cooperatives are taxed on their property (as are all cooperatives) and on the presumed income from property. They pay no tax on income derived from members. They were successful in securing the repeal of a former law which taxed their entire surplus.

Cooperatives in Czechoslovakia dealing only with their members pay a tax of two-tenths of 1 percent on their paid-up capital; while private profit enterprises pay a tax of 8 percent on their profits. If a cooperative serves nonmembers as well as members it must pay the above profit tax. The law, however, provides that inadvertent sales to nonmembers and sales under certain specified conditions shall not deprive the cooperatives of this tax privilege. Agricultural cooperatives enjoy exemption from both profit and capital tax. A transaction tax is applied to all business, private and cooperative. The cooperative wholesales do not pay it, since it is held that they have already paid it through the transactions of the retail societies which they

serve. On real-estate transfers, cooperatives pay a tax of  $1\frac{1}{2}$  percent, while private individuals and corporations pay a transfer tax of 7 percent.

Cooperative societies enjoy partial exemption from income tax in Finland. Domestic societies whose object is to supply members with commodities, or promote their productive efforts in agriculture, fishing, etc., are allowed to omit half of their net earnings from income-tax calculations, provided they do not pay more than 6 percent interest on shares, and provided that customers of the society have the right to become fully participating members.

In answer to the complaint of private traders with regard to this partial tax exemption, cooperators point out that private traders can organize into joint-stock companies which are allowed to deduct half of their profits up to 4 percent of their assets for purposes of tax calculation. If the taxable profit of a joint-stock company is over 12 percent of the assets, however, the tax is proportionately increased.

#### OTHER RELATIONSHIPS

Cooperative education receives some government aid. Pellervo, in Finland, which is the central educational agency for the farm cooperative federations, receives about one-third of its annual budget from the Government, according to its secretary. In France, where all companies must pay an apprentice tax and may designate the educational purpose for which it is to be used, the Cooperative Wholesale Society designates cooperative schools. In Ireland, about half the Free State's subsidies to farm-marketing cooperatives are used for promotion and technical service.

Other relations between governments and cooperatives are of a minor nature. The Scottish Cooperative Wholesale Society bids on everything required by the Glasgow city government, providing food and other commodities at cost. Recently it supplied the city's boot and shoe requirements without profit. In 1935 cooperative sales to the city amounted to £80,000.

In France, workers' productive societies may, by law, take up one-fourth of all Government con-

tracts in certain lines, at an average of all bids received.

#### RESTRICTIONS

Government restrictions on Czechoslovakian cooperatives include limitation of the consumers' wholesale margarine factory to 12 percent of the nation's output, though twice as much could be sold. The restriction is said to be due to dairy interests, which are trying to increase the use of butter.

English consumer cooperatives are very critical of the Government's farm-marketing schemes, which they charge tend toward farmer monopolies, work against consumers' interests, and tend to reduce consumption of farm products.

Cooperative laws include one in Czechoslovakia requiring outside biennial audits; one in England requiring approval of auditors of cooperatives by the British Treasury and the Registrar of Friendly Societies; one in France requiring that consumer cooperatives borrowing from the Government use the national auditing service of the cooperative movement. In France a recent law permits interlocking directorates between farmers' and consumers' societies. When a workers' productive society is liquidated in France, the capital must be transferred to a similar society. It cannot be distributed among the members.

In general, European cooperatives do not seem to have asked for or received any great amount of special legislation.

#### COOPERATIVES AND POLITICS

Neutrality of cooperatives in politics is generally regarded as a cooperative principle. It has been departed from most markedly in Great Britain, where the Cooperative Party was formed because it was felt that the wartime government was discriminating against cooperatives. In most other countries we visited, the consumer cooperatives, while maintaining an official neutrality, are generally linked by the sympathies of their members and often by the activity of their leaders to the political parties of labor; or in the case of some farmers' marketing cooperatives, to conservative parties.

In England the chief interest of most of the cooperators appears to be in the Labor Party rather than in the Cooperative Party. Even while supporting the Cooperative Party, many British societies follow the practice of the Royal Arsenal Society of London, which is directly affiliated with both the Labor Party and the Cooperative Party. It contributes funds chiefly to the Labor Party, according to its general manager. Each member of the society pays sixpence per year as his share of the fund of the political purposes committee, this contribution being taken out of the society's annual surplus. Any member unwilling to make such a political contribution can sign what is termed a "contracting-out clause", and his share of the political contribution will remain in the surplus of the society. There is no personal economic incentive to such contracting-out, and today only 2,000 members register such objection to the political contribution.

From these member contributions the political purposes committee of the society has an annual revenue of about £8,000, of which approximately £7,000 goes to the Labor and Cooperative Parties, the rest remaining for the political uses of the committee itself. Of the £7,000, only £400 is contributed to the Cooperative Party.

Such contributions not only express the view of the society that it has political interests requiring representation, but tend to gain new membership and to promote membership loyalty in strong labor districts. In other parts of England, it is said, the reverse might be true.

The Cooperative Party receives £3,000 a year from the Cooperative Congress, and is further supported by 500 affiliated local societies embracing 50 percent of the total membership of cooperative societies in England. These societies pay 1 halfpenny per member a year as dues. In the last general election the Cooperative Party contested 20 constituencies and elected 9 members to Parliament. These members are directly responsible to the Cooperative Congress; their function is to watch parliamentary business affecting the cooperative movement, according to a C. W. S. director active in the

Cooperative Party. In justification of these political activities, the secretary of the Cooperative Party points out that private business "has been in politics for a long time."

There are friendly relations between the Cooperative Party and the Labor Party, but the organization of the Cooperative Party reflects the view that consumer cooperative objectives cannot be attained through the Labor Party, which is said to represent "a producer interest." It is argued that the Labor Party, controlled by the trades unions, in seeking to raise wages may permit or encourage high prices which exploit the consumer and depress real wages. The Labor Party has recently advocated a municipal monopoly of milk and bread distribution in London; the Cooperative Party proposes a cooperative monopoly. Despite such disagreements, we were told, the two parties work closely together, and avoid competing with each other in elections.

In criticism of cooperative political activities, it is said by some observers that the Cooperative Party is "a potential menace to the cooperatives as a trading body", and may split the cooperative movement. Such observers feel that better results could be obtained by strengthening the Cooperative Parliamentary Committee and its work. It is also pointed out that the Cooperative Party is so dependent upon Labor Party machinery in elections that it is not a really separate and distinct political party, and on the whole is so immersed in labor politics that it makes no positive contribution to the expansion of cooperative enterprise.

On the other hand, the competition of the Cooperative Party with the Labor Party is criticized from the Labor Party point of view. It was said by a labor leader whose union includes the largest number of cooperative employees, that there is really no need for a Cooperative Party, since all Labor Party members are also cooperators. In general, he said, the Labor members of Parliament understand the problems of the cooperatives fully as well as some of the men now elected as representatives for the Cooperative Party; and in any case the cooperative movement has every opportunity to pre-

sent its views before those responsible for legislation. Another labor leader whose union includes many cooperative employees told us that he considers cooperative political activity a mistake; in his opinion the political interests of the cooperatives can be cared for by the labor movement, leaving the full energy of the cooperative movement to be put into business service to labor membership.

In Czechoslovakia, according to a prominent banker, the consumer cooperative groups are rather closely affiliated with various socialistic parties; Social Democratic, National Socialist, or Communist. Officials of the V. D. P. and U. S. C. D., however, said that the central organizations are politically neutral; local societies "often have their political faiths", and are generally associated with the Czech Social Democratic Party. Verband and G. E. C. serve societies which adhere to the German Social Democratic Party, while Unie is described as working in close collaboration with another socialist party. V. D. P. expelled for political activity a group of stores in the Prague region which are communist in attitude. The agricultural marketing central, Moravskoslezska, we were informed, brings together a small number of societies directly aligned with and fostered by the Clerical Party. It seems clear that in Czechoslovakia cooperative political affiliations reflect the national and religious allegiances which cut across the country. In some cases cooperative stores in Czechoslovakia are said to be centers of political activity. Fear of such political activity was given by a high Government official in Northern Ireland as one of the reasons why he does not favor cooperative expansion.

In France, the cooperatives have been politically neutral since the Congress of Tours in 1912 which united the French cooperative movement. Article 4 of the Declaration of Principles of the Congress of Tours states that, among the societies barred from membership in the Consumers' Cooperative Federation are: "Societies which impose on their members membership in a political or religious organiza-

ion." The Federation's recent Inquiry on the General Orientation of the Movement in France (1935-36) revealed complete accord with the principle of neutrality. A resolution introduced at the Congress of Rheims in 1936 intended to declare adherence of the Federation to the Popular Front, was defeated by 1,276,476 to 205,927 (with 19,802 abstentions).

Because of the large number of political parties, the French cooperatives have a natural reluctance to ally themselves with any one party. "Complete independence, absolute political neutrality, the liberty to develop itself as a commercial arrangement within the framework of an increasingly controlled economy, is the requirement of the cooperative movement", according to the Administrative Council of the Regional Consumers' Cooperative of the Charente country.

But while keeping aloof from party politics, the French cooperative movement concerns itself with legislation affecting its interests. It puts questions to candidates for the Chamber of Deputies on their attitude toward increases in taxation which hit the cooperatives specifically, toward increases in the price of consumer goods in general, and toward laws which limit the development of cooperative enterprise by restricting the opening of new establishments.

With other branches of the cooperative movement, it seeks to hold together a parliamentary bloc of deputies friendly to cooperatives.

A national representative of British private trade expressed alarm at the entrance of cooperatives into politics. "If they should control supplies", he said, "it would mean the same thing as in Russia." But another spokesman for private retail trade forecasts "a battle royal between co-operators and Socialists" if the latter come into power and attempt definite nationalization measures. Cooperators, he said, will not consent to have their property nationalized, and may be found making common cause with private traders on this issue.

Many cooperators in Great Britain do not approve of the Cooperative Party or cooperative support of the Labor Party. That support is given as one of the principal reasons why the strong local cooperatives at Aberdeen and Dundee in Scotland do not join the S. C. W. S. The president of the Belfast Consumers' Society (Northern Ireland) said that, while his society is a member of both the C. W. S. and the S. C. W. S., it does not subscribe to their political views. He added: "The English and Scotch are determined politicians, and our opposition would be ineffective."

# *Part Two*

**COOPERATIVE ENTERPRISE IN EUROPE**

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## **THE MEANING OF COOPERATIVE ENTERPRISE TO AMERICA**

**INDIVIDUAL COMMENTS BY**

**Jacob Baker**

**Charles E. Stuart**

**Clifford Gregory**

**Leland Olds**

**Robin Hood**

**Emily Cauthorn Bates**

**T**HE MEMBERS of the Inquiry on Cooperative Enterprise felt that the report of the Inquiry as a whole should be built up primarily from interviews and published material. For this reason, our individual comments, which are necessarily in considerable degree interpretive, are included here in a separate part. Each of these memoranda has had the benefit of reading and discussion by all the members of the Inquiry. While each of us is responsible only for his own, all of us agree with the greater part or all of each of the others.

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## Chapter I

# WHAT WE MAY EXPECT OF COOPERATIVE ENTERPRISE IN THE UNITED STATES

by Jacob Baker

TAKING cooperative enterprise in the United States as it now exists, it is the purpose here to identify those points at which it may expand, and to consider the movements, organizations, and attitudes outside of cooperation that may influence its growth. There is also included a brief discussion of the place of cooperative enterprise in the general economy.

### THE POINTS OF COOPERATIVE GROWTH IN THE UNITED STATES

There is no reason to believe that cooperative enterprise will not expand to considerable proportions in the United States in the next generation. It is a method of organization of business enterprise that has grown up in the past century, parallel with great transport and communication systems, with high-speed machine production, with mail-order selling, with high-pressure publicity, and advertising technique, and all the other characteristics of the modern industrial and business structure. Some of these characteristics have developed more rapidly in the United States than in Europe, but they have all appeared in both places. Some things of rapid growth here, such as chain stores and highly mechanized factory production, came along at a later date in Europe. Other things, such as municipal railways and universal tourist and holiday accommodations, appeared much later here. The fact that cooperation is small here in comparison to its proportion of organized enterprise in Europe is no reason to think that it will not develop.

Rather, there are many reasons to believe that it will develop rapidly. For one thing, it is

doing so. The volume of consumer cooperative enterprise has multiplied fivefold in the last 5 years. While marketing cooperatives have not shown the same recent proportionate increase in volume, they too are expanding. At the moment, perhaps, the marketing cooperatives of the United States are in a period of consolidation of ground already gained. Since both marketing and consumer cooperatives arise from the same impulse—the most satisfactory and lowest cost service to members—we may expect the two major types of cooperative enterprise to move forward, and perhaps at an increasing tempo of advance.

It is to the advantage of both the agricultural producer and the urban and rural consumer to reduce the spread between producers' receipts and consumer's payments, so that the producer may get more and the consumer pay less. The only way that either producers or consumers can positively control this is by the organization of their own cooperative enterprise. At the point where they meet, there may well be difference of opinion as to price; but the major purpose of cooperative organization on both sides is to make that price a just price. This impulse to the just price is a vigorous one in America, and the will of people to organize to attain it is strong. A great deal of diffuse organization has been undertaken with this intention, but it is only by cooperative organization that a direct control is established.

Organized economic enterprise may be divided into three major sectors—private enterprise, Government enterprise, and cooperative enterprise. There is no fixed rule as to which of

these shall be the greatest. Naturally, there are protagonists of each who say that the others have no place at all. We find proponents of Government ownership who insist that Government ownership could do everything that is done by anybody anywhere. The enthusiasts of private enterprise insist that we need nothing except the enterprise of private business men. And so we find proponents of cooperation vigorously asserting its competence to do everything. It is doubtful if any of these three parties is correct in such claims. All that we know is that private business can do some things well, that Government can do others very well, and that cooperation also performs certain functions well.

The experience of Europe and conditions in the United States indicate that within 30 or 40 years the field of organized business may be roughly divided between the three—not equally, but with each having a substantial fraction.

#### COOPERATIVE MARKETING

European experience in cooperative marketing of agricultural products does not present much of special significance to the United States, because of the fact that our own farmers' cooperatives are so extensive in membership, and cover so wide a range of commodities. I think it is a fair statement to say that farmers' marketing cooperatives have been successful in the United States in proportion to their opportunity for control of the market for the commodity. There are many crops in the United States where production is so large, and the area of cultivation so vast, that a total or even substantial control of the market is almost impossible. For these commodities we may expect some extension of cooperative service activities in storage and processing, but only to the degree that these services can be performed more economically for the farmer than they are now performed by private milling and packing interests. There are, however, a number of the lesser agricultural commodities that we may expect to see marketed cooperatively in the same way as California oranges and raisins or Washington and Oregon apples.

In general, the development of cooperative marketing will, perhaps, be twofold: (1) organization of associations covering crops not now organized, where substantial market control is possible; (2) organization or extension of service cooperatives in processing or handling such commodities as wheat and pork, when the costs of private handling appear excessive.

#### THE GENERAL PURPOSE COOPERATIVE

This type of cooperative, organized usually in rural areas, offers to its members every kind of business service that they require. It markets all of their varied farm products; it purchases for them their farm requisites, such as fertilizer and some machinery; and it operates a store for their home requirements.

This type of cooperative has proved effective in communities of widely varying economic character. It is particularly suited to areas where the land is poor or overpopulated. The economic results in Ireland, Finland, and France in communities where a wide range of cooperative services is made available, show that the general purpose cooperative will definitely raise the income and the standard of living of the people in a poor community.

The organization of the general purpose type of cooperative can advantageously be forwarded by the Federal Government in such areas as the southern mountain region, and in areas of the United States where there are "stranded populations." Wherever the economic resources of a community are meager, the general purpose cooperative will be of great value in helping to bring the income of the residents up to the minimum requirements for reasonable subsistence.

#### LOCAL CONSUMER COOPERATION

Recently the most rapid development of consumer cooperation has been in rural areas. This is chiefly due to the fact that societies formed for the purpose of purchasing one or two farm requirements have gradually expanded their activities. Many of them have set up small stores which handle a variety of consumers' goods. The volume of sales, as well as the membership,



of this class of cooperative has shown the most rapid increase of any type in the country. We may reasonably expect that a great many more of the organizations of farmers, originally set up to buy seed, fertilizer, and other farm requisites, will expand until they furnish a complete range of consumers' commodities.

Because of this tendency of farmers' organizations to move toward full consumer service, we may expect to see joint enterprises develop between farmers' organizations and urban consumers' cooperatives for the processing and effective distribution of farm products which at present are processed largely and distributed wholly by private enterprise. Very few such joint enterprises exist in the United States, and there are not many in Europe, but I believe that here there is room for developments that will reduce the spread between producer and consumer.

We may also expect, in urban and industrial communities, a continued growth of existing consumers' organizations and creation of new ones. Local cooperative stores may be expected to become larger, memberships of local societies to increase until branch stores are required, and in general, the normal process of consumer cooperative expansion to go forward.

It takes a consumer cooperative society about 20 years to develop sufficient reserves so that it can operate without debt and with interest-free funds. In the United States, the established consumers' cooperatives—found in industrial centers and in the suburbs of some of our large cities—are now reaching that point of maturity. They have proved their business ability and are ready for expansion. By this time, too, many of those societies which were founded by particular language groups have outgrown to a considerable extent the characteristics which originally marked them as European. New members are joining them from the American communities of mixed origin by which they are surrounded. Neighboring communities are becoming interested in starting similar enterprises, or in having branches extended to them. Funds are now becoming available for new

ranges of service desired by members. Local cooperatives are beginning to reach beyond the grocery and provision business into other fields of service—some of which (funeral service, laundry service, etc.) will require regional associations of cooperatives for complete efficiency of operation. In short, we may expect a considerable expansion of the existing consumers' cooperatives in this country.

There are some commodities that seem particularly suitable for cooperative distribution. One of them is oil and gasoline. In the last 5 years the setting up of a cooperative gas station has often been the starting point of consumer cooperatives in rural areas and the smaller cities of the United States. The margin is such that reserves accumulate, and these cooperatives have shown remarkable expansion.

Milk distribution is another field in which we may expect cooperative effort to go forward. One of the most successful ways of distributing milk that we saw in Europe was the joint enterprise of consumers' and producers' cooperatives in Geneva, Switzerland, and in other cities which followed the Geneva plan. Some steps have been taken toward the cooperative distribution of milk in this country, one or two of the societies performing the function very successfully. In the next 10 years a very great increase of cooperative effort will probably be turned toward milk distribution.

Existent consumer cooperatives are prepared to expand with their own funds, and as new ones develop they will accumulate new funds. Some credit facilities will be needed beyond those funds to assure cooperative enterprise parity with its competitors. The local banking structure does not ordinarily provide this credit. It may be recognized as good policy for the Federal Government to give some direct assistance or recognition to this type of enterprise, so that it shall not be hampered by discriminatory credit arrangements.

#### NATIONAL AND REGIONAL COOPERATIVE SERVICES

In Europe it appears that there are a number of services for consumers that are not easily

handled by any except the largest of local societies. For example, funeral service can be maintained efficiently by large societies such as those of London and Birmingham; but not by small societies of only a few thousand members. To meet this situation, some of the European central cooperative wholesale societies are providing such services for a fairly wide area. The Scottish Cooperative Wholesale Society provides a funeral service for all of Scotland. The S. C. W. S. also provides a laundry service for some of the more distant regions in which the local societies have not sufficient resources.

In this country, central supply of consumers' articles by mail-order has developed into a tremendous and distinctive class of business that hardly exists in Europe. Another of the effective methods of distributing merchandise here has been through the department store. Since the mail-order and department store kinds of business are thoroughly understood in the United States, cooperative enterprise along those lines may well develop here. We may expect such developments to proceed on a regional basis, with some national central organization. Extensive services, such as health, hospitalization, funeral, and laundry services, may become auxiliary to national or regional department store and mail-order cooperative organization.

Several of the regional cooperative wholesales here are already in the mail-order business. Two cooperatives doing only a mail-order business have been organized in the past 5 years and are slowly expanding. Some large retailers and mail-order merchandisers are having detailed studies made of the cooperative method to determine the possibility of its adoption by going business.

Cooperation in this country has not developed purely as a working-class movement, and its prospects of growth are through the population as a whole. So these more generalized methods of distribution may play an important part in its development here, with cooperative department stores and mail-order businesses carrying laundry, funeral, and other auxiliary services.

#### RURAL ELECTRIFICATION AND OTHER UTILITY COOPERATIVES

The experience of northern Europe, Switzerland, and some other places indicates that one of the most effective ways to get electric lights in farmhouses is through rural cooperatives of electricity users. In our own country the Rural Electrification Administration has found its most considerable response in this direction, and it is probable that the cooperative method of electrification will assume continuously increasing importance.

In Europe a variety of other utility services such as telephone lines, water supply, waterways, bridges, and dock facilities have developed cooperatively in one place or another. In the United States the field seems more completely occupied by private and municipal facilities, although we now have many rural cooperative telephone systems. Whatever the development may be in other public services and utilities, we may be sure that there will be within the next 10 years a great increase of rural electrification cooperatives, aided by the Government.

#### HOUSING

Cooperative housing in Europe is almost always closely linked with either governmental or municipal aid, or both, in financing and building. Cooperation, as an enterprise that goes on in small detail work from day to day, is better adapted to the operation of housing projects than to their financing and building—big jobs that are done once and for all. Whatever developments we may have in this country in cooperative housing will also probably be linked with governmental and municipal aid. The housing needs of the United States are so great that some wholly cooperative housing ventures may be among those set up.

#### INSURANCE

Many of the largest insurance companies in this country are mutual companies, but they do not have the quality of cooperative participation; the policyholders vote by proxy at the annual meetings, with the result that the man-

agement goes on from year to year without check or change. The smaller and more purely cooperative companies usually have a great deal more of membership participation.

There are a great many mutual insurance companies insuring farmers and others against various hazards. New ones grow up all the time. Several of the state Farm Bureau Federations are operating very successful insurance companies. Small localized mutual companies are able to operate at very much lower margin of cost than large national mutual or joint stock companies. But small organizations cannot take every class of risk, and are always endangered by the hazard of disaster. In consequence they frequently need to re-insure some of their risks. In this field of re-insurance of cooperative companies, as well as in the organization of new ones, we may expect considerable development in the future.

#### CREDIT UNIONS

Credit unions have grown very rapidly during the past 5 years in the United States. They enable their members to purchase automobiles, pay doctor bills, and meet other large obligations conveniently; they are a way of managing debts so as to get back on a cash basis; and they make their members favorably acquainted with the cooperative idea and method. The credit union accumulates funds for investment; and the members, when their debts are paid, become small investors; and cooperative enterprise is an obvious field for such investments. Out of credit-union membership and leadership there will come an increasing amount of discussion of, argument for, and actual effort toward cooperative organization. While the credit union's own funds cannot, perhaps, be invested in consumers' cooperatives, a fraction of them may be found available for loans. In any case, the funds of members may be drawn upon for the purchase of shares in cooperatives being organized. And the experiences of these members in developing their credit unions will be of value to them as they develop consumer cooperatives.

#### OTHER POINTS OF GROWTH

Cooperative enterprise is flexible. Cooperators have been able to adjust it so as to do both complicated and simple things. In any country or district in Europe in which people are habituated to cooperation, they think of it as a method of meeting any group economic need that comes up. For this reason any forecaster would be unwise to say that it is from certain starting points that cooperation will grow in the United States. Some of the points already listed here may turn out to be very important, while others may not mean anything 10 years from now. Other starting points, not mentioned here, will almost certainly have been discovered, some of which may overshadow those in this list.

#### FACTORS THAT MAY CONTRIBUTE TO COOPERATIVE GROWTH

It is recognized that cooperative enterprise only originates and grows when the actual member consumers feel the need of the service which the cooperative can provide. At the same time, there are outside contributing factors that sometimes stimulate cooperative organization. A number of these exist in the United States.

#### REGIONAL INTERESTS

A common concern for keeping as much as possible of the income of the region at home is one of the important unifying influences in some of the regions of the United States. This expresses itself in antagonism to banks and insurance companies located elsewhere that loan money or make investments in the region and withdraw part of the regional income in profits or interest.

An economist in one of the western universities estimates that 30 percent of the total profits of all industrial enterprise in his own State is drawn outside. Other States present the case even more dramatically with regard to some of their chief industries.

The only method of organization of industrial enterprise which assures that the gains shall go to the users, is the cooperative method. The

desire for keeping the profits of enterprise at home is probably not intense enough to induce organization; but, once cooperation gets started on another basis, this sense of regional identity and loyalty may be expected to contribute a good deal to its growth in a number of regions of the United States. This fact has an emotional as well as practical appeal, which journalistic and other friends of cooperative enterprise can use effectively. It is also true that anything which contributes to regional self-sufficiency, to decentralization of wealth and of economic organization, strengthens the total national economy. In consequence, this effect of cooperation may receive the widespread approval of economists and sociologists connected with universities and other educational institutions.

A successful cooperative, since it is rooted deeply in its local community, probably offers greater satisfaction to local patriotism than would a private enterprise of the same size in the same place.

#### FARM AND LABOR GROUPS

The Ohio Farm Bureau Federation and some of the other Farm Bureau organizations have recently begun to give direct assistance to the organization of consumer cooperatives. This has only gone forward in the cities within the territory of these Farm Bureau Federations. It is the farmers' view that consumer cooperatives will assist them in stabilizing the markets for their marketing cooperatives.

At the last meeting of the National Grange a vigorous resolution advocating consumer cooperatives was adopted.

At the last congress of the Cooperative League of the United States of America the president of the American Federation of Labor sent the following message:

The American Federation of Labor is ready to work with any constructive movement for consumers' cooperation. We realize what cooperation can mean to wage earners, and are anxious to see a strong and lasting movement built up in this country.

We may expect farm organizations to aid in the expansion of present farm marketing coop-

eratives into general purchasing cooperatives and in the expansion of existing farm purchasing societies into comprehensive consumer or general-purpose cooperatives. Both farm and labor groups may be expected to give increasing support to the organization of consumer cooperatives in the cities.

#### CHURCHES

In the past 5 years a good deal of interest in cooperation has developed among church people. The success of the outstanding Christian leader of Japan, Kagawa, in building up cooperative enterprise as part of his Christian missions, has interested many people in this country. The leaders of the Federal Council of Churches sponsored a speaking trip by Kagawa through the United States, and have carried on a good deal of discussion about cooperation generally. The success of St. Francis Xavier College in Antigonish, Nova Scotia, in developing a very extensive and effective cooperative system in that Province, with great improvement in the status of fishermen and farmers, has interested many in this country who heard Father Coady discuss it in the past year and have read newspaper and pamphlet accounts of Antigonish.

Significant leadership in cooperative organization, and stimulus to it, may come from both Protestant and Catholic church people. This is particularly probable as to local ministers and home missionaries in the organization and development of general purpose and consumer cooperatives.

#### BUSINESS MEN

During the past year or so the agencies of Government that have any information about commodities and merchandizing, or are thought to have any knowledge of cooperative enterprise, found an increasing volume of correspondence from small business men, who write somewhat like the letter which follows:

I have always been employed in chain and privately owned stores until 2 years ago. The pay became so small that I decided to go into business for myself. I have five men working for me, all of whom would have been on the relief rolls if I had not made use of their time.

Of course, their salaries are of the variety of which I have no control over. I am forced to meet competitive costs and prices in order to get much business. As a merchant, I am highly interested in the consumer cooperative type of store. If there is a place in such a set-up for me, I should like to get in touch with some authority on the matter who could tell me about it.

Another small merchant proposes to organize all of his customers into a cooperative membership. He then proposes to let them see whether they would like to run the business, or would like to have him run it—a sort of two-way option. Another reports in the trade press on "How I Met the Challenge of the Co-ops", by reorganizing semicooperatively.

These are not isolated cases. The small dealer finds the pressure upon him more and more difficult to meet. Some dealers in the United States have already transformed their little businesses into cooperative enterprises. Some of these are genuinely cooperative; and others are honestly intended to be by the former owner, who has become the manager, but because of lack of knowledge as to the difference between cooperative and private enterprise, the full arrangements for cooperative organization have not been made.

The increasing amount of interest in this type of cooperative organization will bring with it an increasing hazard to cooperative enterprise as a class of enterprise. Many small businessmen, turning their businesses into cooperatives in the hope of gaining security in exchange for speculative wealth, will turn over poor enterprises to cooperation. Even so, we may expect this type of stimulation to have considerable importance in the expansion of cooperative enterprise in the United States.

#### CONSUMER TESTING AGENCIES

The consuming public in America is greatly interested in getting specific advice as to the quality and content of consumer goods. The recognition by the Consumers' Advisory Board of the N. R. A. of the consumer's stake in quality standards, helped to crystallize this interest. A number of magazines have in past years established various kinds of consumer institutes, giv-

ing advice that was good, bad, or indifferent, about various branded products. Recently, two independent organizations have been established for this purpose; the large number of subscribers to one, and the increasing membership of the other, have demonstrated the extent and reality of this consumer demand for impartial information about consumer goods. The various agencies of the Federal Government that have any means of distributing information to consumers are under continuous pressure for expanded activity; and there is pressure upon agencies of the Federal Government that have no means of making their facts available to the public. The same thing is true of States and municipalities. The consumer has become aware of the problem involved in getting his money's worth.

One of the consumers' testing services now functioning in this country has begun to do work for some of the cooperatives, in testing goods that the cooperatives propose to sell, in advising them as to quality, and in making available to them tests of competitive products. This kind of service helps the cooperative to maintain its standard of quality, enables it to make a sales point of that quality, and backs up any claims that it may make for its goods.

These consumers' testing services create consumer consciousness, and from this source we may expect some direction, stimulation, and leadership in the development of cooperative enterprise in the United States.

#### STIMULUS FROM LOCAL GOVERNMENT

Local school boards in a number of places in the country have authorized the expenditure of school funds for the organization of courses in cooperation, for the employment of instructors to give such courses to elementary and high school students, and to adult classes in the evenings. Such courses are included with others in economics and industrial history, or as part of workers' education courses. The State of Wisconsin has recognized a demand for instruction in cooperation, and has by law required the inclusion of such material in tax-supported schools. Courses in general problems of the consumer and

consumer protection are becoming more numerous and more popular in high schools and universities. Out of such courses often arises a demand for cooperative organization.

Quite different from education, but also stimulating to cooperative development, is the spread of legal standards of weights and measures with municipal and State inspections. One of the greatest problems of present day retail merchandising, particularly in foods and provisions, is the maintenance of full weights and measures and the avoidance of short changing of customers. As public inspection extends, and the public becomes increasingly aware of shortages, both of goods and change, the natural reaction is to trade otherwise or elsewhere. One of the potent arguments used by some local cooperative leaders at the present time is that the member of a cooperative does not need to fear such practices—that there is no advantage to the manager or the employee either to short-weight or to short-change him. Whether or not this argument is fully valid, it has great emotional appeal, and as the records of violation of the statutes and ordinances governing weights and measures become public year after year, we may expect this argument to be used more and more intensively.

#### NATIONAL GOVERNMENT

Every cooperative leader states that cooperatives require nothing directly from the Government, and that the individuals and families who make up a cooperative must feel responsibility for its success if it is to succeed.

Indirectly, however, the friendly interest of the Government is in itself helpful to any institution. Such friendly interest can be expressed in several helpful ways.

There are now, in a number of Federal departments, widely scattered bits of effort directed to the study of or the encouragement of consumer cooperatives. The efforts are varied in intention; while none of them is injurious to or contradictory to any of the others, they do not all fit together smoothly; and there are very wide gaps that are not covered at all. Govern-

ment activity with regard to cooperative enterprise can be coordinated and given a solid consistency parallel with other Government activities. It is logically a part of the Government's whole range of activity in behalf of the consumer. Government encouragement of cooperative enterprise should be integrated with Government services which concern the standards of commodities, the maintenance of purity in food and drugs, and all the other things that the Government does for the consumer.

Cooperative enterprise does not ask for and should not have special legal privilege, nor should it be subject to any legal discrimination. Its distinctive methods of organization and ways of doing business should be recognized, as they were in the Robinson-Patman Act, which specified that the patronage refund to members of cooperatives should not be held contrary to anything in the act. In general, the Government may be expected to show the same friendliness toward cooperative enterprise that it has shown toward all other forms of business enterprise in their periods of development. It may be expected to furnish the same quality of informational service, and assure the existence of the same credit facilities that are available for private commercial businesses.

In most of the European countries we visited, the government has done two things for cooperatives: (1) It has subsidized a good deal of educational work. (2) Through governmental or government-aided credit agencies, it has made credit available to the cooperative societies on the same terms on which it has been available to commercial enterprises. In Denmark credit for cooperative enterprise has developed in a slightly different fashion—through credit associations. These, however, operate under franchise of the Government, which in effect makes them governmental credit agencies. In no case, however, does the cooperative have access to easy credit. Since the cooperative moves as rapidly as possible toward a cash basis of operation, all that it requires is that it shall be enabled to borrow money on the same terms as commercial enterprise.

Federal and State departments give technical information and general advice on problems of business and social organization, and we may expect a demand for similar advice and information concerning cooperative enterprise. The Government is already doing much in this way for cooperative marketing, and the new demands may be expected to come in connection with consumers', general purpose, and service cooperatives.

The Farm Credit Administration has the chief responsibility for Federal contact with, and aid to, farmers' marketing cooperatives. Because of limitations of the law, the Farm Credit Administration cannot make loans to cooperative organizations for handling consumers' goods, and no other agency of the Government is charged with the responsibility of concerning itself with cooperative organization. As farmers' cooperative purchasing societies move into the field of consumers' goods, they require the same credit facilities for that activity that they have in their purchasing of farm requisites. This aid the Farm Credit Administration is now unable to give.

Federal credit is available in the United States to private trade and to farm purchasing cooperatives, as indicated by these figures given by the American Retail Federation on outstanding loans, June 30, 1936:

To private trade: Reconstruction Finance Corporation loans to wholesalers and retailers.....	\$5, 909, 917
To farm purchasing cooperatives: Farm Credit Administration loans for the purchase of petroleum products and other goods and supplies.....	3, 379, 127

None was indicated to consumer cooperatives.

As cooperatives gain strength, they will have funds of their own to draw on for all capital needs. In the meantime, the Federal Government and the State governments have the responsibility for seeing that parity of credit is established for cooperative enterprise; and we may expect action in this respect.

#### THE PLACE OF COOPERATIVE ENTERPRISE

It would appear from the experience of the European cooperatives that there is one broad

generalization which can be made; namely, cooperative enterprise can be successfully organized at a point of exchange.

There are exceptions to this generalization. Many groups of farmers own cooperatively their harvesting machinery. Some groups of workers own the shoe-manufacturing or clothing plants in which they work. But in general it is only when a group of people have things they wish to sell or find themselves in need of things which must be bought that cooperation effectively comes into play. This fact is not ordinarily stated in any of the literature of cooperation, and has not ordinarily been defined by any of the cooperative leaders. But attempts made in fields completely separate from the point of exchange have usually resulted in failure. Cooperative groups farming land held in common or cooperatively are very few in Western Europe. Nor did we observe any apparent tendency toward expansion of workers' productive cooperatives—plants owned by the workers within them.

Recognition of the fact that cooperation is a function of exchange, and not specifically of consumption or production, indicates the place at which a cooperative can be set up and the things with which it must primarily concern itself. To facilitate the exchange, the cooperative will normally expand its functions to whatever degree of production is necessary. The processing that farmers must give their products, in order to make them most profitably exchangeable, will become a part of a cooperative enterprise; and so will the production which consumers' cooperatives may find necessary, in order to guarantee quality and supply and to keep costs low.

A cooperative is a business enterprise, but it differs from both private and municipal business enterprise in its actual constitution, and this difference results in certain differences of business policy and development. To quote from the inquiry's report:

Most simply defined—A cooperative enterprise is one which belongs to the people who use its services, the control of which rests equally with all the members, and

the gains of which are distributed to the members in proportion to the use they make of its services.

Government enterprise rests upon sovereignty; private enterprise on contract; and cooperative enterprise upon continuing agreement.

Cooperative enterprise is something like government enterprise, in that its membership is open to all, in the same way that municipal enterprise is supported by all residents.

It is like private enterprise, in that it must keep the adherence of its members by day-to-day service.

It resembles government enterprise, in that the benefits to members are proportional to the use made of it.

It is of the nature of private enterprise, in that its capital is secured by voluntary investment; likewise, its development is dependent on individual initiative, and its continuance on the voluntary and individual participation of its members.

If one thinks of organized economic enterprise as a triangular structure, the three points of the triangle are private, governmental, and cooperative organization.

In certain cases the cooperatives partake somewhat of the nature of either government or private enterprise. In some places, as in Denmark and Switzerland, agricultural cooperatives are entrusted with certain responsibilities in connection with the enforcement of government decrees in connection with production control and governmental subsidy. In other places we find both consumer and agricultural societies profiting by the trade of nonmembers; and to the degree that they do so, they assume the aspects of private enterprise.

Referring again to the figure of a triangle, it appears that there are segments of organized

enterprise, such as farming or heavy industry, that are not, at least at the present time, suitable for cooperative organization; just as there are segments, such as water supply, that are not suitable for private industry. This is to say that some fields of enterprise are particularly suitable for cooperative organization, while others are not.

Roughly, it would appear that services which can be directly rendered to the participants can most easily be undertaken; and that only by way of extension to make these most effective, can cooperative enterprise proceed to secondary operations, such as manufacture.

Private enterprise is particularly adapted to those segments of the economic structure where the speculative element is largest; just as governmental enterprise is requisite in those cases where security of continued function is the prime requisite.

Aside from its economic results, cooperative enterprise has a number of social effects and implications. Just as railway advertising enters into the cultural life of the people through guiding their recreation, so the educational work of a cooperative affects the economic understanding and thinking of its members. In many cases it may have an effect that is comparable to night schools and the extension services of universities. In its development of fellowship among its members, its effects are similar to those of many religious institutions. These social effects of cooperatives are sometimes of even greater importance than the immediate economic results. In the judgment of a great many people in Europe—both cooperators and others—it is these social elements of cooperative enterprise that give it its greatest significance and a continuing appeal to each new generation.



## Chapter II

# OBSERVATIONS ON COOPERATIVE ENTERPRISE IN EUROPE

by Leland Olds

THE cooperative movement is a system of living which is new because it involves a change in group behavior with reference to meeting human needs. This is my outstanding impression from 2½ months spent with cooperative leaders and members of local societies, with representatives of government and business, with agricultural leaders and economic experts in the European nations visited by the Inquiry.

In other words, cooperation is a way of life which offers new procedure for the satisfaction not only of material but also of spiritual desires. Those who become active members of a cooperative society feel, to a greater or less extent, that it offers the satisfaction of desires which have been thwarted under the traditional system of living. Experience in the cooperative movement apparently tends to increase this feeling and render it more articulate.

The study of cooperative enterprise is important to us in America because we are living in an age of great change in the systems of living of the peoples of the world. This change is inevitable, but by understanding the various ways in which it may be undertaken a people may choose a path which will keep the process under democratic control and which will be a way of peace.

The matter is of especial importance, for as Professor Harold J. Laski of England has pointed out in the 1936 Hodgson Pratt Memorial Lecture on the Spirit of Cooperation, "civilizations perish because those who control them prefer acquisitiveness to justice." He goes on to set up cooperation as the antithesis to this destructive acquisitiveness in the following words:

"The very essence of cooperation is the denial that the profit-making motive can ever produce a just and humane society."

The cooperative system of living is not altogether new, although its use of modern production and marketing technique belongs to the present age. The self-sufficient rural family of the preindustrial revolution era was essentially a cooperative organization and there were elements of local and regional cooperative enterprise in the Middle Ages. But the industrial revolution gradually encroached upon this simpler cooperation. As the number and amount of commodities and services consumed increased, those which were formerly produced by the family began to be purchased in the commercial market.

The cooperative movement would extend the cooperative system of living which was characteristic of the older family life to the control of the commercial market by groups of families. As family production was controlled and stabilized by the consumer needs of the family so, members of cooperative societies hold, the consumer needs of the member families in a modern cooperative enterprise control and stabilize the operation of the machinery of supply.

In considering the cooperative movement as a possible contributor to the well-being of a nation, it is important to study not only its effect on the standard of living but also its relationship to the relative assurance that such a standard of living will persist.

General observation in the countries visited suggests that the cooperative system of living is at least as efficient in providing for the needs

of the average home as that based on private profit. It has, however, certain additional effects upon the life of the nation which differ materially from those produced by private business:

(1) It provides a voluntary and spontaneous basis for planned production because production can be geared to organized demand which is not characteristically speculative. This tends to stabilize cooperative business and in general to enable it to offer a more assured demand for labor and farm products.

(2) It assures consideration of human standards in production and distribution because consumers have no interest in exploiting themselves as workers.

(3) It generates a family relationship in the community, and, more broadly, in the whole cooperative movement, which overflows into the national life. This is recognized by ministers of state and businessmen, one of whom stressed the fact that the cooperatives had taught private business to think in terms of social responsibility.

(4) It produces a citizenship with an understanding of the economic problems of the national life, derived from the actual experience of taking part in their own enterprise, as members, as committeemen, as directors, etc.

(5) It provides a sufficiently large block of organized consuming power within the present business order to serve as a yardstick for distribution margins and even, when it proves necessary, to restore competition in the field of production as a check on monopoly price fixing. This obviates the necessity of extensive government interference with business.

(6) It assures a block of the nation's business capable of expansion without being subject to the excessive debt burdens which have prevented private enterprise from attaining a balance between production and satisfaction of the people's needs.

(7) It is essentially voluntary—a system of living which people may enter if they choose and to the extent that meets their needs. It requires no special fostering by the government

and grows only to the extent that it meets the needs of the people.

Our observation revealed that the system of living which has these characteristics is adaptable to every kind of community. We saw cooperative societies operating successfully in the smallest rural villages of Ireland and in the metropolis of London, in the agricultural districts of Scandinavia, Switzerland, and France, and in the manufacturing and commercial centers. In each country cooperative enterprise was a living and growing reality because it was contributing not only to the economic but also to the cultural and the spiritual needs of the people.

#### GOODS AT COST

Consumer cooperatives conduct business strictly on a cost basis. To provide against business contingencies, assure the accumulation of reserves and encourage thrift, cooperative prices include a margin above actual cost. But, except for small percentages allocated to reserves and education, this margin is refunded to the purchaser in patronage dividends. After receiving the refund the member has received his goods or services at cost, including a low interest rate on necessary capital which has been supplied in large measure by the members themselves.

Cooperative prices, established on this basis, have a constant and increasing tendency to bring the prices charged by private trade down to the actual cost of doing business efficiently. A competitive price yardstick is thus established, which competing business must meet.

This effect of cooperative enterprise was emphasized to a greater or less extent in every country visited. A few quotations will illustrate the views expressed.

A leading banker:

Cooperatives represent a very good check on the level of prices. Cooperative competition affects prices even in lines of trade where the cooperatives have not been active. The mere fact that they may extend if prices are excessive is sufficient. Cooperatives represent the largest purchasing power in the country. They are, therefore, in a position to fix prices, not only the prices paid by consumers but to a great extent the prices paid factories for goods.

### A Prime Minister:

Consumer cooperation has undoubtedly served as a check on prices charged by private business and has especially reduced the spread between the price paid the producer and the price paid by the consumer.

### A high official in government finance:

Cooperatives are responsible for lower prices on specific commodities which affect the entire trade. In communities where there are cooperative stores, cooperative prices tend to prevail as standards. But cooperatives are not the sole force tending to control prices.

### An important economist:

Cooperatives exercise an effective check on prices even in branches of trade where they are less active due to their potential competition.

### An official of a world famous bank:

Consumer cooperation is a very definite check on prices. It not only prevents private business from raising prices but its constant competition forces private trade to lower prices to hold business.

These quotations from interviews in Sweden, England, and Finland were supported by illustrations taken from the history of the various national enterprises covering a wide variety of standard commodities and services.

An important influence in the direction of assuring goods at cost is exercised when consumer enterprise controls a sufficiently large market and has accumulated the necessary capital resources to go into production. This enables the consumer movement to deal effectively with combinations of producers which maintain artificial price levels.

Cooperative enterprise is thus serving to revive competition in an era in which this force was tending to succumb to the forces of rapidly extending monopoly. As expressed by the head of an important State bank:

Cooperatives have reintroduced competition on a basis which is effective in terms of modern large scale business. This reintroduction of effective competition, with its resulting automatic control of prices, has rendered Government interference with private business enterprise unnecessary.

In the countries visited the expansion of cooperative enterprise has brought an increasing proportion of household goods and services within the range of this influence and, by assur-

ing prices close to the reasonable cost of production and distribution, has tended to increase the purchasing power of the population.

### COOPERATIVE EFFICIENCY

An important element in the carrying out of a "goods at cost" policy is that the costs shall be as low as the best standards of efficiency will allow. In the countries visited by the Inquiry cooperative enterprise was generally acknowledged to have taken the lead in this particular. To support this statement it would be possible to marshal quotations from Ministers of government, bank executives, business men, and economists in Finland, Denmark, and England. The following brief excerpts are typical:

Cooperatives have reformed trade. \* \* \* Cooperatives have made distribution much more efficient. \* \* \* The most important contribution of the cooperative movement has been in the direction of raising the standards of retail trade. \* \* \* The cooperatives have developed a high type of executive and managerial ability. \* \* \* Consumer cooperation has been good not only for the economic life of the country but for retail trade itself, especially in forcing the acceptance of new standards.

In 1935, the International Cooperative Alliance sponsored a thorough survey of the costs of retail distribution of groceries and foodstuffs in cooperative and private stores. Comparisons were made covering England, Germany, Sweden, Denmark, Norway, Switzerland, and Hungary, being made separately with chain and independent private stores in the two first-named countries. Supplementary comparisons were made with data from American grocery chains.

Broadly interpreted, the survey suggests that in all of the countries cooperative enterprise is on a par, from an efficiency standpoint, with the private chain store systems, and that the members of cooperatives secure the advantage of sharing the overcharge which in private chains goes to profits.

The survey points out that, when a commodity is bought at a private store, the consumer's price includes not only costs but also the profits of the entrepreneur, while in cooperative stores the equivalent of the profit is returned in the

form of a consumer's refund. In order to prevent any misrepresentation, therefore, both the gross margin and the margin of costs for private stores are shown for comparison with the margin of costs in cooperative stores.

On this basis the survey gives the following table as an attempt to compare statistically the margin of costs in the cooperative movement with that prevailing in private enterprise:

*In percentage of value of sales*

Countries	Private trade		Cooperative trade, total costs
	Gross margin	Total costs	
England:			
a. Independent stores.....	15.00	10.00	13.50
b. Chain stores.....	20.00	17.00	13.50
Germany:			
a. Independent stores.....	21.70	-----	13.04
b. Chain stores.....	22.50	-----	13.04
Sweden (Stockholm).....	16.20	12.30	12.60
Denmark (Copenhagen).....	20.50	12.70	15.40
Norway.....	14.20	10.70	10.60
Switzerland.....	18.64	14.47	12.85
Hungary.....	16.40	13.00	13.70

The report cites the American Census of Distribution of 1929 as showing a ratio of costs amounting to 16.9 percent for 475 chain grocery concerns with 41,136 shops. It points out that this does not include interest on the store's capital invested in merchandise, fixtures, and accounts, net profit, and estimates that the inclusion of these items would raise the ratio to approximately 20 percent, which corresponds closely with the average margin of costs of European multiple shops and chain stores.

The report also cites data from the Harvard Bureau of Research showing a total margin of costs, including net profit and interest, of 18.5 percent of grocery chains with an aggregate turn-over of less than \$750,000 and 19.4 percent for those with a turn-over from \$750,000 to \$5,000,000.

The report summarizes its findings in the matter as follows:

The margin of costs in cooperative stores compares favorably with that of private stores in those countries where such a comparison can be made on the basis of objective data. In practically all countries the capitalist types of enterprise have an average gross margin of

18 to 21 percent, while the cooperative enterprises have a total margin of costs of 12 to 13 percent. The persistence of this relationship in spite of considerable differences in economic conditions, in the purchasing power of the population, in the geographical conditions influencing costs of delivery and transport, and in the standard of living and social legislation affecting directly the level of wages and salaries, shows that certain major factors are obviously in operation in practically all countries which contribute to the maintenance of the spread between the margin of costs in capitalist and cooperative enterprises to a definite percentage amounting to 6 to 8 percent. It can be undoubtedly assumed that the non-profit-making character of the cooperative type of enterprise, the fixing of interest on a very low level, the economies in advertising and many occupancy expenses of the advertising type, like window displays, etc., and last, but not least, the high efficiency of the mass of cooperative distributive organizations, are responsible for the fact that the consumer buys more cheaply in cooperative than in capitalist enterprise.

The managing director of one of the great cooperative wholesale societies in Finland, Hugo Vasarla, sees cooperative enterprise as the only complete expression of what America would term "scientific management" in trade. It offers, he points out, a system in which there is only one point of exchange between producers and consumers and in which no ulterior economic considerations interfere with the complete organization of the distributive process.

Mr. Vasarla quotes the American exponent of scientific management, Dr. Harlow Person, as follows:

Scientific management is a technique of organization and management of an enterprise, a group of enterprises, an integral industry, or all industry for the accomplishment of common purpose with a minimum expenditure of energies, a minimum of disutilities and a maximum of human welfare.

Mr. Vasarla briefs this definition under the single phrase, "more economic activity", and then makes the following significant comment:

When we speak about "more economic activity" we must look at the word "economic" from the social point of view, not from the individual's point of view. If a business man puts a higher price on his products and thus gets a greater profit this arrangement is economic from his point of view, but is not rationalization (scientific management) because it does not imply that social means of production are being used more efficiently. On the contrary, it means that one factor of production, that is to say, the businessman himself, requires a larger

part of the total costs of production, without adding anything to the material output.

Contrasting "scientific management" in cooperative enterprise with the same force in private trade, where an important objective is to help retailers to better profits, he continues:

In cooperative distribution where the principle of service in accordance with the members' interest forms the foundation of activities, the case is otherwise. All cooperative societies are founded on a conscious belief that some part of the economic life is not organized, from a social point of view, as efficiently as it ought to be, and the aim is to bring about this higher degree of efficiency. Economic superiority has always been and will always be the most essential aim of cooperation. But this is the aim of rationalization (scientific management), too. Rationalization is thus inherent in the very nature of cooperation. I say: Cooperation is rationalization.

The fact that cooperative enterprise means "scientific management" for service rather than for profit explains one of the most significant factors found in every country in which representatives of organized labor were interviewed. They cited the efficient organization of cooperatives proudly as explaining the ability of the movement to compete successfully with private trade in spite of the maintenance of relatively higher standards of wages and working conditions.

#### COOPERATIVE AREA ECONOMY

A significant phase of the cooperative approach to greater economy in distribution is the development of a cooperative area economy which is beginning to appear in different forms in several of the countries visited.

The simplest working out of such cooperative area economy is found in Ireland, where cooperative dairies are developing into general purpose societies which handle practically all of the business of the members. In such societies the farmer delivers his milk, eggs, poultry, or pigs to the central depot or one of its branches for processing of farm supplies or family commodities from the society's store. The report of the Inquiry contains a full description of the Drinagh Society which illustrates this type of cooperative enterprise.

In Finland, the development of regional cooperative rural economy appears in a some-

what different form. There the predominantly farmer-controlled cooperative system is composed of a complete consumer cooperative organization with its wholesale society and of farm marketing and purchasing societies also represented by their centrals. A leader of this cooperative system referred with considerable emphasis to the great advantage of having producer and consumer cooperatives working together in the same organization. He said:

As a result of this set-up in S. O. K., a step in the efficient organization of distribution has been possible which could not be achieved in any other combination. The statistics of the local consumer societies show that approximately 35 percent of all their business is completely local. In other words, the cost of the wholesale or middleman function is completely eliminated.

What has happened is that all kinds of local or home-grown agricultural products, including potatoes, other vegetables, meat products, butter, milk, and eggs pass directly from the local producer society to the local consumer society to be directly distributed to those requiring the products in the locality. In these regional transactions the producer and consumer are brought as closely together as it is possible to do.

This is the next step to the old local barter which characterized rural areas. It eliminates unnecessary transportation, the cross-hauling of agricultural commodities. It is basic to our conception of the economical conduct of business that only the over-production of an area shall be exported for marketing elsewhere.

The Inquiry learned of a similar development in the north of Scotland where the Scottish Cooperative Wholesale Society is setting up retail branches. An important official of the society, recently returned from the area in question, said:

The local stores, as well as the district organization, become centers for clearing local trade in the agricultural products of the region. At present the local stores are taking eggs, potatoes, hand-woven tweeds and other products in exchange for credits which are used to purchase groceries, dry goods, clothing, cattle feed, etc. Where possible, local products are disposed of locally. Otherwise, they are shipped to the wholesale society.

We look forward to extending this activity so as to take the farmers' wool, and ultimately to performing all of the functions of general exchange. An interesting illustration of what this means to the local people is found in two groups of "crofters" on the island of Lewis. These "crofters" turn out very good Harris tweeds but they have been forced to take whatever the purchasing agents of private trade chose to pay and as a result were badly exploited. The cooperative society is now

offering them an opportunity to get full value for their products.

This form of cooperative activity appears an important contribution to rural economy which may well be given consideration in terms of the problems of some of our rural areas.

#### CONSUMER COOPERATIVES AND PRODUCERS

The consumer cooperative movement has an unwritten but frequently expressed principle of fair treatment to producers, that is, to labor in the factory, or store, or on the farm. It naturally acts so far as it can, in the competitive situation in which it finds itself, to assure higher human standards in production and distribution.

The problem involved in the relations between consumer cooperative enterprise and the producers from whom it obtains commodities and services is difficult for two reasons which are really interrelated:

(1) The producer groups involved in a competitive economy are practically compelled to push their particular claims beyond the point of sound economy for the whole of society.

(2) Consumer cooperative enterprise cannot agree to pay wages or prices for farm products which will tend to destroy its competitive position or prevent its growth in relation to private enterprise.

Within the limits of its ability to do business on a somewhat lower margin than private business, consumer cooperation shares the advantage between consumers and producers. In general, the adjustments involved are more easily achieved where producers are well organized and where members of producer organizations, whether labor or farm, are also members of consumer cooperative societies.

Perhaps the most interesting single statement bearing on the subject was that of a leading industrialist of Sweden, concurred in by cooperative officials, as follows:

The large scale purchasing of consumer cooperative enterprise places the producer in the position to obtain a fair price while at the same time preventing him from taking advantage of any opportunity to charge an excessive or uneconomic price. It thus results in a just price at which neither producer nor consumer is exploited.

As shown in the main report, there is a general tendency in all countries for the consumer cooperative movement to deal with organized labor under collective agreements, maintaining standards of wages and working conditions at least equal, and in most instances somewhat superior, to those which prevail in private trade. But, in comparing this policy with that pursued in terms of farm prices, it should be recalled that the "higher" wages found among employees of consumer cooperative societies are, in the main, characteristic of the distributive part of the business. Productive workers employed in cooperative factories are, in general, paid approximately the same wages as have been established by trade unions in private industry.

An outstanding Swedish economist summed up the relations between consumer societies and producers in that country as follows:

Consumer cooperative efforts to keep prices down and producer cooperative efforts to keep prices up have materially reduced the spread, thus not only improving the standard of living of both groups but also assuring higher prices and larger consumption for agricultural products. The consumer cooperative movement has always worked for better prices to the producer. The same results for workers have been obtained through a strong labor movement pressing for higher wages while the consumer cooperatives held down prices. It has meant a rapid rise in real wages.

The record of the Inquiry contains much additional evidence of such broadly satisfactory relations between consumer cooperatives and producers, not only in Sweden, but in Finland, Denmark, and Switzerland as well.

In Great Britain the relations between the consumer cooperative movement and organized labor prove no exception but the dealings between British consumer cooperatives and British farmers appear more complicated than those in any other country visited. A somewhat more thorough examination may, therefore, be warranted.

The agricultural advisor of the British Co-operative Union, Mr. Walworth, said:

Consumer cooperatives have not succeeded in establishing the relations with the agricultural producers for which they hoped because the Government stepped in

with its milk marketing scheme. Prior to that the co-operatives had planned and actually started direct trading between consumer and producer organizations in which farmers' purchases through the Cooperative Wholesale Society and local stores would be debited against deliveries of milk and other products.

He said further:

The consumer movement has advanced into what might be considered the natural territory of the producer, establishing large dairies and meat processing plants. This was inevitable because farmers had not succeeded in establishing organizations of sufficient strength.

The directors of the Scottish Wholesale Society told a similar story, adding:

The consumer cooperative movement had a vision of strong producer cooperatives linking up their distribution system, but unfortunately, the farmers themselves did not have the same outlook.

In general, however, farmers prefer to sell their products to the cooperatives because they are assured of prompt payment and also because acceptance by the cooperatives puts a high stamp on the quality of their output.

A glance at statistics of agricultural holdings in Scotland suggests an explanation of the failure in the matter of producer cooperative organization, as well perhaps as the underlying difficulty in the present relationship between the consumer cooperatives and the agricultural producers.

More than 50 percent of the acreage under crops and grass in Scotland is in farms of over 150 acres. On the other hand, only 15 percent of Scottish productive farm land is in farms of 50 acres and under. Actually, 35,000 of Scotland's 75,000 farms range in size from 1 to 15 acres. In other words, in buying annually 1 million gallons of milk, approximately 50 percent of all the milk sold in Scotland under the Government marketing board, the consumer cooperative movement must be dependent largely on the output of large farms employing agricultural labor.

The situation is even more difficult because tenant rather than owner operation is characteristic in Scotland. Of the total of 4,613,708 acres under grass and crops in Scotland in 1933 only 1,510,786 acres, or approximately one-third, were in owner-operated farms. Furthermore, owner-operated farms of 75 acres or less,

that is, typical small farms, included less than 5 percent of the farm acreage.

Such figures suggest that, so far as Scotland is concerned, the relations between consumer cooperatives and farmers are complicated by the fact that the farmer must think chiefly of the rent. Perhaps the solicitude for farmers embodied in the marketing schemes may be more correctly interpreted as directed toward enabling the farmers to sustain the landlord class.

Executives of the Horace Plunkett Foundation endowed by Sir Horace Plunkett with a view to promoting the interests of agricultural cooperation, confirmed, in general, the statements of the consumer cooperative representatives. They may be quoted as follows:

The normal relationship between the consumer cooperative societies and the farmers is a reciprocal one. For instance, consumer societies, as large consumers of wheat, are also large distributors of offal to farmers. This means that the agricultural producer is naturally related to consumer enterprise, being himself a consumer of trade material.

The strength of agricultural cooperatives in the British Islands is in the farm purchasing organizations which purchase feed, fertilizer, etc., and include about one-third of the farmers. Agricultural purchasing societies are, in general, shareholders in the Cooperative Wholesale Society, which has been very fair in dealing with farmers. After the depression it pulled many of them through difficult circumstances by extending credit and providing a director to help them in their economic problems.

Consumer cooperatives have been consistent in their general outlook toward farmers and have shown themselves ready to work with farm cooperatives. The New Zealand Produce Association affords an example. The shares of this organization are jointly held by the C. W. S. and the New Zealand Dairy Cooperatives.

A leading agricultural economist in England, after speaking of the recent growth of farm purchasing cooperatives and explaining the complete failure of marketing cooperatives, said:

In general, the consumer cooperatives are good buyers, that is, they do not try to shade the price paid to the farmer or to get the farmer under their control by becoming money lenders.

The chief basis of disagreement between consumer cooperatives and farmers in England would appear to be the Government marketing schemes. Broadly speaking, investigation re-

veals that the disagreement does not so much involve a conflict in attitude toward the well-being of the farmers as it does a difference in conception of the economic arrangements which will bring about an organization of the national food supply mutually satisfactory to producers and consumers.

The following figures for England and Wales show the extent of interest of cooperative enterprise in national production and imports of farm products:

*Consumer Cooperatives' percentage of national trade (England and Wales)*

Product	Home production	Imports
	Percent	Percent
Milk.....	19.7	23.8
Butter.....	7.4	21.6
Cheese.....	11.6	14.8
Wheat and flour.....	7.3	9.1
Meat.....	9.1	20.0
Bacon and ham.....	20.0	13.6

In Scotland the cooperative share of the total food trade is even larger, comprising approximately 50 percent of the milk handled under the milk-marketing scheme.

The British consumer cooperatives, representing the enormous organized demand for agricultural products indicated by the above table, are faced with the fact that the annual turn-over of agricultural marketing cooperatives includes only an inconsequential part of the total domestic farm sales. The consumer movement must, therefore, either purchase its domestic supplies of agricultural products directly from individual farmers and operate its own processing plants or be dependent upon the larger private trade.

The consumer cooperatives appear to oppose the present administration of the marketing schemes chiefly on two counts: (1) because they tend to overlook the price-consumption relationship and frequently raise the price to an uneconomic level at which both producers and consumers lose the advantage of increased consumption, and (2) because by assigning production and import quotas on the basis of the status quo they stabilize the share of the market in the hands of existing private traders and prevent cooperative expansion.

Discussing the milk marketing scheme, Mr. Walworth, of the British Cooperative Union, said:

Milk sold for liquid purposes represents a profitable market, whereas milk manufactured into dairy products and competing with world prices returns a value less than the cost of production. In order to deal with this situation the milk marketing scheme works on a "pooling" basis. The Milk Marketing Board, a producers' organization, is a party to all milk contracts which are made annually. The purchasers of milk for liquid purposes pay to the board the negotiated wholesale price. The manufacturers of milk obtain supplies at so-called utilization values.

The principle of pooling is quite a desirable cooperative principle, but, unfortunately, the administration of the producers' board is concerned with increasing the producers' prices rather than with financial stability. The natural result is increased production, and, as retail prices for liquid milk are already too high, having regard to public purchasing power, the market is flooded with manufactured milk. The net result is that the producers receive less than anticipated for their supplies and public consumption of liquid milk certainly does not increase.

The leading English agricultural economist quoted above confirmed this picture of the operation of the milk scheme. He continued with the following illustration of the existing three-cornered issue:

The milk board was moving to enforce a smaller margin between the price paid farmers and the price charged consumers. The representative of the consumer cooperatives urged that the distributors absorb the reduction on margin in such a way as to decrease the price charged consumers. He said the consumer cooperatives could stand such a reduction and that the result would be increased consumption of milk by the population.

The farmers wanted the reduced margin to be reflected in an increased price to the producer while the rival private distributors contended that they could not stand any reduction in their distributive margin and that any reduction in the retail price of milk would force them out of business.

The Plunkett Foundation expressed itself as favoring the position taken by the consumer cooperatives on the ground that a lowering of the price to consumers would tend to increase the consumption of fluid milk. The net result would be a higher average price to the farmers.

This illustration is perhaps sufficient to indicate that the problem involved in the relations



between consumer cooperatives and farmers in England is complicated by the Government marketing schemes and that the differences are matters of economic judgment rather than of a desire of either party to exploit the other.

From the viewpoint of the farmer the weight of evidence is conclusive that it is more advantageous to deal with consumer cooperatives than with private traders. The British consumer cooperatives believe that the problem could be readily solved through the control of all agricultural commodity marketing by joint committees, equally representative of the productive and distributive cooperatives concerned.

### COOPERATIVE CAPITAL

An attempt to interpret cooperative enterprise in the countries visited would be incomplete without brief reference to two significant facts about the capital of cooperative enterprise. These facts were brought to our attention constantly and may be summarized as follows:

(1) Cooperative enterprise secures a plentiful supply of capital for the operation and expansion of its business without offering high rewards to investors; and

(2) An increasing proportion of cooperative capital is interest free, representing an accumulation of reserves which, in one country were designated as "social capital."

As cooperative enterprise grows, a major problem of cooperative finance may become, not a shortage, but a plethora of capital. This is at present a characteristic of the British movement which has more capital than it needs for expansion of the business along conservative lines. A director of the Scottish Cooperative Wholesale Society said:

The Scottish movement has too much capital. It cannot expand as fast as money for expansion becomes available. The confidence of the members in cooperative enterprise is greater than can actually be used.

A leading Swiss cooperative executive described the original source of cooperative capital as "members' purchase of shares and borrowings from the banks." He continued: "Now the cooperative reserves have grown to the point

where they have an adequate supply of capital."

The representative of an outstanding English bank said:

The cooperative savings system serves somewhat the purposes of an investment trust for members of local societies. The cooperatives have no trouble in getting all the funds the movement needs.

This suggests that an important factor in the cooperative movement is the extent to which it places consumers in a position to have their savings work for them. These savings include not only the individual savings accumulated from the nonwithdrawal of patronage dividends but also the social savings through the accumulated reserves of their enterprise.

The members' savings enjoy a greater security than could be found in the regular investment market and at the same time provide the cooperative enterprise with a plentiful supply of low cost capital. In the case of one important cooperative the average interest on all capital was stated to be 3.94 percent.

Thus cooperative enterprise seems to refute the frequently repeated theory of private enterprise that relatively high rewards are necessary to assure adequate supplies of capital. The reasons advanced in support of this theory raise the presumption that private investors face risks for which they must be compensated. But the whole history of cooperation demonstrates that capital risks are not inherent in a well-organized business supplying consumers with necessary goods and services.

This leads to the further remark that cooperative enterprise offers no incentive to capital "write-ups" or "watered capitalization." There are no profits, over and above the actual cost of borrowed capital, to capitalize. Consequently, all investment in cooperative enterprise is "real" and there is no necessity for "value" finance.

In short, in cooperative enterprise we have what might be described as capitalism upside down. Consumers, not the capital which serves them, are on top. They own and control the business. The business hires capital just as it hires labor and the rental for capital is just an

expense which, together with other expenses, goes to make up the cost.

As member savings soon provide a plentiful supply of capital which finds its greatest security in working for the cooperative enterprise, the cost of capital is low.

### THE COOPERATIVE IDEA

The essential characteristics of the cooperative idea were summarized by a director of the Scottish Cooperative Wholesale Society as follows:

Cooperators look forward to a free association of individuals through their capital and their purchases. In other words, they envisage a whole community associated to use its capital to control its own distribution. The final objective is the complete elimination of private profit, that is, the elimination of anything going to capital out of the surplus over and above the necessary expenses of production and distribution. Cooperators look on the distribution of surplus to consumers as merely the individual's savings on his purchases as a result of cooperative enterprise.

A director of the English Cooperative Wholesale Society expressed the same thought in somewhat different language. He said:

The impetus to cooperative development is not purely economic. Cooperative business is considered as something more than a trading concern. It is a means of altering the old system of trading. It represents production and trading in the interest of the many rather than the few. This explains why the directors of cooperative enterprise are willing to work for lower salaries than those paid directors of ordinary business enterprise of the same magnitude and why they are content to have their personal interest in the business limited to a maximum of \$1,000 in shares.

The educational advisor of the British Cooperative Union developed views on the significance of the movement at some length. He said:

Through the cooperative movement the consumer's control of the business which vitally affect his life is being steadily pushed back from retail purchasing to wholesale purchasing, from wholesale purchasing to production, from production to the sources of raw materials. As human wants are fairly constant from year to year, this will tend to regularize the demand for products and so to stabilize employment.

The movement has moral as well as economic implication. With the workers as consumers owning the shops

at which their necessities are purchased, there is no incentive to dishonest practices. As a result, higher standards of conduct develop. The sharing of control on an equal basis brings with it a sense of equity as the basis for society. Many people are in the cooperative movement today because they see in it the only method of business consistent with Christianity.

A leader in the English Cooperative Women's Guild expressed the homely philosophy of that organization in these words:

In recent years the Guild has been stressing the great power of the woman's market basket as against the power of private advertising. In attempting to guide women's purchasing it has emphasized the importance of buying only those goods produced under trade union conditions. It has called attention to the fact that goods cooperatively produced assure the best labor standards.

Anders Örne, formerly secretary of the Swedish Cooperative Wholesale Society and now Postmaster General of Sweden, has embodied the Swedish view in a book entitled *Cooperative Ideals and Problems*. Speaking of consumer cooperation as simply an extension of the private household economy into a sphere in which each household by itself is impotent, he says:

While everyone else openly proclaimed as an essential to human existence that individuals should strive with might and main to win each to himself the utmost possible gain at the expense of others, cooperators set up as their lode star that households should work in harmony together so that, by good organization and machinery, they might procure all common benefits possible without in the slightest depriving anyone of the results of his own labor.

He continues:

This will, as has often been said, introduce a modernized form, adapted to present economic conditions, of the old family economy, under which the members of the family labored, not to produce a profit, but to obtain the material products required to meet the needs of the family and its members. This direct interest in goods and services as a means of satisfying need is, we repeat, equally with the profit seeking of the Manchester School, a real economic force.

This cooperative idea governs all the relations between cooperative enterprise and the families of its members. In price policy it offers families an opportunity to buy necessities at cost. In sales policy, the emphasis is not so much on selling a family goods as on supplying its needs

in terms of its purchasing power. Cooperative enterprise tries to keep transactions on a cash basis instead of urging the use of credit. Instead of encouraging spending it promotes saving. Thus, it strengthens the family economy of its members as much as possible against every eventuality.

#### COOPERATIVE PROBLEMS

Cooperative enterprise has problems very similar to those of private business, because it is in reality just a different form of private business, what might be termed cooperative private business.

It has problems of personnel. All cooperative executives are not able, all are not selfish or devoid of personal ambition. But, by and large, the level in the matter of both ability and devotion is high.

It has problems of business judgment. All cooperative ventures are not sound or well-advised. But, in general, mistakes are quickly detected and mistaken policies altered before serious damage has been done.

It has problems of business method. In a competitive situation there is great pressure to adopt the methods of competing enterprises when the long-range view might suggest a more patient effort to attain slower success along different lines.

It has problems of relations with labor and farmers. Here again it must make adjustments in terms of a competitive situation and may lean too far in the direction of maintaining low prices. But, by and large, cooperative enterprise is preferred whether as a purchaser of labor or of farm products, and producers in either group have no interest in pushing their demands to the point where cooperative enterprise fails to survive.

It has political problems: The problem of whether openly to support political parties favorable to the interests of cooperative enterprise when such support may alienate members of different political persuasions—the problem of preventing political interest from absorbing energy which should be utilized in expanding its

business—the problem of preventing the enactment of legislation devised by interests unsympathetic with cooperation.

It has problems of democracy. The proportion of members who come out to vote at meetings is small, just as the proportion of stockholders attending meetings of private corporations is small. The leaders are working on a solution of this problem. And there is an interesting factor in the situation which must not be overlooked. It is that the members who come out to vote are the interested, intelligent members. One might term it a representative system in which the representatives are chosen by natural selection. Behind them is always the larger potential vote which will turn out if the management of the society is not functioning properly.

It has concomitant problems of bureaucracy—of employee influence due to the fact that employees are also members and could, especially in the large societies where a small proportion of the members vote, by a general turnout constitute themselves a majority. Actually, the evidence is that they do not do so and, as an employee representative expressed it, this may be unfortunate since the employee influence would tend to develop progressive policies which the conservative management committee men and women hesitate to enter upon.

In general, it would be possible to show cooperative enterprise as falling considerably short of perfection, as still facing unsolved problems, but such a discussion would have no relevancy in an effort to appraise the actual effect of cooperatives on the life of the nations in which they play a considerable part. It would be more appropriate to a treatise prepared to afford cooperative executives and cooperators, in general, assistance in meeting problems and correcting errors.

Perhaps the most significant fact about the evidence we have of problems and seemingly mistaken policies is that our knowledge of them was derived from the self-criticism of the movement itself, not from outside critics. Cooperative leaders are keenly aware of their own short-

comings and, in England, have had a committee of experts working for 2 years to reveal weaknesses and recommend constructive steps to remedy mistakes.

#### COOPERATIVE ENTERPRISE AND DEMOCRACY

Cooperative enterprise is almost universally recognized in the countries visited as an important bulwark of democracy. Such recognition was expressed by representatives of government from Prime Ministers down, by spokesmen of both State and private banks, by business leaders, and by cooperators of all ranks from guildswomen to the directors of great wholesale societies. In fact, neither in the ranks of conservatives nor among radicals did we find any dissent from this view.

As a natural corollary, there appeared almost equal unanimity in the view that cooperative enterprise was an important influence in preserving freedom of business against the extension of the State, that is against measures which are commonly described in the United States by such terms as socialistic or regimentation. Even among the spokesmen of private trading interests most closely pressed by cooperative competition, we found the feeling that the time might come when private enterprise would line up with the cooperatives to preserve freedom against the rise of some form of totalitarian state.

Some of the aspects of the cooperative movement which appeared responsible for this influence may be briefly summarized as follows:

(1) Cooperative enterprise is a wholly voluntary and democratic organization of business, depending for its growth upon the perpetuation of the freest possible competitive conditions;

(2) Cooperative enterprise has restored competition on a basis which is effective in terms of modern large sale business, thus providing an automatic control of prices which renders government interference with private business less necessary;

(3) Cooperative enterprise, by its control of prices and by its development of a more direct relationship between demand and supply, has become a stabilizing force, tending to moderate

the violent swings in the business pendulum which frequently breed demand for political change;

(4) Cooperative enterprise, by offering large parts of the population the experience of participation in their own democratically organized business, represents a most effective force for education in democratic citizenship.

A Minister of Agriculture said:

The cooperatives are an educational force inculcating economic knowledge in the people. Through their activities and their publications they have been a most important force for assuring democratic business. This type of education has also been important in producing some of the country's leaders.

The governor of a State bank concurred in this view with emphasis, and added:

The fact that members share in the local direction of the societies is an important part of this education. The emphasis of the cooperatives on cash business is also important. Instead of letting the families work out their own economy, the local societies are constantly urging them to make savings deposits through the society.

A big industrialist said:

The country is in debt to the cooperative movement for its educational work, which is of a high order. It has taught the people to think in terms of economics. The country also owes the cooperative movement much for generating a truly social outlook among private business men. As a result of the growth of consumer cooperation, they have come to recognize their business as not altogether private but as involving social responsibility. This social outlook is an important factor in the stability of the economic situation.

The chief of a Government statistical bureau said:

The widespread membership of workers in cooperative societies, involving both participation in the business and the saving of a little capital of their own, has had a constructive effect on the population, in the general direction of conservatism and stability.

The statements quoted above are drawn from memoranda of conferences in England, Finland, and Sweden, and they are typical of those which were made in all the countries visited.

The textbook of the Swedish Cooperative Union's correspondence course on How to Run Societies suggests the inner explanation of this

outward influence of cooperatives in stabilizing democracy. The course is designed to enable the average man or woman in Sweden to play his part intelligently and effectively, not only in his cooperative society, but in his trade-union, his agricultural organization, or any other organization to which he may belong.

The treatment of the subject in the textbook is based on recognition that to be a successful member in such a voluntary organization requires a thorough understanding, not only of the mutual relationship between the member and his organization, but also of the fact that his organization is a part of that composite of groups and interests which together make up the general society which is the nation. It envisages these voluntary organizations as, in a sense, organs of the state, responsible for acting in accordance with the best interests of all.

The head of the educational work said:

If you have voluntary organizations of high quality you have a state of high quality.

Similarly, the textbook in the correspondence course on Government considers not only State and local governments but also problems arising from the existence of voluntary organizations within the State.

The courses are really profound discussions of intelligent citizenship in a democratic society. They recognize that continuation of democratic society depends in part upon maintaining freedom while preventing group interests from prevailing at the expense of the whole.

Although not as well worked out in other countries as it is in the Swedish cooperative educational work, this conception of the responsibility of groups within a democratic society is implicit in the cooperative movement in all the countries visited.

#### COOPERATIVE ENTERPRISE AND THE UNITED STATES

There is no question as to the adaptability of cooperative enterprise to the United States, if only because it is already growing on a fairly large scale. The question of its extension depends wholly on whether its objectives and

methods appeal to an increasing proportion of the population. In an important sense it may be interpreted as a true flowering of the American idea, for it may be described as cooperative individualism.

The practical problem raised by the fact that its early stages must be undertaken in a distribution era dominated by chain stores merely means that the immediate gains through rationalization of the distribution mechanism alone will not be as apparent as in the case of countries in which the initial growth antedated the chain store era. In consequence, those who prefer a cooperative system of living must take a somewhat longer view, developing cooperative enterprise to the point at which the long-range objectives are accomplished.

Finally, it is important to reemphasize the essential fact that cooperative enterprise is voluntary in every sense, that it is the embodiment of the American ideal of freedom, and that, consequently, it will grow or decline to the extent that it meets or fails to meet human needs and satisfies human desires.

Cooperative enterprise, as suggested above, might well prove to be the next step in the natural evolution of the true pattern of American life. In America, the coordination of human endeavor to produce a high standard of living has been developed beyond anything previously known to man. But even business leaders have recognized the concomitant dangers involved in a system in which the individual producer or consumer has no personal relationship to the great machine of which he is a part. Through the offering of securities to employees and customers, under campaigns for "employee" or "customer ownership," business tried to repair this weakness in the social structure and to lead the individual to identify himself with the system of living, of which he was a part.

These efforts might well be interpreted as groping toward the objective realization of the cooperative idea already implicit in the technical organization of modern business. The effort failed because it was not truly cooperative in form or motive, because it was attempted by

men who were probably unaware of the dynamic principles involved through the experience of nearly 100 years of cooperative failure and success.

Cooperative enterprise offers a way in which the objectives of American "employee" or "customer ownership" can be effectively realized.

It tends to identify the individual with the system of living of which he is a part, thus restoring the integrity of community and national life. As such it is worthy of serious consideration by all seeking to perpetuate the American idea which is today gravely threatened by powerful forces in a rapidly changing world.

## Chapter III

### COMMENTS

by Charles E. Stuart

THERE is at the present time in the United States widespread interest in European cooperative enterprise, as is evidenced by the flood of newspaper and magazine articles, books, and pamphlets, on the subject that have appeared in recent months.

This interest is justified, for we should be well informed about a movement to which from 30 percent to 50 percent of the families of several countries contribute, which handles up to 25 percent (as in Finland) of the retail business transacted in those countries, and whose growth has rapidly accelerated, especially during the past 10 years.

The various types of cooperative enterprise which the Inquiry studied in Europe are fully described elsewhere in this report, but in order to make this particular analysis self-contained, I am briefly listing them:

*Farmers' purchasing societies.*—The chief purpose of these organizations is to pool buying power in the purchase of farm supplies, such as fertilizers, seeds, special feedstuffs, farm implements fencing, etc.

*Farmers' cooperative marketing societies.*—These societies are primarily organized among farmers for the purpose of marketing their products, such as dairy and poultry products, grain, fruit, vegetables, etc.

*General purpose societies.*—These societies pursue two main lines of activities. They receive and market the products of their members and they also purchase for their members a general line of goods for farm and home use.

*Consumer distributing societies.*—These societies often start as buying clubs or small stores dealing

in groceries, clothing, and household articles, and gradually expand their trade to include many other products used by their members.

*Other cooperative activities.*—Cooperative societies also build houses for their members, erect telephone and rural electric lines, provide funeral, medical, and other services, operate credit, banking, and insurance enterprises, and, sometimes, operate small factories.

Of these various types of cooperative organizations, I propose to discuss at length only two; namely, the consumer cooperative distributing enterprises and the general purpose societies, touching more briefly on the other types. My object is to present the salient facts of cooperation in Europe so that the reader can judge for himself as to the value of similar movements in this country and determine where cooperation may possibly fit into and build up our own economy.

For reference purposes, I am including three tables. Table A shows the cooperative membership, trade, and percentage of retail business, and illustrates the growth of cooperative consumer societies in Great Britain and Sweden. It also gives some figures for the United States. Table B shows the distribution of income for the years for which this distribution was available for these same countries. This second table is of interest as enabling the income brackets of the several countries to be visualized, because it is generally true that cooperative enterprise thrives in the lower brackets of earning capacity. Table C, census figures for 1935, covers the number of retail and wholesale establishments in the United States, active proprie-

tors, firm members, and employees, annual sales, and total annual pay roll. It will be useful in considering the reaction that might be caused by any artificially stimulated cooperative growth, to which I refer later on in this statement.

TABLE A.—Cooperative consumer enterprise

	Year	Membership of societies	Trade of societies	Percentage of retail business
Great Britain.....	1924	4, 702, 868	\$773, 318, 753	12
	1935	7, 483, 976	1, 080, 545, 492	
Sweden.....	1925	315, 174	69, 729, 450	10
	1935	568, 161	103, 716, 950	
United States.....	1935	750, 000	1 150, 000, 000	
	1935	950, 000	247, 000, 000	

<sup>1</sup> This information is taken from "Cooperative League Yearbook, 1936", but refers only to the 1,500 societies affiliated with the League. The total number of American consumers' societies of all types is estimated at about 12,000 by the Cooperative League. No complete data are available.

<sup>2</sup> This information is from the Farm Credit Administration and refers to farmers' purchasing societies; in addition, a farm supply business amounting to \$68,000,000 is done by farmers' marketing societies. Since the Cooperative League membership includes some farmers' purchasing societies there is some duplication in the figures quoted above; for this reason they have not been added together.

TABLE B.—Distribution of income for the years 1934, 1931, and 1929

	Year 1934 (per year)	Percent of income
ENGLAND <sup>1</sup> .....	Below \$750.....	67.6
	\$750 to \$1,250.....	17.5
	\$1,250 to \$2,500.....	11.5
	\$2,500 to \$5,000.....	2.3
	\$5,000 to \$10,000.....	.7
	Above \$10,000.....	.4
		100.0
SWEDEN <sup>2</sup> .....	Year 1931 (per year) <sup>3</sup>	Percent of income
	Below \$250 <sup>4</sup> .....	41.0
	\$250 to \$500.....	30.0
	\$500 to \$750.....	14.0
	\$750 to \$1,000.....	7.0
	\$1,000 to \$1,250.....	3.0
	Above \$1,250.....	5.0
	100.0	
UNITED STATES <sup>4</sup> .....	Year 1929 (per year)	Percent of income
	Below \$1,000.....	21.48
	\$1,000 to \$1,500.....	20.94
	\$1,500 to \$2,000.....	17.14
	\$2,000 to \$2,500.....	11.62
	\$2,500 to \$5,000.....	20.60
	\$5,000 to \$20,000.....	7.02
Above \$20,000.....	1.20	
	100.00	

<sup>1</sup> Reference: "The Home Market," Handbook of Statistics, Published April 1936. (P. 60.)

<sup>2</sup> Reference: "Statistik Årsbok," Year 1936. (P. 291.)

<sup>3</sup> These figures must be considered in relation to Swedish commodity prices. Studies of the International Labor Office indicate that the average living standard of workers in Sweden is higher than anywhere else in Europe.

<sup>4</sup> Information from Brookings Institution Reports. According to the Department of Commerce, the average family income in all cities declined 33 percent in the period from 1929 to 1932.

Table C.—Census bureau figures of 1935

	Retailing	Wholesaling
Number of establishments.....	1, 653, 961	176, 062
Active proprietors and firm members.....	1, 511, 734	97, 165
Employees.....	3, 961, 478	1, 274, 508
Total personnel.....	5, 473, 212	1, 371, 673
Annual sales.....	\$33, 161, 276, 000	\$42, 203, 815, 000
Total annual pay roll.....	3, 623, 289, 000	2, 049, 251, 000

## CONSUMER COOPERATIVE ENTERPRISE IN EUROPE

Much of the material that has been published in this country on consumer cooperation has been written from a biased point of view. Some authors see in it a speedy and effective cure for many of our economic ills; others view it as a menace that threatens to disrupt our present system of distribution and throw out of employment hundreds of thousands of clerks and tradesmen.

As a matter of fact, consumer cooperation, as carried on in Europe, cannot provide an overnight ride to prosperity, nor has it destroyed private trade. It has, however, benefited many millions of people and may have an important part to play here.

To gain an idea of the possible usefulness of a well-developed system of consumer cooperation in the United States, we should know why consumer cooperation has arisen in various parts of Europe, what good it is generally conceded to be doing, what objections are leveled against it, and under what conditions successful and enduring growth has been secured. We will then be in a better position to consider the question of the development of consumer cooperation on an extensive scale in this country.

In the discussion that follows, only the salient points are touched on. Additional data on all phases of the subject can be found elsewhere in the Inquiry's report.

## WHY CONSUMER COOPERATIVES AROSE IN EUROPE

While consumer cooperation in various forms has existed for centuries, it is generally agreed that the modern movement was started in 1844 by a group of 28 weavers in Rochdale, England.



The group adopted a set of principles, now known as the "Rochdale principles", which insured the success of their enterprise; and, in time, their example was followed in England and many other European countries, notably Sweden, Finland, Switzerland, Germany, Denmark, and Czechoslovakia.

In most cases, the chief aim of the founders of consumer cooperatives was to improve their economic position. It must be remembered that the belief that the consumer, as such, has any rights that need be respected by manufacturers, distributors, or the government is of fairly recent origin. During much of the last century it was considered good business to charge the highest possible price for goods of poor quality and to render the least possible service. Consumers of low income were powerless to protect themselves individually from exploitation, and they turned to cooperation as a way out.

In all parts of Europe where consumer cooperation developed rapidly, the merchandising situation was much the same. Retail distribution was usually inefficient and had made little progress for more than 100 years. The typical outlet was a small, not overly clean, shop with a poorly selected and poorly displayed stock. Prices were apt to be high, quality often doubtful, and selection always limited. In addition, since Europe never has had any antitrust laws, there was a constant tendency for distributors or producers to form combinations of various sorts to raise the prices of different products or to maintain their prices at artificial levels.

Under such conditions, consumers found they could do the work of supplying the food and clothing they needed more cheaply and satisfactorily than it was being done for them; and in hundreds of places, through consumer cooperation, they proceeded to do so.

In some instances, however, the impulse to form cooperative organizations of different kinds was not wholly economic. In Finland, for example, while under Russian rule, the people could not organize for political discussion or even literary or artistic purposes. They could,

however, form economic associations, and cooperation developed because of the desire to engage in some form of group activity. In Denmark, cooperation arose as part of a program to gain strength through internal improvement, to right what were considered political wrongs. In France, cooperation is said to have begun as a socialistic movement, although it has since largely lost this character. By way of contrast, the Irish people, who were never denied political activity and have always been deeply interested in politics, have done comparatively little with economic cooperation.

#### THE BENEFITS OF CONSUMER COOPERATION IN EUROPE

While naturally there is a wide difference of opinion between the proponents and the opponents of consumer cooperation in Europe as to the value of this movement, few deny it has the following accomplishments:

*Members share in "profits" of the enterprise.*—Members of successful consumer cooperative enterprises usually receive "dividends" in accordance with the amount they purchase from their organizations. These patronage refunds range between 3 and 8 percent for most European countries, but in Scotland, where it is usually the policy of the cooperatives to maintain relatively high prices, they may range between 12 and 20 percent.

*Prices are reduced.*—When a consumer cooperative store is established in a new locality it usually sets prices at a level which the organization considers fair. If the prevailing price level was previously higher, the other stores are forced to meet the new level. In many countries, the consumer cooperatives establish the general price levels for food, clothing, and other necessities purchased by people in the low-income brackets, not only by their actual presence in different communities, but also by the possibility of their being established in places where they do not exist.

By manufacturing such products themselves, consumer cooperatives also have broken monopolistic prices of a number of products, set by

combinations of producers. This has been done in the case of certain foods and drugs, soap, flour, rubber shoes, tires, electric lamps, and other necessities.

*The family economy of their members is improved.*—Consumer cooperatives are not interested in overspending on the part of their members, but rather in helping them to build up a sound family economy. To this end, cash buying is usually insisted upon, and members are educated as to the importance of maintaining budgets and savings accounts, and purchasing with discrimination.

*Living standards have been improved.*—By lowering prices and by giving the savings back to members, consumer cooperatives have increased the purchasing power of their members by an amount which may be conservatively placed at an average of 10 percent. In this connection, it is to be noted that in England, for example, about 45 percent of the population is affiliated with cooperative enterprise, but only about 12 percent of the country's retail trade is handled by cooperative stores, showing that members of cooperatives deal to a very considerable extent with private traders.

*The efficiency of merchandising has been increased.*—In many places in Europe consumer cooperative stores, which in general are well arranged, clean, and well kept, have set the standards of merchandising on a much higher level than they were prior to their establishment. They have also forced competition in localities where it had practically died out.

*Government interference with business made less necessary.*—Numerous European authorities have stated that, because of their competition, the consumer cooperatives act as a check on monopolistic practices, and offer the best substitute for Government regulation of business.

*Other benefits.*—It is also claimed that, in certain countries, consumer cooperatives have improved business generally by augmenting consumption; that they have improved the quality of many products in common demand; that they have helped to stabilize business; that they have raised clerical wages and improved working

conditions; that they have increased greatly their members' knowledge of business and economics and have made them better citizens.

#### OBJECTIONS TO CONSUMER COOPERATIVE ENTERPRISE

It seems to be widely believed that consumer cooperation is harmful to private business. Of course it is true that cooperative stores have put out of business many private traders who were quite unable to withstand any kind of intelligent and aggressive competition, and do in many places dominate the cash business in foods and cheaper grades of clothing and household necessities, but it is not true that consumer cooperation has injured general business in any European country where it is strongly entrenched. For example, in Sweden during the past 35 years, the number of private traders increased from 25,000 to 50,000 with an increase of only 20 percent in the population. Employment in private trade increased by 100,000 during the same period while the employment increase for the cooperative stores was only 15,000. In Czechoslovakia, private trade has increased from 300 to 500 percent in the past 10 years; and in Denmark it is stated that cooperative stores tend to improve business conditions in the communities in which they are located. There is, however, some displacement in the merchandising field in which consumer cooperatives operate. Some private traders are forced out of business, others are bought out, and their staffs absorbed into the cooperative organization, and others are forced to cater largely to those desiring credit or to enter specialty fields.

It is also not true that the European consumer cooperatives are always hotbeds of radicalism. Their membership is drawn largely from workers in the lower income levels, some of whom tend toward the socialistic side, but most of the leaders of European cooperation are exceedingly anxious to keep their organizations free from political tinge so that they can draw members from all political parties.

In England, however, many of the consumer cooperative organizations are affiliated with

the Cooperative Party, which is an appendage of the Labor Party. Many English cooperative leaders are also frankly and deeply interested in the creation of a cooperative commonwealth in which private business will have no place. But most continental cooperative leaders have no sympathy with this ideology. They believe that competition is essential to the success of cooperatives and that a cooperative monopoly would be just as detrimental as any other kind.

Consumer cooperation in Europe has been progressive but not creative. It has improved merchandising and raised its standards but has not developed anything vitally new. So far, consumer cooperatives have not manufactured complicated products but have confined their efforts to simple manufacture, where research and development work have been completed.

Consumer cooperatives had little difficulty in dealing with nineteenth century merchandising methods, but aggressive modern competition, backed by effective advertising, is proving more troublesome to them.

#### CONDITIONS FOR THE SUCCESSFUL DEVELOPMENT OF CONSUMER COOPERATIVES

Almost without exception, the consumer cooperatives of Europe draw their membership from workers of low income who must make every cent count. It must be noted, too, that these people are generally of single races, well integrated, disinclined to leave the homes of their ancestors, and simple as to pleasures and desires.

Successful consumer cooperatives have arisen in Europe when people like these felt keenly an economic need and voluntarily formed groups to help themselves solve their own problem. It is the universal testimony of European cooperative leaders that cooperative societies must be formed "from the ground up", and cannot be formed by organizers "from the top down."

All European cooperative societies have been slow in growth. This is because economic cooperation is largely a state of mind. Cooperators must be educated as to the ideals of the movement, so that they have an enduring enthusiasm for it and are willing to make personal

sacrifices for it. Otherwise, the movement flickers out at the first taste of adversity, or with the first offer of better service from private business. It is said that it takes at least 10 years to build the foundations of a good cooperative organization. In Czechoslovakia, the consumer cooperatives are working on a 10-year program which calls for only 27 percent growth during that entire period.

Another essential is devoted to competent leaders who are more interested in the success of the movement than in their own financial aggrandizement. As has been pointed out already, the tendency of consumer cooperatives is to pay their managers low salaries; yet without good management success of the venture is impossible. The boards of managers of consumer cooperative societies are elected by the members and are not always experienced merchants. Under such circumstances, they are dependent on the skill and the integrity of the executives they appoint.

No European consumer cooperative organization has received substantial governmental aid. They have been given moral support and, often, have been extended credit—but only to the same extent as private business is extended credit by banks. In some instances, tax legislation has been favorable to them, an example being the exemption of taxation on the patronage refunds given members; but where marked advantages have existed, they have been strenuously attacked by private business, and in most cases have been eliminated. Many European cooperative leaders are firmly convinced that a consumer cooperative, to be successful, must rely wholly on serving its members better than private trade, and that any special favors and aid will eventually weaken it.

Entrance into politics is generally regarded as disastrous, not only because it automatically limits membership, but also because it diverts energy and funds into channels that have nothing to do with the main business of the organization—efficient merchandising.

Until recently, practically all European consumer cooperatives prided themselves on the

fact that they did not need to spend money on advertising and claimed that this was a source of substantial savings. However, their members do demand well advertised private brands, and many cooperatives have had to produce parallel goods. In England, for example, almost every well-known brand of soap has been copied by the cooperatives. Some of the English authorities believe that the money thus expended would have been better spent in advertising standard cooperative brands. As a matter of fact, the English cooperatives are now spending \$1,250,000 in advertising per year. Furthermore, all cooperatives find it necessary to spend considerable sums on literature of various kinds to increase membership and maintain the interest of their members in the movement. This is called "education" but it is essentially advertising.

As mutual confidence is absolutely essential to successful cooperative enterprise, the European societies, as they were formed, brought their membership into close personal contact, from which have developed many social and educational activities. It is believed in many quarters that such social contacts are necessary for the success of the undertaking.

#### THE POSSIBILITIES OF CONSUMER COOPERATION IN THE UNITED STATES

As we have seen, consumer cooperation came into existence in Europe chiefly to protect homogeneous, stable groups of workers of small income from an antiquated, inefficient system of retail distribution, which was free from Government regulation as to prices charged or character of goods sold and was supported by the doctrine of "Caveat Emptor" in any exploitation of the consumer within its power.

Where it successfully attacked this system, consumer cooperation grew; and where it had grown strong enough, it began breaking monopoly prices set by the producers of certain products in common demand, by undertaking the production of these products and restoring competition.

In considering the development of consumer cooperation in the United States on a large

scale we must remember the following differences in our conditions:

1. The American people as a whole are not homogeneous and are highly mobile.
2. Average earnings are higher here. For example, the well-paid worker in Europe may have a bicycle but the well-paid American worker may have an automobile.
3. We have the most efficient and extensive retail distributing system the world has ever known. It is modern, progressive, highly competitive, and its emphasis is on low prices and good quality to the consumer. It engages in mass selling, thus supplementing mass production.
4. We have antitrust laws partially effective in preventing price fixing by monopolies.
5. We have pure-food and drug laws, milk-control laws, food-quality-control laws, fertilizer-control laws, food-inspection laws, health laws, public-utility commissions, and other protective regulations.
6. We have under active discussion proposals for regulations that would still further safeguard quality of foods and other products, and would extend Government-controlled quality standards.

Obviously, consumer cooperation in Europe grew up on a soil that is very different from ours, and it is, therefore, not surprising that this movement has so far shown no strong tendencies to develop here.

Europeans have employed consumer cooperation to protect themselves from exploitation and monopoly. We Americans have looked to governmental regulations and unrestricted competition to accomplish these same ends. In general, we are fairly satisfied with results up to date, but we are intent on going further in this same direction. But whenever essential Government regulation and free competition prove inadequate to protect our consumers' interests, consumer cooperation lies at hand as a ready and effective weapon.

There are communities in this country where retail merchandising is inefficient and unsatisfactory. Consumer cooperation can be expected

to appear in such places, particularly when homogeneous groups of people live there. As a matter of fact, there are several hundred consumer cooperatives in America operating under such conditions.

Moreover, should our present merchandising system be thrown out of balance on an extensive scale, the development of consumer cooperatives would almost certainly be stimulated. This could happen, for example, if a State were to tax chain stores out of existence, or were to pass laws eliminating the benefits to be derived from mass buying. Then, if a general rise in prices occurred under these circumstances, it is highly likely that consumer cooperatives would spring up in large numbers to restore the balance that had been lost.

An extremely important field for the development of consumer cooperatives is wherever prices of necessities are increased unduly by racketeering, which according to report, is of frequent occurrence in the larger cities. Consumer cooperatives do not lend themselves to racketeering practices. The typical racketeer who gains complete control of a single commodity in a city, and sets a high price on it, can only do that because of a combination of fear and cupidity on the part of the dealers in that commodity. The cooperative has no single head. It is very difficult to intimidate the total membership that makes up the customers of any one store. At the same time, there is no advantage to a cooperative to raise or share in high prices. The cooperative wholesalers made up of these individual societies in turn can stand firmly against any racketeering.

There are doubtless opportunities for consumer cooperation everywhere in this country. Even under normal conditions, a consumer cooperative in any typical community could probably afford some savings, or dividends, to its members if it were efficiently managed. But the savings would be relatively small, all transactions would have to be in cash, and competition, even if wholly fair, would be keen, so that the members of the organization would have to be deeply interested in cooperation for

its own sake in order to insure the success of the movement.

Consumer cooperatives could undoubtedly be brought into existence here in large numbers by departing from the European principles of building from the ground up, slow growth, and no Government aid. "High pressure" promoters, direct Government encouragement and financial assistance, and tax exemptions would rouse wide interest in the movement and gain many adherents. But if the data which the inquiry gathered in Europe are of any value as a guide, such forced organizations could not have an enduring, successful existence because their membership could not, under such methods and in a short time, attain the state of mind that is essential for sound cooperation, and their chief object in participating would be based on their desire to secure the benefits of special privilege. On the other hand, the formation of such organizations would profoundly disturb business; it would offer opportunities for graft; and, since when one group is favored with Government funds and tax exemption, it means that the burdens on other groups are increased, existing business would have to supply revenue for an undertaking especially designed to injure it.

Without exception, the European authorities on consumer cooperation, many of whom have made a life work of the subject, strongly advise against the forced growth of cooperative organizations. They hold it as axiomatic that years are required to develop and properly organize the essential background, habits of thought, and other qualities. They favor a sympathetic attitude on the part of the Government, the supplying of information, advice and counsel, when it is requested, and extensions of credit on a par with those extended to private business; but they oppose special governmental favors and official propagandizing.

In brief, it is unlikely that consumer cooperation according to European patterns will develop as extensively here as it has abroad unless great changes take place in our economic conditions. This does not mean that there is no room for consumer cooperation here; but it does mean

that if consumer cooperation does spread here, it will most probably do so in response to different needs and will be carried out on different lines.

#### GENERAL PURPOSE COOPERATIVE SOCIETIES

The general purpose cooperative society, which not only handles the products of its members but supplies them with farm and household necessities, is a type of organization which in my opinion would benefit large numbers of our people. The manner in which these benefits are secured can best be shown by describing in some detail an actual example of this form of organization. Although the Inquiry saw a number of organizations of this type in the countries visited, I prefer to use an American example.

The Farmers Federation, Inc., with headquarters at Asheville, N. C., was organized in 1920 by a group of farmers in the Blue Ridge section of North Carolina, under the direction of James C. K. McClure, who for a period of 7 years devoted his time without charge to this work. This section is in the Appalachian Range extending from West Virginia south, comprising 225 counties, with approximately 5,000,000 population. At the time the Federation was formed, the average net cash income of the farmer population of this section was \$87.50 per annum per family, according to the State tax commission's report.

The society was organized in order to increase the productiveness of these farmers and find a market for their products.

Some of the original subscribers to the Federation's stock paid in cash, but others paid in logs, cross ties, work on the proposed warehouse, and in other forms of "kind" and service. After the group was formed it was apparent that the farmers had very little surplus to sell, so that in order to use the warehouse and other facilities, goods were purchased for the use of the group. During the first year of operation the business consisted 90 percent of purchase of supplies and 10 percent of marketing products, such as poultry, eggs, potatoes, and vegetables.

Today the Federation has 14 warehouses; it is doing a business of approximately \$900,000 a year; it is on a completely self-sustaining basis and is paying 6 percent interest on its stock. In addition, steps have been taken to begin the distribution of patronage refunds. The Federation operates hatcheries, sweetpotato curing houses, a cannery, and other suitable enterprises.

Sixty percent of the present business is marketing the products of members and 40 percent the purchase of supplies.

About 25 percent of the business is in barter, that is, one member bringing in eggs or other produce, trades them for the product of another member, or for goods in the general stock. Incidentally, during the bank holiday, when all 14 banks holding the funds of the Federation were closed, the Federation continued largely on a barter basis and was able to tide over the crisis.

Mr. McClure, with substantial philanthropic assistance, is helping to develop a number of small industries, suitable for the location and the people, such as knitting, dressmaking, toy making, wood carving, etc. These activities are today given assistance by the Federation. These particular projects are not yet on a paying basis, but promise to be so in the near future.

Training schools have been started, giving the boys courses of education in cooperative enterprise, in seeds, insecticides, soils, fertilizers, salesmanship, and bookkeeping. The lectures are given in the morning, and in the afternoon the boys work for the Federation, earning \$1 a day.

In order to develop the spiritual side of the community it was decided to increase support of the country churches in the territory served by the Federation. This support is rendered in kind. The members of the congregations set aside for the church a patch of potatoes, an acre of corn, a row of tomatoes, a pig, etc. Often all eggs laid on Sunday are devoted to the church. At present 300 churches are being assisted in this manner. The church members sell the produce they receive in any way they can, but the Federation guarantees its sale if they can find no market elsewhere. The Fed-

eration does this without cost, paying all proceeds directly to the church.

Before the Federation was organized, farmers had to bring their produce to local markets. Naturally there was a glut of certain types of produce at the height of their seasons, and, as there were no storage facilities, prices often fell below the cost of production. Now, the Federation, by warehousing some products, canning, and otherwise processing others, maintains a more even supply at a more favorable price, which benefits both the producer and consumer.

In the region to which we refer, while living conditions have become better than they have been for several generations, the low cash income barely furnishes necessities and a few comforts. Both clothing and housing are inadequate. The homes have no sanitary facilities. The census of an adjacent area showed that slightly less than 50 percent of the homes had outside toilets and the others had none at all. The diet of the families was naturally restricted almost to the items raised. The work of the Federation is undoubtedly improving these conditions.

In 1926 a fund was set up to assist in doing experimental, promotional, and educational work, especially with reference to finding new outlets for the products of the section. This fund was kept separate from the funds of the Federation and was in use for 9 years. Now the Federation is getting ready to finance its own research work.

There are doubtless millions of people in the same economic position as these farmers. In 1929, according to *America's Capacity to Consume*, published by the Brookings Institution, there were 12 States, all in the South, where the average income of the farm population was \$162 per capita, including allowance for food grown and consumed. In South Carolina this figure was \$129. The position of these people is not due to lack of resources nor to their unwillingness to work, but it is a product of lack of opportunities for work and for developing earning power under their local economy.

For example, a correspondent writes of a district in Virginia:

There is no industry in this county, no train through the village, no shipping line on the river, and no truck transport line, and the nearest bus line is 5 miles distant. These circumstances make it necessary for the small farmer either to market his goods locally or use the goods himself. If we could develop a cooperative plan it would enable him to get his goods to market, where he could obtain a higher price. As it is now, there is no incentive to go ahead because there is no chance for him to develop. If we could have a cooperative market, the reaction in every way would be beneficial to the entire community.

In the tidewater districts of Virginia and elsewhere, distances to transportation facilities are frequently several times greater than 5 miles. Those who do not own automobiles, which are entirely beyond the means of the average agricultural worker of such localities, are entirely dependent upon local stores, which, in turn, are largely dependent on local farm buyers.

In October 1935, North Carolina Fisheries, Inc., a fishermen's cooperative, was established at Morehead City and today it has a membership of 500. This section was obliged to dispose of its fish as soon as catches were made. Its industry was entirely seasonal. It has today at its disposal refrigeration and other facilities. As a result it has been possible to systematically extend the market to the benefit of the fishermen and the consumers further inland. In addition, means have been established to prepare and can new fish foods for the market. The fishermen in this section are in the lowest income class, like the other people referred to above, and are in a very different position from those who ordinarily form cooperative producer enterprises.

At first blush it would seem that when groups of this kind organize their production, an additional supply of farm products is thrown on an already crowded market. The answer is a very simple one; namely, that these people are themselves capable of consuming more, and their increased earnings are thrown on the market also, thereby extending corresponding benefits and employment to others.

In connection with the development of small local industries in this country, the following table is of interest because it shows that industries employing less than 50 men are gaining

ground in Sweden in spite of the competition of the large manufacturing plants.

The table below shows developments in small-scale industry in Sweden for 1896-1930:

*Small-scale Industry in Sweden*

Year	10 workers or less, total number		11 to 50 workers, total number	
	Industries	Workers	Industries	Workers
1896.....	4, 659	17, 913	2, 111	49, 974
1930.....	8, 871	38, 761	3, 109	91, 390

IN PERCENTAGE OF ALL INDUSTRY AND ALL INDUSTRIAL WORKERS

1896.....	60. 24	7. 8	27. 3	21. 7
1930.....	60. 74	8. 5	28. 12	20. 1

These small industries have often grown out of the "homecrafts" of the Swedish peasants, and produce such articles as wire cloth, hooks, pins, needles, hair pins, leather goods, wooden toys, furniture, clothes hangers, and mouse traps, chiefly for the home market but to some extent for export. They are found in all parts of the country, but especially where the soil is so poor that farming provides a scanty living. They are a product of the energy, intelligence, and self-reliance of the people and have never received a direct or indirect subsidy from the Government.

Mr. James C. K. McClure, president and general manager of the Farmers' Federation, states:

To initiate an enterprise such as ours, it seems to me that there should be in each county an organization of the farmers of the county similar to the Chamber of Commerce in a town. Almost every small town has a Chamber of Commerce where the interests of the town are promoted and new industries are stimulated. Up to this time, the farmers of a county have never had a similar promotion organization. It seems to me that if each county should have a county organization to develop markets for its people or to start small industries, that a development fund could be raised in the wealthier counties from the farmers and business men themselves. This fund would be similar to our Educational and Development Fund.

At a meeting at which I was present, it was the unanimous opinion of the directors of the Federation (all of them farmers) that no special favors should be given to the cooperatives, but that a benevolent attitude by the Government is necessary. It was feared that direct Govern-

ment financial assistance of any kind would result in the softening of the cooperatives, unfitting them for the competitive scramble from which they must make their success; but it was their opinion that the Government should extend credit to cooperatives where adequate security was present, as it does to railroads and other private enterprises.

#### FARMERS' COOPERATIVE MARKETING SOCIETIES

Farmers' cooperative marketing societies are already highly developed in the United States, as shown by the fact that 23 percent of the income of our farmers in 1934 (or \$1,518,000,000, excluding benefit payments) came from marketing cooperatives.

I observed abroad that, especially in England, Scotland, and Czechoslovakia, there was a schism between the consumer cooperative and the agricultural cooperative, based on the fact that the farmer wishes to obtain as high a price as possible for his goods, and the consumer to buy at the lowest possible price. In fact, in some cases the feeling exists that the consumer cooperative is the only defense of the consumer against agricultural productive cooperation, should the latter gain complete control of agricultural products. But in Sweden, Denmark, and Switzerland there is harmony between the two groups, and, as a matter of fact, an antagonism on the price basis alone is absurd, because right prices that are fair to both consumer and producer can be determined by the method of price engineering. So there is no necessary basis for antagonism at this point. In England fair price boards are being established in relation to the sale of agricultural products, these boards, of course, having the purpose of considering the interest of both the farmer and the consumer. It is of interest to note that these fair price boards are not too popular with the consumer cooperatives.

#### COOPERATIVE HOUSING

As described elsewhere in this report, we found a number of cooperative housing activities in most countries visited. This movement was



stimulated in the period following the war by well-secured State or municipal loans (or both), but at present this form of aid is being discontinued in many places and the tendency is for the cooperative to depend on financing from private sources, especially building and loan associations.

As carried on in Europe, cooperative housing activities result generally in providing better homes at a lower cost, as compared with homes supplied by private builders, and there has been a tendency in certain countries to make the terms as easy as possible for the home buyers during certain periods by reducing or eliminating taxes or by declaring moratoriums on interest payments.

However, except in Sweden, and possibly also in Denmark, the movement seems not to be gaining momentum, possibly because of the increase in the building activities of private interests. It is to be noted that cooperative houses in Europe are occupied almost exclusively by skilled artisans or white collar workers. The movement has not succeeded in reaching to the lowest income groups. This statement is true notwithstanding the aid which the government has extended. Incidentally, it appears that in European countries the extension of government aid to the construction of houses tends to produce houses that are too elaborate and costly for the use of those in the lowest income groups. Facilities are installed which members of the lowest income groups are not accustomed to and cannot pay for.

In England there is an interesting building development, though not of a strictly cooperative character, to relieve unemployment in certain derelict areas. The plan is to develop certain large tracts for industrial purposes by building small factory buildings, supplying shipping facilities, power, water, workers' houses, etc., with the idea of attracting small industries (especially new ones) and creating employment for the present inhabitants.

#### COOPERATIVE CREDIT UNIONS

Another interesting form of cooperative enterprise found in nearly all of the European coun-

tries visited, and also well developed in the United States, is the cooperative credit union.

Credit unions are almost always formed by well integrated groups, such as the members of a church parish, the employees of an industry, neighboring farmers, etc., who recognize they have financial requirements that cannot be satisfactorily handled by banks.

In a typical case, the members buy one or more shares at \$5 each by making small payments of 25 cents or more monthly. Fully paid shares are entitled to receive dividends, which, in practice, range from 3 to 7 percent, and are repurchased at face value when the member wishes to withdraw.

Members (and members only) are entitled to obtain loans from their credit unions, provided it can be shown that the loan is to be used for a purpose that will actually benefit the borrower and that the loan will be paid back. Such loans are usually small, ranging from \$10 to \$100. They are paid back in small weekly or monthly sums, with interest on outstanding balances usually much below 1 percent per month.

Since the credit union is cooperative, all income derived from interest payments, not passed into the surplus of the union, is paid to the members in the form of limited dividends on their shares.

All evidence goes to show that these credit unions are performing an extremely useful service. They encourage members to save, since when the habit of putting by, say, 25 cents a week is once formed, it is apt to be continued indefinitely. In times of financial need, credit is available, thus keeping the members out of the hands of loan sharks; but the borrower cannot obtain money for unwise purposes, he cannot borrow beyond his known ability to repay, and he is under the strongest moral pressure to fulfill his obligations, thus developing financial integrity. It also appears that few properly managed credit unions fail and that the great majority of their transactions are of a sort that would be of little interest to the ordinary banking institution.

In Europe we found it is generally agreed that credit unions helped to stabilize business during

the depression, and, when formed by employees of an industry, they were welcomed by the management because of their advantages, especially in bad times.

#### INDUSTRIAL COOPERATION

While cooperation as a special form of business has generally been confined to associations of consumers or of agricultural producers, it might prove worth while to explore the possibilities of cooperation in a somewhat different and broader sense in the basic and heavy industries. A beginning of cooperation in this broad sense appears to have been made by the coal-mining industry of Great Britain. While a survey of that industry was not within the scope of this Inquiry, it is interesting to note the cooperation between Government, mine owners and mine workers and the consuming public made possible through the Coal Mines Act of 1929.

This act permits both price fixing and the regulation of production in accordance with the ability of the market to consume. Individual mines are grouped together for joint action by geographical areas. Each district has a governing committee composed of coal-mine owners, labor, and consumers, under the supervision of a central commission. Minimum prices below which coal may not be sold are fixed by each district. These prices are based on a reasonable working profit to the efficiently run collieries. This arrangement has had a stabilizing effect on the British mining industry which had hitherto always been very unsettled. It has been a guarantee of fair wages to employees and a reasonable return to mines that have an economic right to exist. It has had the support of the bulk of ownership, labor, and the public, and is now in its eighth year.

Under the Supreme Court decision in the *Appalachian Coal case* of 1933, permission was granted to coal-mine operators of this country to carry out a somewhat similar plan. Chief Justice Hughes, who wrote the opinion, said:

A cooperative enterprise otherwise free from objection which carries with it no monopolistic menace is not to be condemned as an undue restraint merely because it may

effect a change in market conditions where the change would be in mitigation of recognized evil and would not impair but rather foster fair competitive methods.

Whereas the right has been granted, little use has been made of it to date. In the Guffey bill, which in some important particulars conforms to the Coal Mines Act of Great Britain, there is a germ of an idea for cooperative action among producers which should be effective in eliminating many objectionable practices for the benefit of both the producer and the consumer. Attention is drawn to this matter in order that it may be realized that the field of cooperation is not a limited one, but may be extended to many fields of commercial and industrial activity.

#### ECONOMIC AND POLITICAL ASPECTS OF COOPERATIVE ENTERPRISE

In Europe I saw nothing to justify the belief that cooperation in any of its forms threatens the existence of legitimate private business or that cooperation necessarily develops economic and political radicalism.

Wherever the difference between the cost of a product and its price to the consumer is not unreasonably high there is little for consumer cooperation to interest itself in. This applies to both retailing and manufacturing. As far as manufacturing goes it is not conceivable that, short of a cooperative commonwealth, a complex and comprehensive system of manufacturing could be developed through a cooperative movement. And if it were, the question arises whether there would be for an instant contemplated the research work and the peculiar initiative which has enabled the United States to make the greatest advance of any country. Certainly no development of cooperative manufacturing enterprise in any of the countries we visited indicated that this initiative is present. No one questions the creative results of untrammelled private initiative. No one denies the fact that 5 million planners personally interested in their own business would show more creativeness than any number or quality of boards.

In regard to the political tendencies of cooperation, attention has already been called to the

fact that consumer cooperatives of Great Britain comprise 45 percent of the population but do only about 12 percent of the retail business. This, taken in connection with the fact that 67.6 percent of the national income of Great Britain goes to those receiving less than \$750 a year, indicates that consumer cooperatives must necessarily include many of those who have Leftist tendencies. However, this is in part balanced by the fact that the agricultural and other productive cooperative organizations have capitalistic tendencies. In fact, if the ballot were taken of the cooperatives in any European country it would be found that the members of the consumer cooperatives tend toward the socialistic side and that those of the agricultural productive cooperatives tend toward the capitalistic side, as the latter are property owners, and, from the standpoint of many consumers, capitalists.

However, the impression gained everywhere was that consumer cooperation really tended to be a diversion from political and economic radicalism because the cooperatives have a stake in the business. In England, also in Czechoslovakia, consumer cooperative leaders generally are looking forward to the coming of the cooperative commonwealth. The validity of their views is probably best evaluated by the comment of the Swedish cooperative authorities given just below.

On the other hand there seems to be no basis of fact in the oft-repeated statement that the extreme development of the cooperative state is the only defense of democracy against communism and fascism. As a matter of fact, cooperation was highly developed in Germany and also in Russia prior to the revolution, but in neither case formed an obstacle to the development of a dictatorship. In Russia, in fact, the machinery of the cooperative societies was of great value to the new government in its effort to distribute in the days of chaos following the revolution. Also in Germany, cooperatives, like many other organizations, were a ready instrument in the hands of the totalitarian state.

In connection with the economic and political aspects of cooperation, the following statements made to us by those who are undoubtedly lead-

ers of thought in the industrial and cooperative developments of Sweden seem to be of special interest:

It is impossible to set any percentage of a nation's population as the limit of the cooperative movement's effectiveness. The limit must be determined only under the test of competition with other forms of business. In other words, when it reaches the limit, cooperative business will cease to grow because it will be unable to meet the competition of other forms of business which could render more effective service to consumers. It is always a question of the survival of the fittest.

The final limitation of cooperative business will be determined on that percentage of a nation's business necessary to accomplish the purpose of the cooperative movement. This limit would undoubtedly be less than the entire population because otherwise it would imply that all other forms of business were so inefficient as to be unable to survive, and this is not the case.

One of the functions of the cooperative movement is to train members not only to operate their family economy on a cash basis, but also to build up a reserve of money to enable them to live for a while if unemployed. Cooperatives differ from private trade in that they do not seek to induce buying, but rather to build up the soundness of the family economy of their members, including reserves, because sound family economy is the basis of a sound cooperative movement. The stabilizing tendency of the cooperative movement is emphasized in its whole idea and purpose.

While consumer cooperation must be considered a step in the collectivist direction it is certainly not a step toward State socialism. It would mean State socialism only if the State enacted laws giving cooperatives advantages over other forms of business, but the cooperative movement in Sweden is not seeking such a privileged position, but is willing to leave its future to free competition with any form of business. Cooperatives are serving the consumer by constituting a check on private business and the way should always be left open for other forms of trade to provide a similar competitive check on cooperation if in their growth they reach a point where such a check is necessary in the interest of consumers. Their only purpose is to insure the soundest economy for consumers.

#### GOVERNMENT ATTITUDE

The proper attitude of the Government toward cooperatives was admirably expressed by the President in his address at St. Paul, Minn., on October 9, 1936:

Nevertheless, while the Government can help through its resources, we in Washington have recognized that cooperation and cooperatives must come from the people

themselves. The Government can see to it that the rules of the game are fair as between cooperative enterprise and other enterprise. Initiative and management itself spring from and carry on from the bottom up rather than from the top down.

It has been pointed out frequently in this memorandum that cooperative leaders in Europe are almost unanimously opposed to special favor on the part of the government. They point out that a cooperative must compete with other forms of enterprise and that special favors weaken its ability to compete. Furthermore, should cooperative enterprise be made successful by tax exemption and direct financial aid, it would be impossible to long continue this assistance. Eventually the cooperative enterprise would have to be taxed to the full extent, since revenues have to be supplied from the business of the country as a whole, and if such exemptions are necessary for their existence they would promptly disappear when their special privileges ceased. In the meantime, immeasurable destruction would have been done to private enterprise and to the creativeness and initiative of private enterprise, with a general destruction of confidence that might well bring us to the doorstep of another depression.

In practice, European cooperatives generally pay property, income and other taxes just like private business. Although in some countries the cooperatives insist that their income is different from that of private business and should not be taxed, governments have generally decided that undistributed income of cooperatives is a proper tax source for government revenue. Special consideration, however, is usually given with regard to that portion of the income which is distributed back to the members as patronage refunds. Since, in fact, it does not actually add new income but merely restores a portion of the members' original income, governments have generally held that such patronage refund should not be taxed. This theory, however, is applied not only in the case of consumer cooperatives but also in cases of private retail trade paying rebates or patronage refunds to their customers. The remitting of such a tax in effect increases the purchasing power of low

income groups (but does not actually increase their income) since this policy results in larger patronage refunds. In the case of higher income groups the original income is already taxed and a tax on patronage refunds would virtually tax part of the income twice. In the case of production enterprises owned by consumers' cooperatives, the methods of taxation applicable to private industry are generally adhered to.

#### AID TO COOPERATIVE ENTERPRISE

There are today a number of entirely distinct Government agencies relating to cooperative enterprise in one form or another and prepared to assist financially in terms of secured loans. The bulk of this assistance is going to agricultural cooperative enterprise. Thus far, none of this assistance has been extended to the consumer cooperatives.

At the present time 12 cooperative banks (Farm Credit Administration) are in existence, the chief purpose of these banks being to make loans to producer cooperatives for the purpose of production, taking the crops as security. These banks perform a further function as, for example, in the set up of sugar mills in the sugar cane growing districts in the South. In this instance, private capital is expected to do its part and the cooperative bank holds the mill and all that pertains to it as collateral until the bank loan is paid off.

These banks go a step further in that they finance the distributors of farm supplies, but again requiring these distributors to provide a fair share of the capital required. These distributors are confined to fertilizers, seeds, and farm machinery but do not enter into the field of household needs, foodstuffs, etc. Means also are taken to amply secure the bank funds in such cases. These banks could probably undertake the financing of consumer cooperatives under similar conditions, namely, that there was ample security back of any loans made.

In general, where either Government or private assistance is rendered there should be no discrimination against cooperative and consumer enterprise, as such. There is no discrimi-

nation against such enterprise in Europe, but let me emphasize that no loan is made to a consumer cooperative by either the Government or the private banks that is not amply secured in accordance with general commercial practice.

There are a number of Government agencies which are undertaking individually to extend information as to cooperative enterprise in one form or another, and to place before the public bulletins, etc., resulting from surveys and studies which they have made. It would seem that for the purpose of Government activities a single division might well be established that would provide information and advisory service, and would likewise deal with the subject. This division should be part of a bureau well versed in foreign as well as domestic commerce because of the extensive import and export activities of the cooperative enterprises of all countries.

However, bearing in mind that the consumer in relation to the cooperative cannot be well

separated from the consumer in relation to private enterprise, naturally such a bureau would be related to both and would deal with both with the same degree of equity. It would, of course, be concerned with all matters that might affect the consumer, such for example, as price fixing.

#### CONCLUSION

In conclusion, I see no reason why properly conducted cooperative enterprise, which has been allowed to grow naturally to fulfill a keenly felt economic need, should be feared in this country for either its economic or political consequences. And I believe that all forms of cooperation should be fostered, within proper limits, by both our Federal and State Governments. On the other hand, I feel that artificially stimulated cooperative movements are likely to be highly destructive and of small benefit, and that any development should come about through a gradual process of evolution.

## Chapter IV

### OBSERVATIONS

by Robin Hood

EUROPEAN cooperative enterprise is complex; in some respects it appears to be confusing and self-contradictory. It follows no uniform pattern of thought or procedure. The main body of the Inquiry's report is a consensus by six people—a sort of median from which diverge the interpretations of each and his views on the selection of data.

#### AGRICULTURAL COOPERATION

The cooperatives built up by European farmers are not unique. They are similar to those of the United States and can teach us relatively little that cannot be gleaned from American experience. Barring language difficulties, American and European farm cooperators can easily understand each other's problems, aims, and viewpoints.

One exception needs to be noted. Many European governments have delegated tasks to agricultural cooperatives which the American Government has reserved to itself. Thus in Denmark and Sweden authority is vested in farm cooperatives to operate production control programs. In Finland, Ireland, and Czechoslovakia grants are made to cooperatives for the conduct of research or extension work.

As in the United States, the European farmers' marketing associations concentrate on the business tasks of improving their product and selling as efficiently as possible. They handle substantial but widely varying proportions of farm products. They operate the same kinds of facilities that American farm cooperatives operate except that they perhaps go further in processing. This is illustrated by slaughtering

plants in Scandinavian countries, and by flour mills in Czechoslovakia.

European farm supply purchasing cooperatives likewise follow a pattern in common with such enterprises in the United States. They handle fertilizer, feed, seeds, and other materials used in production; sometimes they add a limited stock of staple products used in the farm home. Their central organizations operate fertilizer mixing factories and feed mills; some manufacture farm equipment. They have grown more extensively than in the United States in proportion to total national farm supply requirements. In England and Scotland these associations are almost the total of agricultural cooperation.

Farm supply and marketing associations are interwoven in many ways. The marketing associations frequently add the supply function in a special department; supply associations often are marketers of farm products. The two functions are so closely linked in some organizations as to compel use of the term "general purpose cooperative" as a description. It is interesting to note that farm supply cooperatives are nowhere in Europe regarded as a part of the consumer cooperative movement.

European rural credit cooperatives usually preceded other types of farm cooperatives. Such associations are well understood in the United States because they were thoroughly studied before the present farm loan and production credit systems were erected. In Europe all types of farm cooperatives come together into national federations constituting an integrated business structure through which farmers seek to improve their economic position.

The history of European cooperation includes many controversies between farm cooperatives and consumer cooperatives. These have arisen in business operations both because of buyer-seller relations and because of direct competition. The competitive difficulties are illustrated by Sweden where both groups slaughter livestock and retail meat, or by Ireland where the English consumer cooperatives once operated a hundred creameries in competition with farmers' creameries.

The conflict has been equally serious at times in the political and educational spheres. Farm cooperators frankly say their purpose is to make the farming business profitable while most consumer cooperators say they seek to "eliminate private profit" and gradually "supplant the capitalistic system." This conflict tends to foster as many alliances between farm cooperatives, merchants and their professional groups as between farm cooperatives and consumer cooperatives.

It should be added, however, that in countries where both types of cooperatives are significant factors in the national economy, they have learned to compromise their business disputes and occasionally conduct joint enterprises, as in the case of milk distribution in Geneva, Switzerland. Local farm cooperatives have no hesitancy in buying from consumer wholesales when goods can be purchased as advantageously as elsewhere. Consumer cooperatives in rural areas, moreover, often handle farm supplies obtained from large farm supply cooperatives.

#### CONSUMER COOPERATION

The consumer cooperatives have thrived in Europe although they are a compound of idealism, practical business and political doctrine. However, institutions which thrive in one environment do not necessarily thrive in another where economic, racial, political and geographic conditions are different. Before appraising the applicability of consumer cooperation to the United States, it is necessary to appreciate certain essential facts about the European movement:

1. Unlike their "small scale" status in the United States, consumer cooperatives have become "big business" in Europe. They handle between 10 and 20 percent of the retail food business in Great Britain, Sweden, Switzerland, France, and Denmark; in Finland, upwards of 40 percent. In commodities other than food their trade is smaller but impressive. They own extensive manufacturing plants which supply a large part of the goods sold through the local cooperative stores. They have insurance and savings departments whose assets are comparable to those of the large joint stock companies.

2. In nearly every European country studied they have made a substantial contribution to the economic welfare of their members. Impartial surveys have shown that they are supplying consumer goods, particularly foodstuffs to their members at real savings. In Czechoslovakia, for illustration, a survey by the government statistical board showed the prices of cooperatives averaged 5 percent less than the prices of their private competitors; and this saving was augmented by patronage refunds averaging 2 percent.

3. It should be noted, however, that retail distribution in Europe is generally inefficient and in many areas is definitely archaic. Small turnover, high mark-ups, inefficient buying, heavy credit losses, relatively unsanitary conditions, are characteristic of private shops. Large and vigorous private entrepreneurs appear to have avoided retailing and have sought other fields in which to invest their money. The modern chain store was almost unknown in Europe during the period in which consumer cooperatives made their great gains and entrenched themselves. Even today, the chain store is an unusual sight except in England where its rate of growth has been greater than that of cooperatives during the past few years.

4. Into such a backward distribution system the cooperatives brought the same modern merchandising technique that efficient, aggressive retailers developed in the United States. In Europe the cooperatives have set the pace for

competition. They are a check upon prices. They have afforded constant pressure, real or potential, against all forms of inefficiency and profiteering in processing and distribution.

5. Sweden has no antitrust laws. Neither do some of the other countries of Europe. Therefore, with governments assuming little responsibility for controlling monopolies and preserving competition, the cooperatives successfully undertook the role of "trust busting" in a number of instances. This won the plaudits of members and others; it was good advertising, too.

6. Governments in the countries studied have granted relatively little assistance to consumer cooperatives. However, in some instances they have enjoyed exemptions from certain taxes. In a few countries they have received subsidies for educational purposes. In several countries they have been granted government credit. Nevertheless, the leaders almost without exception decry government assistance.

7. European consumer cooperation is characteristically a class movement. The early organizations arose as part of the protest by industrial workers against economic conditions under which they labored. The local store was a convenient point for effort, European laborers being generally rooted to their home communities and immobile compared to workers in the United States. No small amount of the loyalty of members is the result of their devotion to it as an instrument to improve their position in a class struggle. The literature of the movement reveals many appeals to class consciousness and many attacks upon the capitalistic class. With all society stratified, as it is in Europe, it is not strange that people of the "upper classes" avoid the "workers' store." In recent years, however, the movement in most countries visited has tended to expand into the middle classes. In Sweden, Finland, France, and Switzerland cooperation is more generally regarded as an economic institution for all citizens.

8. In most European countries, the consumer cooperative leaders say they are ushering in a new social and political order in which the profit motive is to be eliminated. In theory the con-

sumer cooperatives are to own all the instruments of production, including farms and factories; but except for tropical products like tea and rubber, practical considerations have forced them to abandon thought of producing their own agricultural products. Some go further and envisage a "cooperative commonwealth" in which the capitalistic economy is not only abolished but governments themselves will be supplanted. There are other cooperative leaders who point out the close link between cooperation and socialism, saying that consumer cooperation is to be the economic agency of the socialist state. In Czechoslovakia, for illustration, the movement is split into several separate segments according to political beliefs, with the largest segments aligned with socialist parties. The British cooperative movement is definitely in politics, having a Cooperative Party with nine seats in Parliament; it is also one of the largest contributors of funds to the Labor Party.

9. Labor unions are friendly to consumer cooperatives. Yet cooperative history has not been devoid of labor disputes. Employees are generally organized into trade unions; employees in competitive plants often are not. The weight of evidence indicates that in cooperatives the employees enjoy better wages, shorter hours, and better working conditions. Whether this is due to the inherent nature of cooperatives, to the strength of trade unions, to the voice that employees as consumers have in the selection of management, or to the fact that successful enterprises are able to treat employees better than less successful enterprises, is a question beyond the scope of this memorandum.

10. The savings motive is an important factor. In the dynamic American economy the citizen directs his efforts toward adding dollars to his income. In the relatively static European economy his effort is more largely directed to the saving of pennies on his expenditures. Buying at the cooperative store is regarded as the way to build up family savings. Even if the prices are higher, as in parts of Great Britain, it all comes back, and more, in the form of regular patronage dividends; and these dividends may



be accumulated as share or loan capital, or as deposits in the banking department.

11. Europe's consumer cooperatives are financially strong. In Great Britain, for illustration, the total of share and loan capital from members is nearly \$700,000,000. Such accumulations make cooperatives independent of the money market. Moreover, members of the past have foregone larger patronage dividends in order to build up a reserve, much of which does not show on the books because it has been charged off as depreciation of physical facilities. Much of the capital now used is therefore free of cost to the present membership. More or less concentrated in the central wholesales, such accumulations are an effective instrument in meeting competition.

12. The leaders of Europe's consumer cooperatives uniformly emphasized the educational advantages of the movement as a training ground for democracy. To the extent that members participate, the educational effect is significant, particularly in the teaching of practical economics. It should be noted, however, that there are limitations, such as is illustrated by one very large society in which less than 1 percent of the members either vote or attend the district annual meetings, and of that fraction more than two-thirds are employees. The more formalized educational work, conducted through study classes, is comparable to that performed by American schools, study circles, and other adult educational agencies.

It may thus be seen that the chief factors accounting for the remarkable development of consumer cooperation in Europe are: (1) Exceedingly inefficient retail distribution into which cooperatives brought modern merchandising methods; (2) class loyalty to their own institutions given by repressed industrial workers who in Europe are not as migratory and mobile a class as in the United States; (3) a deeply ingrained thrift or savings motive and the necessity for making small incomes go as far as possible in supplying needs; and (4) in recent years, strongly financed central cooperative wholesales able to promote new local societies or assist struggling ones.

These factors are absent or relatively absent in the United States today. Their lack becomes increasingly important in light of the fact that any new cooperative enterprise in this country must expect large contributions of money, time, and effort from its members; in the absence of comprehensive cooperative wholesale service, the trade connections of local societies can only be arranged through arduous search and consultation; the wait for tangible benefits is likely to be long and discouraging.

It therefore appears that present American conditions are not particularly conducive to the rapid and widespread development of consumer cooperation. The fact that after nearly a hundred years of sporadic promotion in this country the movement has made relatively little headway, confirms this observation. In this connection it should be noted that many widely published estimates of consumer cooperative business in the United States have included the large amount of cooperative purchasing of producer goods by farmers, and hence have given an erroneous impression of the extent and growth of consumer cooperation.

The question of whether the movement may be socially desirable is not within the purview of this memorandum. Included in such a study, however, should be due consideration to a number of factors not suggested by the report of the Inquiry. Are there certain consumer goods and services with respect to which distributive inefficiency and profiteering are common, and can self-supporting cooperatives eliminate the abuses? Assuming advantages of the cooperative technique, do they fully compensate for the disadvantages which might arise from technological unemployment and other derangements in the present productive and distributive systems? What services performed by Europe's consumer cooperatives are purely incidental and can be or are now performed equally well by existing American institutions, such as Government bureaus, social and religious bodies, and educational establishments? Does consumer cooperation necessarily imply a comprehensive scheme of social reform (going to the

extent of socialized operation of productive and distributive facilities, or even to the extent of a cooperative commonwealth), or may it develop strictly as a form of competitive business within the present economy? Is there any alternate to cooperation by which we may mutualize the benefits from private enterprise?

Finally, consumer cooperation is not a highway to Utopia.

It developed in Europe because it served an eco-

nomie need. It will develop in the United States to the extent that it can serve an economic need.

Any group of people who believe they can purchase their requirements more advantageously through cooperatives than through private enterprises should be fairly accorded their rightful opportunity to make the effort. But European cooperative leaders themselves uniformly advise us against Government subsidies and high-pressure Government promotion.

## Chapter V

### AN APPRAISAL OF THE CONSUMER COOPERATIVE MOVEMENT IN EUROPE

by Clifford V. Gregory

AN outstanding fact about consumer cooperation in Europe is that it has assumed the proportions of big business. It has met private business on its own ground and has succeeded and grown.

Yet it is just as important to note that it has not ruined private business. The two forms of enterprise are in keen competition. There is no indication that either is about to crowd out the other. Each is more efficient because of the other's competition. And because of that competition, consumers are getting most of the benefit of the increased efficiency.

Consumer cooperatives have some definite accomplishments to their credit. The relative significance of these will be appraised differently by different observers. To my mind they rate in importance as follows:

1. They have completely eliminated financial racketeering in that part of the business field which they have taken over, and by their competition have made it necessary for private business to tolerate it less.

There are no fat promotion fees in cooperative financing; no watered stock; no domination of business by money lenders. Cooperative investments have an enviable record for safety. Cooperative shares are almost the only ones in Great Britain that did not depreciate in value during the depression.

Cooperation concedes to finance only safety and a modest fixed rate of interest. The toll of speculative finance has been entirely eliminated from cooperative enterprise in all but a few isolated cases. Even the legitimate addition to prices to pay for necessary financing has been

reduced to an extremely low point by the policy of building up strong reserves of interest-free capital.

2. They have added greatly to national stability by educating their members on economic questions; and by creating a sense of ownership in a large class of people, most of whom previously owned little but their personal possessions.

This sense of ownership is strong among cooperative members. While many cooperative spokesmen decry capitalism, the movement has made capitalists out of its members in the better sense. It has moved them into the property-owning class, and they are more stable citizens because of that.

3. It has raised standards of living by competing effectively with monopolies and by increasing the efficiency of retailing—by forcing down prices that were excessive.

4. It has given to many of its members a new interest in life; a new and useful outlet for their energies.

#### COOPERATIVE IDEALISM

Consumer cooperation in Europe has been successful as a business. But it is more than a business. It is also a religion. The latter phase dominates cooperative literature. Here is a new way of life, a cure for the ills of the old social order. That is the refrain of cooperative spokesmen. It has given the movement the aspect of a "cause", and is the inspiration of the group of cooperators who give the movement much of its vitality.

Like any other "cause", consumer cooperation has developed a vocabulary and ideology of its own. Its followers talk of the "cooperative

commonwealth", a Utopia to be reached by following the path that the Rochdale weavers marked out nearly 100 years ago. They talk of "production for an assured market" as a result of standardization of human wants through cooperative channels; of "social capital" as a means of reducing the interest charge against the consumer's breakfast table.

To the genuine blown-in-the-bottle cooperator, private profit is immoral and antisocial. So strongly does he feel on this subject that the word "profit" must not be used to describe the gains made in cooperative business; the member's "take" from the cooperative pot at the end of the year is a "refund" and not a "dividend."

All this is not said to discount the sincerity of the majority of cooperative workers. Their ideals are high; their motives in the main seem to be unselfish. They have a genuine vision of a better world. To help reach that goal they are working with the same energy and earnestness that many able private business men put into their struggle for a more personal success. The competent leadership of the cooperative movement in Europe goes a long way to disprove the theory that self-interest is the only motive that will cause people to work and strive.

#### COOPERATIVE THEORY AND PRACTICE

But cooperative practice departs rather definitely from cooperative theory. In practice, the managers of cooperative enterprises have just the same problem as private business men. They must please consumers and keep them pleased. Cooperative loyalty will not continue to bring people into a cooperative store if they feel that they can do better elsewhere.

Cooperative theory deplors the waste that results from catering to style; from giving the consumer a wide variety of choice. But the cooperatives in practice give the consumer what he thinks he wants. The cooperatives are doing valiant work in educating their members to judge real values. But they have come to realize that there is value in style and individuality as well as in standardized utility.

Cooperative theory opposes profit and private

gain. In practice, many cooperatives buy stock in private profit-making enterprises, and join with private business in various undertakings when they believe they can benefit their members by so doing.

#### CLASS INTERESTS

In theory, consumer cooperation is not a class movement. Consumers are a universal class. In practice, consumer cooperation is chiefly supported, in most countries, by urban workers, and is colored by their class consciousness.

The one true purpose of consumer cooperation is to benefit consumers. A definite departure from that purpose is the effort on the part of most of these cooperatives to raise labor standards—a worthy purpose, but distinctly the task of labor organizations and not of consumer cooperatives. When the consumer cooperative motive becomes mixed with the organized labor motive, as it does when cooperatives attempt to create higher labor standards, cooperation is in danger of becoming less a consumers' movement than an adjunct to the labor movement. It cannot serve consumers with singleness of purpose when it pays its labor substantially more than going wages, any more than it could serve consumers fully if it paid more than the market price for its capital or for its farm products.

In a rather definite sense, wages above the going rate are not wages at all, but profit, just as a return on money above the going rate of interest is not interest at all, but profit.

If consumers' cooperatives make substantial savings in their retail and manufacturing enterprises, those savings (to be true to cooperative purpose and theory) should go to the members in proportion to their patronage. If instead of that, part of those savings are given to workers in premium wages, it is obvious that to that extent the movement becomes a workers' rather than a consumers' enterprise. Such a tendency is an invitation to workers in cooperative enterprise to use their votes as members to control the enterprise, so as to go still further in this direction. This is not so difficult as it might seem. In most large consumer cooperative

societies only a very small percentage of the membership votes. A small group with an identity of interest might rather easily control elections. That this would happen if any attempt were made to reverse the policy of paying a premium to labor appears probable.

Many cooperators are aware of this problem. A number of them complained to us that the support of organized labor by cooperatives is not fully reciprocated, and that too often, labor unions in the distributive trades make more and more demands on the cooperatives, but do not try very hard to organize their private competitors and enforce the same labor standards there.

Consumer cooperatives and their private competitors have borrowed ideas and methods freely from each other. The cooperatives have adopted most of the profit-making devices of the capitalistic order—even some of its objectionable features. Chief of the latter is management control. Management controls most of the big European cooperatives as definitely as it controls many large corporations in America. In fact, since voting in cooperatives is individual and not by proxy, it is perhaps more difficult to replace management in a big cooperative than in a large corporation with diffused ownership. The fact that cooperative management has given good service and has been content with very modest salaries, obscures but does not solve that problem.

In their efforts to promote thrift, a number of European consumer cooperatives depart from the straight line of service to consumers. Some of them pay as much as 1 or 2 percent more on members' savings than that money actually earns. This means a loss that must come out of money that would otherwise swell patronage refunds for all the members.

#### COOPERATIVE OBJECTIVES VARY

Cooperative theory in all countries places service to the consumer as the chief objective. Beyond that it varies widely. In England, Scotland, Czechoslovakia, there is a strong socialist tinge to the cooperative movement. Many leading cooperators frankly say that state socialism is their ultimate objective, with

the cooperatives becoming the distributive and to some extent the producing agencies of the state. Others visualize a state of society in which the necessary functions will be divided between consumer cooperatives and the state. Still others believe that there can be no compromise or division of the field between cooperatives and private business. Their objective is the cooperative commonwealth, with consumer cooperatives owning all productive and distributive enterprises. From the prevailing point of view of consumer cooperatives in these countries, monopoly is dangerous only in private hands; cooperative monopoly is a worthy objective.

In other countries there is little of this. Consumer cooperatives in Denmark, with membership chiefly among farmers, talk about little but saving themselves as much money as possible. In Sweden and Switzerland they see themselves as a price-controlling agency in the interest of all consumers. They have no desire to own all productive and distributive business, but only enough to insure consumers fair prices and good quality and service.

#### COOPERATIVE SUCCESS BASED ON RETAILING

In appraising the cooperative movement in Europe, it must be understood that it entered the retail merchandising field at a time when retailing was chiefly in the hands of small and inefficient shopkeepers. It pioneered in modernizing retail stores and merchandising methods. It increased the volume of trade per store. It bought advantageously by combining the buying power of thousands of members.

Because it started in a field where margins were excessive, it was able to accumulate reserves and to expand rapidly, at the same time paying liberal dividends to its members.

When it took the next step (cooperative ownership and operation of production), it already had a large and fairly stable outlet through its numerous stores. With that advantage, success was not difficult, particularly since production started in fields of staple goods, where risks were less, and the fields dominated by monopolies, where margins were great.

For the most part, cooperative manufacturing has been markedly successful. It has been more effective than antitrust laws in controlling monopoly prices. It has set standards of quality, not higher than those existing in a large portion of private trade, but higher than most standards in the lower priced field in which persons of limited income must do most of their buying.

#### RELATIONSHIP WITH AGRICULTURE

In its relations with agriculture, consumer cooperation has not always been particularly fortunate. An influential segment of cooperative opinion holds that farming is a capitalistic enterprise and that consumer cooperatives must ultimately control and operate the farms as well as other means of production.

The story of the adventures in this field by English and Scottish consumer cooperatives is told in chapter XI, *Consumer Cooperatives and Agriculture*. Told there also is the story of the competitive invasion of the agricultural processing field by consumer cooperatives, and the opposition of English and Scottish consumer cooperatives to the farm marketing schemes of those countries.

While as a consumer the farmer may secure the same benefit from consumer cooperation as any other consumer, as a producer he seems to have secured no special benefit; in fact, the concentration of buying power in a cooperative wholesale society which has the capital and often the desire to go into food processing, if not into production, tends to make the farmer dependent on the buyer's willingness to pay fair prices.

Some consumer cooperative spokesmen say frankly that they expect and ought to be in a position to dominate food prices, and that farmers should be content to trust to their sense of fairness. As long as people are human, however, there is likely to be a difference of opinion between buyer and seller as to what is a fair price.

In general, it is difficult to see how farmers can get along with a consumer cooperative movement dominated by the English ideology, in which theoretically all production as well as processing should be done by consumer organizations. Farmers' profits are their wages. A

consumer cooperative that does not admit that cannot meet farmers on any common ground.

On the other hand, Swedish and Swiss experience shows that there is a kind of consumer cooperation which can maintain amicable relations with farmers.

In most countries, the relation between farmers as sellers and consumers as buyers is no better and no worse than the relation between farmers and other buyers. The growing concentration of buying in the hands of consumer cooperatives must be met by an equal concentration of selling power in farm marketing cooperatives, in the opinion of most European farmers. In other words, consumer cooperatives in no sense operate to solve the farmer's marketing and fair-price problems. In fact, they could not do so and at the same time serve consumers with the singleness of purpose that consumer cooperative theory demands.

#### COOPERATIVE OPPORTUNITY IN THE UNITED STATES

In considering whether consumer cooperation may duplicate in the United States its success in Europe, it must be remembered that during their period of growth the European cooperatives lacked the competition of chain stores and mail-order houses which similar institutions must face in the United States.

To a considerable degree American chain stores, voluntary chains, and mail-order houses have done the same job of forcing down retailing margins in the United States that has been done by consumer cooperatives in Europe.

Once established and in strong financial position, consumer cooperatives seem capable of meeting any fair competition. In fact (although this is denied by many cooperative leaders), they are probably giving better and more efficient service than would be the case if they had a monopoly in the distributive field.

The Basle (Switzerland) cooperative society, for instance, which has the highest proportion of membership to population of any cooperative anywhere, is successfully meeting the competition of a chain-store company which has adopted

the cooperative policy of paying dividends on purchases, and actually pays 8 percent to the cooperative's 9 percent.

While its social and educational values may make it possible for a cooperative to maintain itself and even grow once it is well established, the problem of establishing itself in the face of such a narrow margin is difficult.

The possibilities of cooperative manufacture as a check on monopoly prices may well be attractive in a country like the United States where other means of controlling monopoly have not been particularly successful. It must be remembered, however, that European success in cooperative manufacturing has been based on the preexistence of adequate cooperative retail outlets to take all or practically all the factory output. In no case has there been any attempt to enter cooperative manufacturing in the absence of this assured market. It would seem that without means of reaching consumers through channels under its own or friendly control, chances for the success of cooperative manufacture are remote.

It seems self-evident that success of consumer cooperation in the United States on a scale comparable to that of Europe depends on its ability to establish itself in the retail field in a substantial way.

#### EFFECT ON PRIVATE BUSINESS

The opposition to consumer cooperatives which has developed in a few quarters in America would seem to be unwarranted. American business and the consumer cooperative movement both believe (at least in theory) in free and open competition.

If the American theory that free competition is best for both consumer and business is correct, this new form of competition which is almost sure to remain competitive and cannot be expected to become part of any monopoly, should not meet with objection. In fact, the existence of a strong cooperative movement should tend to maintain competition, and to restore it in those fields where it has been restricted.

The small merchant is not likely to find coop-

erative competition any harder to meet than that of the chain stores. If he has learned to meet the latter, he is not likely to be put out of business by the former. If he has not learned to meet it, he is probably doomed anyway.

At the same time the private business man will profit by the thrift and stability which usually are important byproducts of consumer cooperation.

All this presupposes that consumer cooperatives will be given no more special privileges than those enjoyed by private corporations. It presupposes, too, that consumer cooperation will be a business and social and not a political movement, and that it will avoid attempting to create a cooperative monopoly.

#### WHAT CONSUMER COOPERATION MAY DO

There would seem to be a few definite contributions that consumer cooperation might make to the economic life of America.

1. Accumulation of interest-free capital. This offers possibilities of a substantial contribution to the solution of one of our vexing economic problems—the tendency to load prices with a capital charge so heavy that it becomes one of the chief causes of periodic business break-downs.

2. Encouragement of thrift among classes which ordinarily save little or nothing.

3. Establishment of an influence for fair prices for consumers which, because it is owned by consumers, is unlikely to become part of any monopolistic price-fixing combination.

4. Giving to many people in whom sense of ownership is absent, the stability that comes from becoming part owner of a business enterprise. This sense of ownership seems to accompany shares in a cooperative in greater degree than is the case with stock ownership in a private enterprise.

#### DANGERS TO AVOID

There would seem to be some dangers which consumer cooperatives in America should strive to avoid.

1. Their job is to serve consumers with singleness of purpose. It is not their task to attempt to cure maladjustments in the distribution of

national income by trying to raise wage levels, interest levels, or farm price levels. Those are problems which can best be approached from another direction.

2. They should keep out of politics. Political objectives can best be attained through organizations formed for that purpose.

3. They should avoid the lure of a cooperative monopoly. There seems to be no reason to believe that the stimulus of competition is needed any less by cooperative than by private business, or that a cooperative monopoly would not stop progress just as surely as private monopoly does.

4. They should be guided by the Swedish policy of using cooperation as a means of keeping prices down to a fair level, and going into business only to the extent necessary to accomplish that, rather than adopting the English aim of a cooperative commonwealth. It is doubtful if the latter will prove to be acceptable to any large number of Americans.

5. They should avoid the class protagonism that exists in some quarters in Europe. Consumers are a universal class; consumer cooperation should not become involved in any struggle between classes.

#### SUGGESTIONS FOR PRIVATE BUSINESS

Instead of becoming jittery at the prospect of cooperative competition, private business in America might better meet that competition on its own grounds—that of service to the consumer. In the end the institution that performs that service best is the one that will remain.

The following suggestions should, I believe, be considered thoughtfully by private business in facing cooperative competition.

1. Avoid overcapitalization. Instead, go as far as possible to the other extreme by charging off capital expenditures as rapidly as possible, translating the savings into lower prices rather than into higher dividends.

2. Follow more generally the policy of the better business institutions of maintaining standards of quality, and making it easier for consumers to judge real quality.

3. In essential goods as contrasted with luxuries, avoid going to extremes in variety; and offer fewer “frills” of service, taking the saving off the price.

4. Do not use “service” as an excuse for high prices. Instead, strive by every possible means (except at the expense of reliable quality) to meet the consumer demand for lower prices.

5. Recognize the need in the food field of giving the consumer as reasonable prices as possible consistent with fair prices to the farmer; admit that there is some ground for the complaint of both these interests that the margin between farm and table is too high, and encourage and assist efforts to reduce this margin.

Many of the accomplishments claimed for consumer cooperation in Europe are not intrinsically tied to cooperation. The same ends can be achieved by private business—have been in many instances in this country. I do not believe that consumer cooperation will replace private business in the United States. Neither do I believe that private business can stop the development of consumer cooperation here. But honest competition between the two will be good for both, and for the consumer.

The interest of government, in my opinion, should be limited to seeing that one has no privilege that is not given to the other. Insofar as private business benefits from government privilege or service, consumer cooperation should be given compensating advantages. If that policy is followed, I see no reason why both forms of business cannot get along together without calling names or worrying unduly, just as many various ways of doing business are getting along side by side in America today.



## Chapter VI

### THE PLACE OF COOPERATION IN AMERICAN LIFE

by Emily Cauthorn Bates

THE economic phases of cooperative organization are treated adequately in the body of this report and the statements of my colleagues. I am, therefore, devoting my comments to an outline of the place I believe the cooperative movement, if developed in America, may take in enriching the lives of our people.

These comments are based upon my observations of European cooperative methods and achievements, and upon my knowledge of specific American conditions.

#### COOPERATIVES ARE IMPORTANT TO WOMEN

Cooperative enterprise offers women, as the world's buyers and household business managers, a way to supply their families' needs efficiently. The broad cultural and educational effects of cooperation concern them deeply as wives and mothers. It is their interest, or lack of it, which can make or break the cooperative movement. If the women in America want it enough, cooperative enterprise will grow in this country.

In order to relate its effects directly to the specific problems of women, it may be helpful first to summarize from the American woman's point of view what cooperation is.

The story of the pioneer American woman whose responsibility it was to provide her household through her own efforts with practically every requirement of living is still vivid. The change from a self-sufficient household economy to a complex industrial society has taken place almost within the life span of one woman. The evolution has been so rapid and the possibilities of the new order, such as a wider variety and

greater quantity of goods, together with new leisure for the housewife, have been so great, that it is natural that some of its disadvantages may have been overlooked. As long as there seemed to be plenty, or a promise of plenty, flowing from the factories into the homes, the improvement was not questioned.

The shift of emphasis from procuring goods for use, to selling goods for gain, has seemed natural enough—a part of the new system which is undoubtedly a better way in some respects, and in any event was inevitable. The right of the owner, the man who put his money into the business, to have power in determining how it should be conducted and to share in the company earnings in proportion to his investment (and control) has seemed proper. Credit trading and installment buying, devices invented to sell more goods, seemed to benefit the buyer by enabling him to purchase more and to enjoy the use of his purchases while, or before, he paid for them. Only when some generally unforeseen cause interrupted the flow of goods did it appear important for the ordinary man or woman to be concerned with the nature of the system.

The foundations of the cooperative movement are the buyers' needs rather than the sellers' interests. Cash trading has come to be recognized as a sound policy both for the protection of the individual members and for the sound operation of their business. Banking departments of the consumers' societies and separate credit societies have been developed to provide funds for rainy days and to assist members in such emergencies as periods of unemployment

and illness (in addition to the systems of health insurance and unemployment insurance current in almost all European countries). In England we were told that only cooperative investments were not seriously affected by the depression. Death benefits and various forms of insurance are provided. Better housing and wider distribution of electric power are among the other services which cooperatives furnish.

Business men, economists, bankers, and Government officials interviewed in all the countries spoke of the cooperatives as a constructive and stabilizing influence in the nation, creating a sense of ownership which has produced better citizens. They spoke of the cooperatives' cleaner and more attractive shops. Cooperative enterprise, it was reiterated, has increased purchasing power and raised the standard of living by lowering prices, returning surplus to its members, and paying good wages to its labor. Cooperatives have softened the effects of the depression in some countries, it was brought out. High tribute was paid to their accomplishments in raising the economic and social understanding of the common people, by training them to run their own businesses, and by providing cultural activities.

Of great significance to women are the educational and cultural activities universally carried on by cooperative societies. Such education is not, of course, peculiar to cooperatives, but in Europe consumer cooperatives have carried it on with marked success. It offers women a type of education they can themselves most easily control and direct to suit their needs. They study the differences between cooperatives and other types of enterprise. They learn how to obtain maximum service through their societies. The general advantages of cash trading are stressed, and particular emphasis is given to exploitation of the consumer prevalent in systems of credit trading and installment buying. This is included in what is known in America as consumer education.

In all the countries where the movement is flourishing we found women taking an increasingly active part as members of education and

management committees of local and sometimes national societies. In most countries they have developed their own autonomous organizations, Women's Cooperative Guilds,<sup>1</sup> through which they prepare themselves for positions of responsibility in the movement by studying economics and cooperation, discussing the problems facing cooperative business, and analyzing the societies' financial statements. Study courses prepared by the cooperative education departments are used in this work. This has proved the most practical and useful kind of economic education, because it is directly related to participation in business enterprises which they themselves own. The guilds deal with every problem which affects the housewife.

Guildswomen feel that their organization, grouping women in 13 countries, is in a unique position to work for world peace. While seeking to strengthen existing agencies of international conciliation, and to promote international unity by the exchange of views between the women of many nations, they point out that the causes of war are essentially economic. These causes, they believe, can be eliminated by the progress of cooperative organization within the nations and on an international scale.

How the growth of cooperative enterprise might affect the well-being of women in this country may be seen in several stories taken from life.

Mrs. A, a young mother with one small son 5 years old, lives in a middle western town. She was a member of a large family of children and early became accustomed to being poor. When she married a young man who had a good job on a merchant's delivery truck, she planned for a small family—one child "who could have the nice things other children had."

She had been a waitress and, at the time of her marriage she and her husband together had saved \$200. During the first year of their married life they were able to accumulate an additional two hundred. Then the baby came. Shortly afterward one of the two banks in the town failed, locking up their small savings.

<sup>1</sup> See ch. X., Part I.

The closing of this bank caused all business to retrench. The husband's salary was cut drastically. The baby was ill much of the first year, and with doctor bills and the family needs increasing, the weekly salary check seemed just too small. It was at this time they began getting credit at the store to purchase needed clothing.

"Next week" they figured there would be something left with which to catch up. But somehow "next week" never arrived, for other salary decreases came. Now some of the cuts have been restored, and they are beginning to hope again. But it has been 5 long years of soul-tiring days for Mrs. A, who has always been conscientious about her overdue obligations and has spent many hours worrying about how it all happened when she had planned so carefully and tried so hard.

If she had been a member of a well-established cooperative society, Mrs. A would probably not have lost her savings in the first place. Member savings in well-established cooperatives have almost never been lost through depression or other causes. If the necessity had arisen for more goods or items of clothing costing more than 1 week's salary would buy, she would not have bought on credit from the shop but would have felt free to go to her own credit union or cooperative bank, which would have shown a sympathetic attitude toward her need as a fellow member in arranging terms she could meet. She would have felt no sense of being tardy in paying her bills and no feeling of obligation to the merchant. Knowing that the business of the credit union was to furnish such loans to others who needed them, she would have been less distressed over a simple business transaction in which there was, moreover, no profit.

If she were a member of a cooperative study circle or a Women's Cooperative Guild she would have better understood the economics of her own situation, as a part of a general depression, and would have been less perplexed by her family's plight. Doubtless she would also have met, through these organizations, others with

similar problems, with whom an exchange of experiences would have been helpful. If her husband had by chance been employed by the cooperative, his salary reductions would not have been as drastic, because cooperatives tend to contract less, or even to expand, in times of depression. She might have been able to plan her purchases so that she could have bought the needed clothing, the largest item for which she went in debt, with her patronage refund from the cooperative store, as many women in England and Scotland do.

Mrs. B lives in an industrial community with a population of about 6,000 people. She has five children. Mr. B is a lawyer. Mrs. B spent 2 years at the State university. But her academic training has not equipped her to deal with her household management problems. She, like most of her neighbors, runs accounts at a number of stores. These are continually amounting to "more than she had intended", and are a constant burden.

She owes small sums to the baker and vegetable man who call at her door. She has great sympathy with the problems of the baker boy and the vegetable man. She hates to owe them anything, but she "just can't seem to catch up", with installments to meet on the electric refrigerator and the new automobile.

Another source of uneasiness to her is the prices she paid for both the refrigerator and the automobile, since she paid the highest price in the field for each. She rationalizes by telling herself that "if one gets the best, one must expect to pay for it." She hopes she got the best, but all she knows is that she got the most expensive.

She worries over the whole situation, especially because she feels her financial problems keep her from giving her children proper attention. She often refers to herself as a "harassed mother."

Several of Mrs. B's children are now out of high school, and she is quite shocked at the realization that the family's finances are such that they can't go right on to college as "all her family did." She is concerned over her daughters not meeting the "right people." It is a

matter of regret to her that the community in which she lives offers few educational and cultural activities to enrich the lives of young people.

If this town had had a properly organized cooperative society which Mrs. B had joined early in her married life, many of her problems would very likely never have developed. Study of credit trading and installment buying in a cooperative study circle would have taught her the dangers of overspending through the use of these systems. The effect of these practices upon the whole economic structure, usually included in the practical economic education which cooperatives carry on, would have appealed to her and would likely have prevented her forming the habit of saying "charge it" without calculating the cost when she makes her purchases.

Consumer education would have taught her that price is not always an indication of quality—that she could have bought a refrigerator and an automobile which would have served her needs without paying the highest price. This training would also have saved her the grief she has experienced over her buying, "because she wants her children to have the best", every new and highly advertised product.

The educational and cultural program of the cooperative would offer the young people in the community some of the activities for enriching their lives which Mrs. B now misses, and she would have more peace of mind over her inability to send her children out of the community to school.

It is even possible that she might have allowed a portion of her patronage refunds to accumulate through the years in the savings department of her cooperative society, so that when her children were grown she would have sufficient savings to send some or all of them to college. This is frequently done in England and Scotland.

What the cooperative store can mean to a farmer's wife is illustrated by the story of Mrs. C, a Kansas woman. It is a typical experience of an increasing number of American farm women in communities where cooperative enterprise has been developed.

Because unfavorable weather conditions have made it impossible to raise fruits and vegetables in sufficient quantity to preserve much for winter use, she has had to buy not only staple groceries but most of the family's needs in canned goods from the village store. More and more feed for poultry and livestock has also been required from the store. Thus, with decreased farm income, came the necessity for increased outlay of cash by the farm family. When the food was bought, and the necessary farm supplies purchased, there was frequently not enough left to buy clothing for the children to wear to school.

Mrs. C was discouraged when, at the invitation of a friend, she joined the new cooperative store and filling station opened in connection with the farmers' grain elevator in the nearest town. At the end of the first year of her membership, the refund on her year's purchases at the cooperative helped to provide essential clothing. Education in household buying and home management, part of the cooperative program, materially extended her budget. By the end of the second year, the results of this training and the second patronage refund from the society enabled her, not only to get new clothing needed by the family, but to invest a part of the saving, as a safeguard against a rainy day, in the credit union organized among the store members.

Added to these practical benefits are the new interests she has acquired through taking part in the business of running the store, and in educational and social meetings. Before the cooperative became active, the absence of any neighborhood associations coupled with the strain of her economic insecurity had made her feel that farm life had lost its charm. With relief from the pressure of financial problems and through the group activities of the cooperative society, her vision of a happy rural community has been restored.

#### YOUTH WOULD SHARE ITS BENEFITS

The cooperative movement has materially increased the quantity of goods that people can buy with the money they have, the inquiry was

officially told in the countries we visited. This is significant to youth in America, since on increased production of goods and services depends the creation of more jobs.

"Next to the youth who has no calling, he is most to be pitied who toils without heart", is the subject of a recent magazine article dealing with the problem of the young man who feels himself an insignificant cog in a great machine of mass production. The resultant loss of incentive is a matter of deep concern to thoughtful young people all over the country.

Some solution to this might be expected to come through the development of cooperatives. In England we learned that most employees of retail cooperative societies were also members and shared in deciding how the shops should be run. Such participation by the store employees on an equal basis with other members, in the distributive business at least, would give them a special interest in their work.

This sense of identity with the business would be present to a lesser degree in productive enterprises. Since the factories of consumer cooperatives are usually owned and operated by the wholesale federations, which are in turn owned and controlled by the local societies, membership in the local store would indirectly provide a sense of being a part owner of the cooperative factory.

Workers in privately owned factories, although their feeling of ownership would not be related to the company which employs them, would be less burdened by uncreative routine labor if, outside their working hours, they participated in some form of cooperative effort to supply the material, social, or recreational needs of a group of people.

The contact of the Inquiry with cooperative employees, members, and executives offered impressive proof that the lives of individuals are enriched through association with others in cooperatives. Our observations bore out a statement made by the president of the 1935 British Cooperative Congress:

The end of cooperation is the freeing of men and women from economic and social thralldom. By so doing,

we shall bring them to that state where intellect and spiritual freedom, and a fuller and nobler life, are made possible.

Every cooperative has an ideal goal. It may be the building of a business as a "superstructure on the individual family economy." It may be to reestablish free competition by regulating monopolies. Some cooperators state their purpose is simply to provide goods of known quality at cost to people of limited incomes. Some speak of building "a new social order." Many express the intention to eliminate the profit motive in business in favor of the satisfaction of human needs.

To feel themselves a part of an enterprise with such aims would doubtless help young people to consider their work and their lives important. There is a certain quality about cooperative enterprise, its purpose and operation, which suggests building for the future. This would appeal to the innate idealism of youth.

The growth of cooperative enterprise concerns young people because of the emphasis on human rather than pecuniary values which characterizes the cooperative educational program. In America, educational leaders are alert to the forces which affect the lives of the people. They are today discussing imminent changes in the American pattern of life. It is conceivable that large scale development of the cooperative movement might be assisted by, and at the same time it would itself assist, in placing a new emphasis in education by interpreting "success in life" not in terms of financial or material ownership, competition with or exploitation of others, but in terms of helping more people to enjoy life. The man with the most prestige might, within reason, become the man who lives as if his life belongs to the community, rather than the one who lives in the finest house, drives the handsomest car, and controls most of the town's activities, including the school and the church, and the town's politics, because he owns most of the property.

#### DOES IT CONCERN THE CHURCH?

In our observation of cooperative enterprise in Europe we saw nothing to indicate that coop-

erative organization is in any sense a substitute for the church. In one rural community in Ireland we were shown a fine church building which we were told had been built by the Catholic and Protestant members of the community cooperative. In many countries the stories we heard of the early beginnings of cooperation included mention of the use of the church building as the cooperative discussion center and first base of operations during the buying-club stage. In no country did we see any active participation of the church, as an organization, in promoting cooperative enterprise. The explanation for this probably lies in the fact that the church in most of the countries we visited is an established church.

In this country many churches and many church people are taking an interest in, and frequently actively aiding, the development of cooperatives. Those who believe the responsibility of the church is not only to minister to the spiritual needs of the people but to be concerned with their problems of everyday life; those who feel that in this period of social change it is the duty of the church to exert its influence to guide that change toward a voluntary, democratic system aiming at social justice and equitable distribution of the material goods of life; and those who believe the church is face to face with the necessity of finding some common basis for social and economic life that more nearly embodies the ideals set forth in Christian teachings, should, in my opinion, find justification for their support of the cooperative movement if they made an impartial investigation like that made by this Inquiry.

This conclusion is inevitable to me after attending a regular meeting of a local branch of the English Women's Cooperative Guild, visiting a quarterly meeting of a local society in Scotland, inspecting stores and factories, and talking with employees, board members, and managers of local and national cooperative organizations.

Wherever we went these things were apparent: The emphasis placed by cooperatives on open membership, individual freedom of choice,

equal rights, and the ideal of service; consideration of the common good, which characterizes their operating policies; the vision of providing a fuller life, evidenced by the kind of educational and cultural activities they provide for members, employees, and in many cases all who come; and the social outlook of the movement's outstanding leaders.

Although we found that some cooperative organizations do not live up to their ideals, any more than some churches do, these are my general impressions of the influence cooperatives have exerted in supporting the religion of the people.

Statements by national leaders in educational and business circles, and of bankers and representatives of government in all the countries we visited, support the conviction that cooperatives have made decided contributions to higher national "moral climates."

#### CONCLUSION

Not in any one country, nor in all the countries visited by the Inquiry, did we observe all the forces actually operating to provide for the people the fuller life that I envision for our country.

Nor is it my intention to minimize the difficulties which the cooperative movement will face as it develops in America. There are two conditions, however, which are frequently given as reasons why cooperatives can expect to have no very wide growth in this country, which study leads me to conclude are unsound. They are:

1. The vast extent and the heterogeneous population of the United States.

The size of our Nation is a challenge, but not a barrier, to cooperative organization. It may call for diversity of form and activity; it does not mean disaster to cooperative growth.

It seems likely that various sections of America may successfully develop cooperative enterprise, each in its own way and to meet its particular needs. The next step would be regional federations. These would probably be part of a national group affiliated with the international alliance. Such a development is already under

way. There are already a number of regional federations, and through the Cooperative League of the United States, they are members of the International Cooperative Alliance.

The heterogeneity of America's population is still striking in many regions of our country. In mill or mining towns national blocks of workers may be found who do not speak each other's language. But this heterogeneity is disappearing in the face of Nation-wide radio broadcasts, nationally distributed movies and magazines, and the growth of the second generation of immigrant families. The almost complete shutting off of immigration in the 1920's insures an increasingly homogeneous population.

There is no reason to doubt that even where American people of diverse national origins mingle, they will be able to join in cooperative economic endeavor. This they are already doing in the formation of labor unions, and this they have in some communities already shown the desire and ability to do in consumer cooperatives.

2. The existence of chain stores. This seems a more valid argument, since chain stores, as we know them, came in most countries of Europe after, not before, the cooperatives. Consumer cooperatives in Switzerland, however, are successfully meeting vigorous chain store competition. With such competition in this country, cooperatives will have smaller margins from which to make refunds on purchases.

Some phases of cooperative enterprise, it seems to me, will appeal to the American public as decided advantages over the chain store system. Cooperative stores offer the same service of low prices, made possible by large-scale purchasing, in clean and attractive shops, that the chain stores do. In addition, the company earnings in excess of costs are returned to the purchasers to be spent over again in the com-

munity. In a cooperative, consumers may control quality and make needs and preferences directly known, by their voice in the determination of policies and the election of the management of their own enterprise.

Cooperatives generally stand for better than average labor relationships and working conditions. The cooperative store patrons own a stake in the organization, and participate in member meetings to determine its policies. And the auxiliary educational and cultural activities which are universally a part of the work of cooperative societies enrich the life of the community.

The cooperative movement in America is bound to have its difficulties. After an intensive study of the subject, I see no cooperative Utopia looming on the immediate horizon. Cooperative enterprise develops slowly. It does not seek to overthrow anything but grows to meet specific needs not otherwise satisfactorily supplied. "It takes hold, in the first instance, of buying and selling, as that department in human affairs which lies nearest at hand and most needs a new and reforming spirit, but it has aims outside and above trade \* \* \*. It has been the special characteristic of cooperation to start from the present, and look to the future, which it anticipates as a state to be slowly evolved out of the actual, by transforming, without rudely destroying it."<sup>1</sup>

America is a democratic nation determined to find a means of raising the general standard of living. Making use of our abundant resources, we seek to build a nation of people economically secure and at peace with the world. To this end, widespread development of cooperative enterprise by the people offers vast possibilities.

<sup>1</sup> Foundations: A Study in the Ethics and Economics of the Cooperative Movement, by T. Hughes and E. V. Neale.

# *Part Three*

## **COOPERATIVE ENTERPRISE IN EUROPE**

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### **COOPERATION**

#### **AT**

### **CLOSE RANGE**

**C**OOPERATIVE ENTERPRISE can perhaps best be understood through its local operations. Here a number of local societies are described, ranging from very large urban societies to small ones in the country.

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# Chapter I

## THE COOPERATIVE SOCIETY OF BASLE, SWITZERLAND

THE General Consumers' Society of Basle was founded 70 years ago. Its membership of 59,711 families includes about four-fifths of a population of 220,000 in the city of Basle and in the surrounding area (extending even into adjacent French and German territory). Its turn-over in 1935 was 52,909,820 francs (\$17,194,000),<sup>1</sup> including members' purchases amounting to 41,850,000 francs, on which savings returns were made. It is the largest consumer cooperative in Switzerland. Probably no other important consumer cooperative in Europe serves the population in its area so completely both with regard to membership and with regard to the variety of goods and services furnished.

The society has 251 outlets in the city and adjacent areas. The prices are the same in all stores. Groceries, fresh fruits and vegetables, wines from the society's own cellars, bakery goods from its own three bakeries, milk and dairy products, are handled by 190 stores; and meat products by 43 stores. There are also 12 shoe stores, 3 dry goods stores, 1 hardware store, 2 department stores with a complete line of clothing and housefurnishings, and 2 restaurants. The society has its own modern shoe repair shop. Its fuel division distributes annually over 1,100 freight cars of wood, coal, and fuel oil. The Basle society has 2,000 employees, of whom more than 1,500 are engaged on a permanent and full-time basis. The society's last annual pay roll amounted to 7,622,930 francs.

<sup>1</sup> The Swiss franc is now a little more than 3 to a dollar of our currency; in 1933 it was about 4 to the dollar, and from 1925 to 1932 it was about 5 to the dollar.

Besides operating a number of production enterprises of its own, the society is a large investor in the cooperative flour mill and the cooperative shoe factory owned by the Swiss Cooperative Union. Its commercial banking requirements are handled through the Central Cooperative Bank at Basle, of which it is a member. The society also operates a savings bank which handles deposits of its members for the purpose of financing cooperative enterprise without depending on loans from private banks. It has invested 9,000,000 francs in building loans and mortgages of cooperative housing societies. The Basle society is the largest real-estate owner in the city. It owns 92 properties housing many of its stores and more than 500 families.

Membership in the society is restricted to one member of a family. The entire family, however, can purchase under that membership. Purchases are entered in the member's little purchase book, which is turned into the society at the end of the year for the computation of savings returns. In 1935 the annual savings returns amounted to 9 percent of a member's purchases, or a total of 3,766,500 francs, bringing the total patronage refund during the society's existence to more than 83,000,000 francs.

The stores, designed by the society's architectural division, look bright, clean, and efficient. Modern merchandising methods are used in the display and arrangement of stock. The stores are open from 7 in the morning till 7 in the evening; but the employees work not more than 8½ hours a day. We were informed that the turn-over per employee averages 42,500 francs annually, while in private retail stores it is

generally around 20,000 francs. This efficiency in operation, we were told, makes it possible to give the employees better conditions than in private stores; such as slightly higher wages, paid vacations, sickness and old-age pensions. The gross cost per cooperative employee in Basle was said to be about 1,000 francs per year higher than the average for private business.

The society sells about half of all food retailed in Basle, 10 percent of the clothing, and 15 percent of the shoes and boots. It supplies 40 percent of the area's bakery goods consumption, and 40 percent of the milk consumption.

Perishable goods such as milk, fresh fruits, vegetables, and bakery goods are supplied to the stores two or three times daily, although most stores now have electric refrigerators. On the shelves are practically all kinds of goods for which there is a consumer demand. In many instances, private brands stand side by side with cooperatively produced and packaged goods. But the thrifty housewife soon learns to notice the difference in price. Thus in one of the stores we were shown a package of cooperative soap powder retailing at 60 centimes, while the same size package of a private brand sells for 80 centimes (about 7 cents more in terms of United States currency).

In order to simplify the record keeping, the society issues its own currency in denominations from 5 centimes to 5 francs. When a member buys (always at par) 10 or 20 francs' worth of this cooperative currency, the purchase is entered in his little purchase book for purposes of calculating the annual savings returns. This relieves him and the sales girl of the bother of entering in his book sales amounting to only a few centimes; and it induces members to make even small purchases at the cooperative store. There are about 400,000 francs of this currency in circulation. The Basle society initiated this system before Federal law limited the private issue of money. However, no new society is allowed to use its own currency.

The production and warehousing facilities of the Basle society are modern. The coffee-roasting plant blends and puts up about 800,000

half-pound packages annually. The main bakery is the largest in Switzerland and employs 125 people. It uses about 4,000 tons of flour annually. It is a model of cleanliness and efficiency. The society has its own produce market with cold-storage facilities, also automatic grading equipment for potatoes, apples, etc. The fuel yards have already been mentioned. An abattoir employing 112 persons provides the stores with fresh meats in addition to the meat products supplied from the large packing plant in which the cooperative wholesale V. S. K. has a controlling interest. The milk plant is considered technically and hygienically one of the finest in Europe. It handles about 17 million quarts annually. Two-thirds of the milk is sold over the counter, the rest delivered to customers' homes. About 250,000 bottles per year of certified milk for children come from the society's own model farm. Surplus milk is turned into butter and cheese in the society's own plant. In the mechanized shoe repair shop about 50,000 pairs of shoes are repaired annually. The winery has the largest storage vaults in Switzerland, holding about 3 million quarts of wine and fruit juices. The transportation equipment of the society includes 72 trucks, 60 trailers, and 3 tractors.

The administration of the Basle society is typical of that of other large Swiss consumers' societies. There is a supervisory council of 33, a board of directors of 7, and an executive committee of 3 members. In addition there is an auditing committee of 15. Balloting is made easy for the society's large membership by voting urns placed in all the stores. We were informed that about 50 percent of the members participate in the voting.

The relatively high amount of purchases by members, averaging about \$286 annually, is attributed to two factors. One is the society's policy of selling at prices which, especially in consideration of the patronage refund and of the quality offered, cannot be undercut by private competitors. The other is the society's educational policy which provides lectures, exhibits, and motion pictures, fosters a league of women cooperators, arranges handicraft and

recreational classes for children, and has established a large committee of volunteers to visit the homes of inactive members and prospective members—4,422 such visits being made in 1935. This committee keeps track of weddings and urges the newlyweds to join the cooperative; it

also follows up new residents in Basle. Practically the entire working class and most of the middle class of the city of Basle belong to the cooperative, even one millionaire; and in the surrounding area the membership also includes many small farmers.

## Chapter II

### COOPERATION IN THE CHARENTE COUNTRY OF FRANCE

THE town of Cognac, from which the well-known wine-brandy takes its name, is in southwestern France, about 65 miles north of Bordeaux. It is the center of the area comprising parts of the departments of Charente, Charente-Inférieure, and Deux-Sèvres, which together are called the Charente district or Charente country.

Here, in the midst of old French traditions, the inhabitants attribute their present prosperity to cooperative enterprise more than to anything else. The director of the Cooperative Union of Charente Winegrowers (Unicoop), told us: "It is due to the cooperatives that this section is so rich."

The Charente district is not one of the most fertile sections of France. Its chalky soil produces a relatively inferior wine—which, however, it was long ago discovered, distills into an excellent brandy that gains special qualities when properly aged in the cask.

In 1875, grape phylloxera ravaged the vineyards, with catastrophic effects. In 1873, Charente-Inférieure had produced about 181 million gallons of wine; 7 years later the yield had dropped to less than 2 million gallons, a decrease of over 99 percent. Land dropped 50 percent in value; and the population declined by 10,000 in 20 years.

In this emergency, some of the residents decided that they could save themselves by developing dairy farming if they organized cooperatively. They began setting up cooperative dairies. Today 80 percent of the dairymen in the region belong to the dairy marketing organization. There are 200 cooperative dairies, with over 120,000 members.

Gradually there were discovered ways of treating phylloxera-infected soil, so that the Charente vineyards were largely saved or replanted. The cooperative method was extended from dairying into cognac distilling and marketing, and other fields.

The cooperative flour milling society has eight mills, which grind 90 percent of the wheat of the two departments of Charente Inférieure and Deux-Sèvres. It supplies flour to 360 local societies which bake and sell bread and bakery products only. These local societies are in the villages, and their principal members and customers are farmers. Surplus flour from the cooperative mills is sold to nine bakeries owned by consumer cooperatives.

We visited the largest flour mill and the largest creamery in the district. Products seemed to be of good quality, although manufacturing and sanitary standards were not high, compared with American standards.

The Agricultural Credit Bank of the Department of Charente-Inférieure was created in 1903. Since the depression its credit facilities have played an especially important role in making possible increased activities by the agricultural cooperatives of the region, and by the joint purchasing agency of the Federation of Agricultural Syndicates and the Regional Consumers' Cooperative.

The most distinctive cooperative in the Charente region is that of the cognac growers—the Cooperative Union of Charente Winegrowers, called Unicoop for short. There are about 1,500 growers of grapes who distill cognac in Unicoop's distilleries. This gives Unicoop control of per-

haps a third to one-half of the cognac crop, Unicoop, we were told, has a million dollars' worth of cognac aging in its cellars. It needs to be aged 3 years, and improves up to 30 years.

Unicoop operates 12 distilleries in the district. It assembles, collects, and stores brandy distilled by individual farmers. Through a separate cooperative sales organization, it distributes its products locally through the Regional Consumers' Cooperative, and nationally through the Cooperative Wholesale of France. It has recently started in a small way to export cognac in America.

The wine and cognac cooperative owes much of its success to its high standards of quality. This is particularly important in a product which can be (and is) so greatly diluted by some traders.

Unicoop carries on a close collaboration with the Regional Consumers' Cooperative. Each year at harvest time the latter contracts for from 5,000 to 7,500 gallons of new cognac at current market price, assuring a steady local market for these products.

The French Cooperative Wholesale Society has established its purchasing agency for cognac in the headquarters of Unicoop. This gives the cognac producers a national outlet for their products, without the heavy burden of establishing and maintaining their own sales organization.

With the development of this association the structure of cooperative enterprise in the whole region approaches completion. The grower produces his wine, takes it to his cooperative distillery to have cognac made, receives an advance on it, and, when it is aged, 3 to 5 years later, gets a final payment. The society pays him advances during the process of aging, ordinarily borrowing the money through a cooperative credit organization which is generously aided by State funds. The farmer gets his foodstuffs from his cooperative store. If he raises any wheat he has it milled in his cooperative mill. A considerable part of the product of the cooperative mills in this region goes as flour to the cooperative stores, and to the cooperative

bakeries where it is baked, and is returned as bread to the cooperative owner—who thus has been in control of his grain from the time of planting until it appears as bread on his own table.

An egg-marketing cooperative (Coopoeufs) was started in 1932 by farmers, with the aid of the Regional Consumers' Cooperative. Recently this society said, in its administrative council report to its members (Apr. 20, 1935):

Coopoeufs, in the course of this difficult year, rendered a great service to all producers in the region, by obliging the trade to follow the cooperative prices. \* \* \* The producers who are not members of Coopoeufs profited like yourselves by the existence of your society, which played the role of price regulator in their behalf.

The development of the egg marketing cooperative is typical of the collaboration which exists in this region between agricultural producers' and consumers' cooperatives. In addition to the arrangements with consumer societies made by Unicoop and the egg marketing cooperative, the following may be mentioned:

1. The central organization of the 40 grain-storage cooperatives has been able to cut its overhead to a minimum, because the Regional Consumers' Cooperative regularly purchases 90 to 95 percent of its needs of oats, flour, and bran at the regular market price, minus freight charges, from the producers' sales organization. Thus, the producers are assured a steady direct outlet to a cash customer, and the middleman's profits are eliminated.
2. The Regional Consumers' Society has always been a distributor of fertilizer, feed, and seed in certain localities. A few years ago 230 local farmers' societies federated into a central purchasing association for such goods. The consumers' cooperative and this central organization have now entered into a joint purchasing contract, thus pooling their demands and assuring lower prices and savings in freight charges to their respective members.

The attitude of the consumer cooperative people was made clear in a statement to us by the general manager of the regional society, who

is also one of the national leaders of French consumer cooperation: "The best price is not a price that permits the producer to starve."

The aim of his society is to reduce the cost of living, but not at the expense of the agricultural producers. This view is a natural result of the close tie-up in this region between farm and consumer cooperatives.

The Regional Consumer Cooperative Society (of Charente, Charente-Inférieure, and Deux-Sèvres) was formed in 1920, by the amalgamation of 35 weak local societies. In this process the regional society took over "accounts payable" of half a million francs from the small societies. These debts have long since been paid. This consolidation was typical of the new trend in French cooperative merchandising, the "concentration" of small weak cooperatives into closely-knit regional societies.

The 1935-36 Annual of French Cooperation lists the regional society as having 50,233 members and 140 stores, in the three departments of Charente, Charente-Inférieure, and Deux-Sèvres (not including all of the many consumer cooperatives of the region). Its 1935 volume was 56,125,740 francs (\$3,704,000).<sup>1</sup> It has grown every year. The chief articles sold are groceries, bread, cotton goods, shoes, house furnishings, and coal.

Capital comes from a fee of 100 francs<sup>1</sup> per member. A member may join for as little as 10 francs, paying the balance from his patronage refunds. Capital has now grown to 5½ million francs. In addition the society has an outstanding bond issue of 5 million francs. Originally this was 6 million, but 1 million has been retired. All these bonds are held by members.

The annual patronage refunds have been amounting to 5 percent. It was formerly the rule for the society to retain 50 percent of net earnings as working capital; but in 1933 the members staged a "revolution", as the general manager of the society put it, and forced distribution of all the surplus in patronage refunds; 20 percent is now retained by the society as

<sup>1</sup> The French franc has been since 1933 about 6¾ cents in terms of United States currency.

capital. This is regarded as an investment by the individual member, but is not subject to withdrawal.

We were told that the society regards as very important this policy of having reserves to meet emergency needs. Among other things it enabled the society to finance the farmers' egg marketing cooperative, giving it enough capital to pay cash for eggs and thus meet private competition.

The society seems to be reasonably efficient. According to American standards its wholesale house at Saintes is not particularly well laid out and operated. But methods of retail distribution in France generally are so expensive that even an inefficient cooperative (as judged by Swiss or Swedish standards) is comparatively efficient in France.

The merchandising methods of the Regional Cooperative Society are lively. It uses a variety of premium devices that appeal to the thrifty French housewife, who apparently delights in making something out of something else. For example, coffee is sold in bags that can be turned into napkins. Advertising posters make use of a sprightly figure that originated in Nancy, which has "COOP" for eyes and ears.

Salaries and wages of the 493 employees are about the same as in private business. Besides the regular wages, the employees have always been given numerous other advantages in the form of vacations, help during sickness, etc. It was stated that "the employees are not treated in the same manner as employees in private business but as associates." Workers at the society's headquarters share in the annual surplus of the society. Employees in the local stores work on a commission basis, this basis varying according to the policy of the manager. Each employee must belong to his trade union. He must also belong to the society and buy from it. The society paid out in 1935 for wages and salaries 3,703,665 francs (about \$244,200).

As to the effect of cooperative retail prices on the general price level in the district, no reliable statistics are available. We were emphatically told, however, that such an influence does exist,

and that as soon as the society opens a new store, retail prices go down in that locality. It was also said that the local coal merchants never announce their prices until the cooperative has set its price, which then constitutes the local coal price.

To be successful, we were told by the manager, a cooperative must be "mystic." It must have a "religious element", a cooperative spirit, as well as run a good business organization.

Last year the regional society averted the failure of an important neighboring society at Thouars by taking it over, at the request of its members and of the national federation. "We are at Thouars", said the 1935 annual report of the administrative council, "as a duty of solidarity." The regional society expects to make a success of the undertaking.

In a region largely agricultural, with some cities of moderate size, the Charente Regional Cooperative Society has members of many political faiths. The reply of the organization to the

question of the national federation on retaining the political neutrality of the consumer cooperative movement is therefore significant. The administrative council said:

"The most divergent political tendencies have always been represented in the administrative council, and in the section committees, all elected by the general assemblies. The decisions of the council, as well as the deliberations of the committees, show indisputably that men of opposing political opinions can come together on the cooperative level and carry on common action. These men remain citizens and they can pursue whatever action they please on the political level. They have not alienated a bit of their liberty by becoming cooperators. They have simply admitted and understood that, being able to put their shoulders to the wheel, towards a common ideal, their duty is to pursue that common action and to work in the general interest."

## Chapter III

### COOPERATION IN A CZECHOSLOVAK VILLAGE<sup>1</sup>

SANY is a typical small-farm village of Czechoslovakia, situated in the Bohemian lowlands in a sugar-beet region. Isolated from the influence of town life, it offers one of the clearest examples of the effects of cooperation on farm life. Cooperation has for many years been an integral part of all phases of life in Sany.

Land reform, following the abolition of serfdom, made Sany a village of small farmers and of small tradesmen and workers, many of whom farm small holdings of land. Nearly half (46 percent) of its present population of 821 are farmers. The average size of a farm in Sany is about 10½ acres; only 5 farms have more than 50 acres, and only 10 have more than 25 acres. The chief agricultural products are sugar beets, chicory, and cereal crops.

The area of land under sugar-beet cultivation has been restricted somewhat as the result of an early struggle between the beet sugar factories and the sugar-beet growers. In their fight for better prices the sugar-beet growers found their best weapon the boycott of the sugar factories. The light soil at Sany is suitable for the cultivation of chicory on a large scale, so the farmers began to produce more of this crop in place of sugar beets. But they had to cart their chicory along bad roads to drying houses 8 or 9 miles away, where they were offered very low prices. Their earnings were meager, and they were sunk in debt. Crops failed in some years; and again, there was overproduction of chicory throughout

the country, which depressed prices below cost of production. To remedy their situation it was necessary for them to improve their methods of handling their crops. The parish, however, as the local administrative unit, could not even construct good roads for them.

Into this situation the cooperative movement was introduced, beginning with the foundation of the Farmers' Reading and Social Society in 1888. Through this society the farmers were furnished with agricultural journals and popular books on farm methods. There were discussions on farming questions, and lectures by experts, teachers, professors of technical schools, and successful farmers. The teachers and priests of the village gave their backing to the activities of the society. From this society came the idea of carrying out extensive works of land improvement, land drainage, and regulation of the local stream by a water-conservation cooperative. And from this same society came the idea and organization work of the present cooperatives in Sany.

The oldest of these cooperative associations set up in 1897, is the Sany Credit Society, which provides its members at favorable rates of interest with the money necessary for carrying on their various businesses; in 1934 it had 241 members. It has enabled many people in Sany to purchase land and acquire houses of their own, converting their mortgage debts into long-term loans. The society also furnishes credit for the joint purchase of farm machinery and consumers' goods, and the joint sale of farm produce.

The society acquires its funds in the form of members' deposits; each member must sub-

<sup>1</sup> Based on *Sociology of the Cooperative Movement in the Czechoslovak Village*, by Karel Galla, published in English by the Country Life Association in Prague, Czechoslovakia, 1936.



scribe for at least one share, which may be paid for in 10 monthly installments. Loans of the society are of the Raiffeissen type, i. e., covered by joint liability of the members. A rule provides that the difference between the interest paid on deposits and that charged on loans, plus fees and administrative expenses, must not exceed 1.5 percent.

The Farmers' Cooperative Society was organized (shortly after the Credit Society) with the primary purpose of establishing a local drying-house for chicory, thus doing away with the loss of time and money involved in taking the chicory over bad roads to neighboring villages. By 1900 Sany had a drying-house of six ovens, which has since been enlarged and has come to be the main cooperative enterprise in the sphere of production.

The Farmers' Cooperative acts as a general purpose society; it supplies its members with their needs for production and consumption, it markets their products, and it gives instruction in methods of agriculture. It also makes production loans against growing crops. The effective development of its financial strength has been accomplished without any state subsidies. By 1929 this society had built up a membership of 160 families.

In 1903 the Farmers' Cooperative Society set up a bakery which has proved very successful. At first the bread was sold only to members in exchange for flour or grain; but the bakery soon ceased to be merely a self-help undertaking, and became a profit-making enterprise for the society. It now sells bread to nonmembers as well as members and serves a wide range of consumers in Sany and the adjacent area. Hardly any village family now bakes bread at home. The society also has a flour-mill to serve the requirements of the bakery. Attached to the flour-mill is a seed cleaning station. Not much more than actual cost is charged the farmers for cleaning and washing their cereal seed.

The net surpluses of the Farmers' Cooperative Society are not distributed; such funds as are not required for the expansion of the society's activities are used for community purposes.

The Agricultural Machinery Cooperative Society was set up in 1906. It owns machinery which it lends to its farmer members. It also provides all its members (who now number 173) with electric current for general lighting and for the driving of motors. The society originally had its own electrical power station, but now secures its current from an electrical power supply federation serving the region. The society's equipment includes three electric threshing machines, three electric generators, and a number of machines for soil cultivation. Through this collective purchase of farm equipment, the farmers are able to make use of the most efficient machine methods of production.

These three societies arose within the space of 10 years. They have been highly successful not only in facilitating the purchase of farm requirements and consumers' goods, and in improving market conditions and prices, but also in spreading the use of electricity and technical improvements. Some of the older cooperative enterprises in Sany, the Land Improvement Society, the Forestry Society, and the Game-Hunting Cooperative, have been absorbed by the Farmers' Cooperative Society.

The cooperatives in Sany have extended their influence to all phases of the village life, raising the standard of living of the entire population. Increased profits from farm production, and the saving of money and time effected by the credit, purchasing, and machinery cooperatives, have enabled the farmers to improve their homes and develop the social and recreational organizations of the community.

Many new houses have been built and old ones renovated as a direct result of cooperative organization, through cooperative credit. The general appearance of the village homes has been altered, and hygienic conditions throughout the community have been greatly improved. Families now live in larger rooms and in more healthful homes. Practically every family has a house of its own. There has been an increase of 56 percent in the number of houses in Sany during the 35 years of cooperative activity.

The cooperative societies have fostered public enterprises such as the building of a railway station and sidings, regulating the river, construction of roads, planting of public orchards, equipping the school gymnasium and fire department, and the erection of schools, a post office, and a public library. The public baths, set up by one of the cooperatives, are an important contribution to the health and comfort of the village, where (as in most European villages) facilities for baths in homes are extremely rare. The baths use the surplus steam produced in the operation of the flour mill.

Participation of all groups in cooperative undertakings has been a unifying element in the village life. The rise of national political parties

has so far failed to destroy this economic unity, although the people of Sany are by no means unaffected by political currents. Of the village population in 1935, 35 percent favored the Republican (Agrarian) Party, 23 percent were Social Democrats, 12 percent supported the Catholic Party, 11 percent were Conservatives, 8 percent National Socialists, and 6 percent Fascists. They take great pride in the fact that, whatever their political or religious affiliations, they have learned to conduct their economic affairs on a cooperative basis for the good of the entire community. The economic progress of the people has aroused the attention of neighboring villages and parishes, and the methods of Sany have been copied widely.

## Chapter IV

### THE DRINAGH COOPERATIVE CREAMERY, IRELAND

THE way in which a farmers' cooperative may serve all the needs of its members until it becomes in fact a general purpose society is well illustrated by the Drinagh Cooperative Creamery, Ltd., in Ireland.

In 1924 the farmers in the Drinagh community were shooting each other because they differed in politics. But within less than a year these same people were competing with each other in making the trenches and pouring the cement for the foundations of the cooperative creamery. A local priest, who took the lead in the formation of the Drinagh society, helped in laying the bricks. The Irish Agricultural Organization Society furnished technical information and advised with the farmers in the various stages of progress. During the first year a large part of the labor, in such operations as packing butter and transporting it to market, was voluntary and unpaid.

With such illustrations in mind, leaders of the Irish Agricultural Organization Society say that the cooperative movement has been effective in allaying bitter political animosities. The unifying effect of cooperation is further shown in the fact that the present board of the Drinagh creamery consists of Catholics and Protestants, including both the parish priest and the Protestant clergyman.

The creamery now has 1,500 members and 9 branches, and serves an area of about 30 square miles. The supply department in connection with the main plant has a business turnover of approximately 80 percent that of the creamery. Of the business of this department 25 percent is household goods (the nearest store

being several miles distant); 75 percent is seed, feed, fertilizer and other requisites for production and marketing. The creamery assembles, grades, and ships eggs and poultry, sells pigs, and intends building a grist mill.

Much of the trade of the society is at present done with nonmembers, although 75 percent of the milk supply comes from members. The total business turnover for 1935 was approximately £137,000 (\$671,000),<sup>1</sup> and the net gain on this turnover was about £6,000 (\$29,400), or 4.4 percent.

The total assets of the society are about £50,000, of which £27,000 represents depreciated value of the society's building, machinery, and other fixed capital; £9,000 represents the value of the stocks on hand at the end of the year; and a little over £12,000 represents debts due to the society. These debts equal approximately one month's turnover. The society has an accumulated surplus of assets over liabilities of approximately £30,000. The society has never used the £10,000 overdraft privilege which it has at the bank.

The regular basis for membership is for the farmer to hold a 1-pound share for each cow he owns. A new member may pay a half crown (about 62 cents) upon joining, and purchase the remainder of his shares at a half crown per year, which may be deducted from the annual patronage refund on his transactions.

In addition to the central creamery, store, and mill at Drinagh, the society operates 11 completely equipped branches including stores, with 2 new ones opened in 1936. At these

<sup>1</sup> In 1935 the British pound was valued at \$4.90.

branches milk is collected from the surrounding area, and the cream is separated and shipped to Drinagh for central processing. Each branch is equipped with a small mill which grinds the farmer's grain into flour and feed. Each store provides all the basic farm and family requisites.

The society has a poultry fattening and packing house, where it also packs and ships 200 to 300 thirty-dozen cases of eggs per week.

The price of butter has increased from fourpence halfpenny a pound in 1932 to a shilling a pound in 1936. This means an added income of about £40,000 to the farmers served by the society and is in considerable measure due to its improved processing methods.

The patronage refunds of the society are made in fertilizer, feed, or other goods, not in cash. Thus, in the case of the farm laborer, the refund may be in the nature of credits to be used for the purchase of goods at the store.

Approximately 80 percent of all the business of the society with its members are bookkeeping transactions involving no payment of cash. The amount of surplus to be distributed annually is determined largely by the expansion program for the year.

Officials of the Drinagh Society feel that the cooperative supply department has tended to serve as a price controlling factor in the region.

According to the secretary-manager of the society it starts a branch when the farmers of an area promise a delivery of approximately 2,000 gallons of milk a day.

We visited one of these branches, at Bantry, which had been recently opened. As usual it has a cream-separating station, warehouse, store, and grist mill. At that time only 42 of its 112 members were actually delivering milk, the others not having completed their contracts for delivery elsewhere. The young manager said the greatest difficulty he had to face was the pressure brought upon the farmers by private traders, who urged them not to join the Society, or deliver milk to it.

The annual report contains an explanation of the auditor's figures and gives advice to the members on various problems such as the lines

of production which might be expanded profitably during the coming year.

The following paragraphs taken from the 1936 annual report indicate the way this is done:

The next account submitted by the auditor is called the "Trading Account", and it gives a summary of the trading done during the year and shows the profit or loss on that trading. The auditor's lengthy and detailed trading accounts may be summarized as follows:

	<i>Pounds</i>
Value of the goods on hand at the beginning	
of the year.....	5, 346
Cost of goods bought.....	119, 352
Cost of running the business.....	14, 494
Net surplus on the trading.....	6, 009
	<hr/>
Total.....	145, 201
	<hr/>
Total sales made during the year.....	136, 868
Value of the stock-in-trade on hand at the end	
of year.....	8, 333
	<hr/>
Total.....	145, 201

The times continued to press severely on our members and compel them to search for avenues of escape into more prosperous circumstances. In order to help them we have taken out a license for the export of potatoes, and desire to draw our members' attention to the possibilities of the early potato trade. New potatoes from West Cork were, we understand, the first to enter Cork City last season, and since new potatoes are expensive early in the season there appears to be a good opportunity here for people situated in districts where frost is not severe. There also appears to be a prospect of making money by the sale of main crop potatoes, which at the time of writing are making about £3 10s. per ton. It takes about four stones<sup>2</sup> of potatoes to replace a stone of corn, and since maize meal mixture costs about £7 12s. per ton, it is much more economical feeding than potatoes, 4 tons of which are valued for about £14. This amazing difference points to the fact that people should sell potatoes and either grow or buy more corn. A good farmer will grow about 10 tons of saleable potatoes per acre, and at present values the acre would yield him gross about £35. Since the society has got an export license and is now in position to help to market the produce, we advise all our members to plant at least an acre each of potatoes more than usual this season.

Really first-class chickens are as easy to rear as mongrels. The latter are the bane of the poultry trade, and it is our intention to widen substantially the margin between the price of pure-bred chickens and mongrels in the future.

<sup>2</sup> A stone equals 14 pounds.

## Chapter V

### **ELANTO, A FINNISH CONSUMERS' COOPERATIVE**

THE largest local cooperative distributive society of Finland is the Elanto Society of Helsinki. In 1935 it had a membership of about 50,000, spread over an area roughly 20 miles square and covering 12 parishes, with a population of about 280,000.

Elanto's massive headquarters and production plants take up several city blocks. Its 329 shops and restaurants, which one encounters everywhere in Helsinki, set a high standard in retailing.

Elanto was started by consumers and bakers in 1905. There were several small consumers' cooperatives in Helsinki at that time, but each served a special group of people and did not practice the Rochdale principle of open membership to all. In that year an official investigation into the bakery trade of Helsinki revealed extremely unsanitary conditions. Thirty-one of ninety-seven bakeries inspected were situated in cellars, and many of them served at the same time as kitchen and bedroom.

A few aroused consumers, who also objected to the high food prices in Helsinki, decided to join with several bakers in forming a cooperative baking society. With the aid of the cooperative propaganda society, Pellervo, a broad charter was drawn up that provided for open membership and for the expansion of the society into production and distribution of other commodities on a cooperative basis.

The 19 charter members worked energetically to build up membership and capital until the construction of a bakery could be started. In the spring of 1907 the first wagonload of bread was delivered. The bakery was enlarged

several times, and in 1925 an entirely new bakery was set up, the biggest and most modern in northern Europe at the time, able to supply half of Helsinki with bread.

In the beginning, the bakery produced more than the members could consume and part of it had to be sold to private retailers. Since Elanto had set out to be a consumers' and not a productive society, it continued its membership drive and began setting up bread shops in various parts of the city. By 1910 there were 24 shops serving 2,427 members, and the society's turnover amounted to more than \$2,877,000.

In 1911, Elanto began to handle milk products, and in the following year it built a dairy, which has also had to be enlarged a number of times since. Groceries were added in 1914, and meats in 1917, when Elanto opened its own sausage factory. In 1919, Elanto opened its savings department for members, thus gaining additional funds for cooperative investment. The next year it began to open up drug stores and to manufacture chemical and pharmaceutical products. At present, in addition to the production enterprises mentioned, Elanto operates a brewery, a mineral water plant, a flour mill, a cannery, a cabinet shop, a machine shop, a paint shop, a tailor shop, a laundry and a steam power plant. Elanto also operates two farms totaling about 3,500 acres.

The total production of Elanto in 1935 amounted to \$2,114,800, of which about one-half was in bakery goods, one-third in meat products, and one-tenth in various types of flour.

Elanto's neat and efficient retail shops are encountered all over the city and the adjacent area;

124 sell bread and milk products, 96 groceries, 50 meat products, 28 drugs, 5 shoes, 8 dry goods and clothing, and 1 tobacco. Also included in the list are 15 restaurants and a general department store.

The growth of Elanto is indicated in the following table:

	Members	Shops	Employees	Turn-over	Own funds
1915.....	7, 207	81	660	\$9, 490, 788	\$393, 600
1920.....	28, 405	97	1, 265	3, 463, 570	94, 050
1925.....	31, 865	174	1, 841	5, 581, 186	909, 800
1930.....	42, 329	247	2, 389	7, 800, 535	1, 558, 900
1935.....	49, 736	308	2, 560	6, 852, 297	1, 483, 300

<sup>1</sup> The Finnish mark dropped from \$0.1518 in 1915 to \$0.0342 in 1920, and this largely accounts for the apparent drop in funds and turn-over as stated in terms of United States currency. The Finnish mark is a little more than 2 cents.

Of the retail sales, about one-third is in groceries, nearly one-third in bakery and dairy products, while meat products account for slightly more than one-tenth. The sales of the drug stores amounted to \$189,700 in 1935.

Elanto is not the only consumer cooperative in Helsinki. There are two others, one exclusively for Swedish speaking people, and another one belonging to the "neutral" S. O. K. federation. Elanto also belonged to S. O. K., prior to the setting up of the "progressive" wholesale society O. T. K. as a result of a split in the Finnish consumer movement in 1917.

It is Elanto's policy to serve its consumer members with quality goods at a fair price.<sup>1</sup> In determining a fair price, little attention is paid to private retail prices; the cost of production and of distribution is the important factor. If privately produced commodities are considered excessively high-priced, Elanto does not hesitate to go into production. This happened in the case of certain proprietary articles, such as cosmetics, perfumes, and insecticides, the manufacture of which had been entirely in the hands of private concerns. Since Elanto considered the retail prices set by the manufacturers too high, it started its own chemical factory and retailed its production at from 25 to 30 percent less than going retail prices. The private drug stores lowered their prices to about the same level and the general public shared the benefit.

Elanto has exercised an increasing influence on the quality and price of all kinds of commodities, on the development and observance of sanitary conditions in production and distribution, and on efficiency, particularly in the field of distribution.

With its low-price policy, it is evident that patronage refunds cannot be very large. In recent years they have been fixed at 2 percent of purchases. However, during the past 14 years a special members' fund has been accumulated by retaining one-half of a member's patronage refund until his member fund account amounts to 300 Finmarks (\$6.48). By 1935 this fund had grown to \$114,100.

Elanto's net surplus amounts generally to about 3 percent of its total annual turnover. According to the rules of the society, at least 30 percent of the net surplus must be transferred to the society's own funds. The members' share capital is kept very low (in 1930 it amounted to about \$25,170), and the large funds of Elanto have been built up almost entirely out of surplus. The society's savings department now has deposits amounting to \$1,031,700. The total of these several funds suffices to finance new activities of the society, thus making it entirely independent of any outside loans or credit.

From the beginning, Elanto has recognized the right of its employees to reasonable wages and working conditions. It operates under a collective agreement with its employees, most of whom are members of trade unions, and it pays on an average higher wages than are paid for the same work in private business. In 1935, Elanto paid out \$737,444 in salaries and wages. In addition, employees get free medical service for themselves and their families, and death benefits. The society contributes toward pensions for men over 63 and women over 58 years of age; the society's contribution is 50 percent for men, and 65 percent for women.

Other activities for the employees include sports clubs, theater groups, orchestras, gymnasiums and free Finnish baths, also recreational facilities on a nearby island which the society rents from the city. Elanto further has estab-

lished a special loan fund for employees wishing to acquire houses or apartments of their own. A large apartment house built by the society provides cheap but pleasant living quarters for many of the employees.

Elanto has a very large milk business. It purchases practically all its butter and cheese from Valio, the central wholesale of the dairy societies, but most of its milk supply comes directly from farmers with whom it has a year-to-year contract. The retail milk price (but not the price to producers) in Helsinki is set periodically by the milk dealers' association, of which Elanto, as the largest distributor, holds the chairmanship. In the summer of 1936 it was 1.50 Finmarks (3¼ cents) per liter, but it changes according to conditions. However, regardless of retail price changes, Elanto's policy is to pay its own producers 15 pfennig (about three-tenths of 1 cent) less than the retail price. It is claimed by other milk distributors that Elanto cannot cover its cost of handling (unpasteurized bulk milk through stores) on this margin, but Elanto claims it does.

The membership of Elanto takes in all classes of society, although the low-income groups predominate. About 60 percent are industrial workers and farm hands, 20 percent are clerks, civil servants, and other salaried persons, and another 20 percent includes independent businessmen, farmers, tradesmen, and members of professions.

The highest administrative organ of Elanto is the representative assembly, composed of 60 members, who are elected democratically by the general membership under a system of proportional representation. About 30 percent of the members vote in the annual elections. Under this system all sizeable minorities, whether along occupational or political party lines, are assured of adequate representation if they present candidates. We were told by a member of the board of directors that the current representative assembly showed, on the basis of party affiliation:

31 social democrats.	12 conservatives.
12 radicals, 4 liberals.	1 Fascist.

and on the basis of occupation:

12 skilled workers.	4 bank directors.
9 trade-union executives.	4 professional politicians.
7 editors.	2 city counsellors (out of a board of 6.)
7 university professors.	2 insurance company directors.
5 government employees (including the Minister of Education).	2 unskilled workers.
4 housewives.	2 lawyers and manufacturers.

Nine of these are women. Twenty-one are members of Parliament.

The representative assembly elects an administrative board of 12 members for 2-year terms. This board appoints the general manager and the other five members of the board of directors, which is in direct charge of operations.

We were told that Elanto conducts its business on a strict cash basis. A special portion of the accumulated surplus is set aside to help needy unemployed members. Such help is given in commodities, not in money; and it need not be repaid. Any equity a member has in the membership fund can be withdrawn in case of need.

Members who fulfill certain purchase requirements receive free burial insurance of 500 Finmarks (\$10.81). Up to 1934, about \$32,163 were paid out in such funeral-aid benefits. The fortnightly paper "Elanto" is sent free of charge to all members. It is issued both in Finnish and Swedish editions. In addition, Elanto conducts regular services of educational and propaganda meetings, with lectures, music, dramatic entertainment, and dancing.

The emblem of Elanto, a bee alighting on a full-blown daisy, is a very familiar sight in Helsinki and its environs, over bread shops, butcher shops, grocery stores, drug stores, and restaurants. Elanto's restaurants are the most popular in Helsinki, well designed and lighted, comfortable, spotlessly clean, with well-prepared food at prices that attract businessmen and manual workers, clerks and students. Butcher, grocery, and bread shops are all styled in the modern manner, with efficiency as the keynote, and with a cheerful attractiveness outside and in, achieved by the harmonious use of modern architectural materials and design.

## Chapter VI

### KONSUM: THE CONSUMERS' SOCIETY OF STOCKHOLM, SWEDEN

IT IS impossible to travel far in the city of Stockholm without seeing the word "Konsum" in bold letters across the front of a retail shop. There are 384 of these shops, all owned by the Stockholm Consumers' Society, whose membership of 77,000 families represents more than one-third of the city's 522,000 population. This membership, we were told, originally began with the working class, but has expanded into the various occupations and professions very much in the proportion they bear to the total population.

Konsum was formed in October 1915 by the amalgamation of 3 of the 16 societies operating in the city. Since that time, some 20 societies have given up their independent status to become a part of Konsum, and the one organization now serves practically the entire city and suburbs.

The original amalgamation in 1915 into one society came after a study of conditions of cooperative development in the city made by cooperators in 1914. This study revealed that the combined turn-over of the societies in 1909 had been 2,500,000 Kr. (\$670,000),<sup>1</sup> and after 5 years had not increased. But in 10 years of the new city-wide organization, from 1916 to 1926, its turn-over increased from 2,776,000 Kr. to 30,000,000 Kr. The membership, which was 4,461 at the end of 1916, reached 34,799 by 1926. The advantage of maintaining a single city society became generally recognized.

<sup>1</sup> The Swedish krone was before the war, and is at present again, slightly less than four to the dollar; it reached a high of 33 cents in 1916, and fell to 18¼ cents in 1932.

Of Konsum's 384 retail provision shops, 69 are grocery stores, 69 butcher shops, 192 sell bread and dairy products exclusively. Forty-four are "combined shops," which sell all lines of food-stuffs. The society has three shoe stores; three shops handling furniture, clothing, dry goods, and sportswear; also a restaurant and a cafe. During the summer months the society operates eight shops near town where city residents take small bungalows for the season and raise their own vegetables. Seven of these shops carry a variety of foods not supplied by these garden plots, and one carries bakery goods only.

Total sales for all the society's shops in 1935 were 59,520,000 Kr. (\$15,040,000), representing an average yearly purchase of 780 Kr. (\$197) per member. By departments, sales for 1935 were: Groceries, 14,700,000 Kr. (\$3,714,000); meat and delicacies, 15,800,000 Kr. (\$3,992,000); bakery goods, 14,700,000 Kr. (\$3,714,000); and "combined shops," 9,600,000 Kr. (\$2,425,000).

From its beginning Konsum has operated its own bakeries. Two of the three societies in the original amalgamation had established bakeries. In 1924 Konsum built the largest and best equipped bakery of its kind in the country, which today still holds that distinction. In 1935 the sales of this bakery amounted to 6,400,000 Kr. (\$1,617,000). Besides baking several types of bread, it also has a small department producing cakes and pastry as well as chocolates and confectionery.

In 1926 the Stockholm Society undertook to investigate bread prices in the city with a view to standardizing the quality and size of bread



loaves, and lowering prices. The investigation revealed that in one case a private bakery was charging 53 percent higher prices than Konsum, and, on the average, the cooperative bread prices were 32 percent lower than those of private concerns. At that time it was estimated that an average household (of four in a family) would save 27 Kr., 30 öre per year (\$7.30), not including the patronage refund, by purchasing bakery goods from Konsum exclusively. But the benefits of this investigation were not confined to Konsum members. As a result of the information gathered the society started a campaign directed toward popularizing two principal types of bread in a standard size, the loaves weighing 1 kilogram each. The campaign was successful, and all the bakeries in the city simplified and unified their products with the result that prices were reduced to all consumers.

In 1916 an independently operated cooperative meat products factory was purchased by the society. In 1935 this factory produced goods to the value of 7,300,000 Kr. (\$1,844,000).

Like most other cooperative societies in Sweden and elsewhere, Konsum has established its own savings bank, offering the members a convenient way of depositing their patronage refunds and other savings in their own concern. Like the society itself, its savings bank is on a very sound financial basis, the realizable assets far exceeding the depositors' claims and other liabilities.

After 20 years of business, the share capital of the society amounts to 5,000,000 Kr. (\$1,263,000). Its reserve fund is about 6,600,000 Kr. (\$1,667,000). Thus the capital owned by the society, in round figures, is 11,600,000 Kr. (\$2,930,000). In 1916, the society's capital was only 90,000 Kr. (\$25,884), which indicates its financial growth.

Each member is required to own 10 shares at 10 Kr. each, upon which interest not to exceed 5 percent is paid. Nonmembers may join simply by purchasing from the society and allowing their patronage refunds to accumulate. Patronage refunds of 3 percent are usually paid by Konsum. When 50 Kr. have accrued from such

refunds, half the amount of subsequent refunds is then paid in cash to the member and half is retained by the society to apply on the member's share account until that account reaches 100 Kr. Members' shares are withdrawable.

When the American visitor enters one of these attractive Konsum shops he is strongly reminded of our efficient American chain stores. Goods are conveniently arranged and displayed, and the service is courteous and efficient. Prices are lower than in the average individually owned retail store.

According to Swedish cooperators, the entire consumer cooperative business is merely an extension of the family economy, regaining for the family, through cooperative action, control over the procurement of family needs—a control which the family had lost through industrialization.

Employees are given special training to enable them to understand and promote this concept.

The loyalty and efficiency of the employees are secured through collective agreements which generally provide for higher wages than paid in private retail stores, and the employees receive various other benefits not usually accorded in private employment.

To maintain democratic control by its large membership, Konsum has instituted a system of proportional representation. The membership over the whole city has been divided into 18 districts. Each district holds a general meeting each year preceding the society's annual meeting to consider the annual report and balance sheet and to elect delegates to the annual meeting.

The district meetings may make recommendations regarding general policy or specific problems, together with their acceptance or disapproval of the society's report. The districts also elect district membership committees of from three to five members, which carry on promotional and educational work and report to the regular membership meetings on the operations of the shops in their districts.

These membership committees also serve as agencies of contact with the members. An

individual might hesitate to approach a city-wide governing board to discuss relatively small problems affecting the shops in his community. But he feels free to go to his district committee to protest the price of herring or the quality of bread, or to discuss an individual cooperative employee's efficiency or lack of it.

At the annual meeting, the congress of delegates from the districts discusses and acts upon the annual report and balance sheet, determines matters of general policy, discusses educational and business expansion plans, and elects a management council of 15 members. None of the latter may be employees of the society.

The management council appoints the four executives of the main departments, the grocery, meat and delicacy, bakery, and the so-called combined shops. These executives have considerable latitude in managing their departments. Their decisions hold "in all business questions of recurrent character, in financial questions of minor importance, and in the employment and dismissal of staff, in accordance, of course, with agreements in force." They submit reports to the monthly meetings of the management council and must attend these meetings to answer questions regarding their reports. The management council, however, has authority over questions of expansion, financial matters involving large sums, and "issues of principle."

This method of organization has proved so effective that it has been adopted by most of the large societies in Sweden. It served as a model for the reorganization of K. F., the Cooperative Union, in 1918.

The society carries on extensive educational activities. Meetings are held regularly in all the districts, at which representatives of the central city organization discuss cooperation, the society's problems, and economic problems in general. The members themselves have organized a propaganda club called the Cooperative Club, which meets once a week.

In the autumn of 1931 Konsum members organized their first study-circle groups with the assistance of the organization department of K. F., which furnished manuals and other study materials. Subjects studied include economics, cooperative problems, and various cultural subjects. During 1935 about 2,000 members of the society took part in these group studies.

Picture shows and other entertainments are also arranged for the members.

The cooperative family paper of Sweden, "Konsumentbladet", published weekly by K. F., has for several years been issued in a special Stockholm edition, in which Konsum usually takes two pages for news of its activities and plans. During the summer of 1936, 55,000 copies of the Stockholm edition were distributed each week. The society advertises extensively in newspapers and magazines.

## Chapter VII

### THE LIVERPOOL COOPERATIVE SOCIETY, ENGLAND

THE Liverpool Cooperative Society, Ltd., was formed in 1915 by the amalgamation of the City of Liverpool Equitable Cooperative Society, established in 1886, and the Toxteth Cooperative Provident Society, Ltd., established in 1891.

The Liverpool society is the largest cooperative society north of Birmingham, having now about 120,000 members, and an annual turn-over of £3,000,000 (\$14,700,000). It is building a department store in the center of the city. It practically controls the bread market and price, so extensive are its bakery activities.

The depression hit the Liverpool society very hard; unemployment was widespread, buying power low, and private retail competition intense. Another matter affecting retail trade is the shift of about 100,000 people from the central parts of the city to its outskirts, as new homes have been built under the Government housing program.

In the worst of the depression period, the society's annual trade fell as low as £1,000,000. To meet this situation the society opened new branch stores, engaged in a vigorous educational campaign, and put management problems in charge of committees of branch managers. After the low point of cooperative sales, trade was rapidly regained. The society has opened about 30 new stores in the last 8 years, largely to meet the shift in population to the outskirts. A private chain of 45 grocery stores with a weekly business of £10,000 was bought by the society, under an agreement to take over the employees, who numbered about 300. In the opinion of the present manager of the society, the deal was unfortunate and has handicapped the society by its additional expenses.

The society's trade problems have not been completely solved. Out of its 120,000 membership, there are 30,000 who spend little or nothing in its stores. The potential trade of the society is calculated at £5,000,000 a year, but it reaches only three-fifths of that amount. There are many losses in new membership among those whose enthusiasm wanes rapidly. In 1935, of 15,000 new members, only 5,000 remained members for a full year. The management's experience is that when a cooperative member has remained in the society for a year his affiliation is usually permanent.

Guild and other educational activities, including circularizing of the whole membership and visits to the homes of new members, are being carried on in the effort to solve the membership-trade problem. The society has 23 women's guilds, with a total membership of 2,500.

At the time of consolidation of the two former societies into the present Liverpool society, their combined membership was over 33,000, their combined sales £627,000, and their combined capital £207,000. In 1933 the membership of the consolidated Liverpool society was over 116,000; its annual sales £2,500,000; and its members' share capital, loans, and savings bank deposits over £1,700,000. At present the total capital is said to be about £2,000,000, of which half is invested in the Cooperative Wholesale Society. An additional £500,000 has been written off as depreciation.

The Liverpool society keeps a large portion of its capital liquid in order to meet unexpected calls for withdrawals of savings or share capital. One specific instance of the wisdom of this

occurred when C. W. S. losses in the rubber market caused alarm among Liverpool society depositors. The requests for withdrawals of share capital were met promptly. Largely because of the confidence created by this policy practically all withdrawals were redeposited within 2 years.

Each member must hold at least one 1-pound share in the society, which may be paid for at the rate of 2 shillings every 3 months. Interest on loan capital and savings deposits is  $3\frac{1}{4}$  per cent. The society also operates a branch of the C. W. S. banking department.

The regular patronage refund is one shilling fourpence to the pound (or  $6\frac{1}{4}$  per cent) on purchases.

The executive staff is appointed by the management. Department heads engage, organize, and discharge their own staffs. If an employee has been on the pay roll more than 3 months, he has the right of appeal in case of dismissal; and if his services are of 12 months' duration, "the reasons for his dismissal must be very good indeed."

Managers are interviewed once a month by a subcommittee of the society, which keeps in touch with the major problems of the society's branches. It is the policy to concentrate for 6 months on any department showing signs of weakness. Advertising campaigns are directed toward sales promotion in such a department.

Goods are charged out to the store managers at selling prices, and at the end of the month the stocks on hand are inventoried on the same basis. With regard to perishable foodstuffs, tests are made four or five times a year to determine a reasonable allowance for leakage—which has been found to be about 5 per cent. The management informed the Inquiry that this policy does not lead to "short measures" for customers,

as periodic checks are made on weights and measures by inspectors of the society.

The Liverpool society owns and operates a farm, which was purchased some 16 years ago when land prices were very high. Although the operation of the farm has not been markedly successful so far, the present manager of the society does not feel that farms, if purchased at a reasonable price, are necessarily poor investments or poor cooperative ventures. The returns from the farm have risen within the last 3 years, due to improved management as well as improved prices.

The Liverpool society makes 60 per cent of its purchases from the Cooperative Wholesale Society. In the fields covered by C. W. S. production, the Liverpool society sells nearly 100 per cent C. W. S. goods. It also has production enterprises of its own, including dairy products, meat products, bakery goods and confections, and pharmaceutical goods, and shoe repairing.

The society's dairy pasteurizes 120,000 gallons of milk a week, and manufactures 4 tons of butter a week. The bakery's output is a quarter of a million loaves a week. The shoe repairing department fixes 5,000 pairs a week.

Only about 20 per cent of the society's total purchases are from noncooperative sources.

One of the most interesting features of the Liverpool society is its death benefit plan, which has been widely adopted by other cooperative societies. The Liverpool society's plan operates as a simple contract agreement between the society and the membership. Insurance is carried as an annual expense of the society; the death benefits paid are 15 per cent of a member's annual purchases. Since the average annual purchases amount to about £20, the average death benefit is about £3. The Liverpool society paid out £7,000 in death benefits in 1935.

## Chapter VIII

### THE UNITED COOPERATIVE BAKING SOCIETY OF GLASGOW, SCOTLAND

LOCAL consumer cooperatives generally federate nationally into educational unions and into wholesale societies, but in addition one frequently finds federations of consumer cooperatives for some more restricted and specific purpose, such as the operation of a laundry or a bakery. Such federations usually begin with a few societies located near each other but may expand in time to include most of the consumer cooperatives over a large region. The story of one such federation, whose headquarters the Inquiry visited, will illustrate this type of organization.

The United Cooperative Baking Society, Ltd. (U. C. B. S.), with headquarters in Glasgow, produces approximately 80 percent of all the bread and biscuits distributed by cooperatives throughout Scotland. It operates five bakeries in Scotland and one in Belfast, Ireland. In 1935 total sales to its 237 member societies amounted to £1,226,957. Operating in conjunction with cooperative societies in Glasgow, it has recently opened retail pastry shops in that city.

Sixty-one of the member societies buy all their bread, biscuits, crackers, cakes, and pastries from the U. C. B. S. The others, being too distant for fresh-bread delivery, limit their purchases to biscuits and cakes.

The U. C. B. S. was formed in 1869 when leaders of local cooperatives felt that cooperatively owned bakeries could supply bread at lower prices than private bakers in Glasgow, whose prices they considered excessive. Since the individual cooperatives were not yet strong enough to finance their own bakeries, it was at

first proposed that the Scottish Cooperative Wholesale Society, organized the previous year, should set up a bakery. This plan was discarded since the Wholesale Society was designed to serve all of Scotland, while a bakery was necessarily limited to the area to which fresh bread could be delivered daily. It was finally decided that a separate federation of interested societies would be more suitable.

Eight societies in the vicinity of Glasgow were the charter members of the U. C. B. S. The rules adopted by the members empowered the society "to carry on the business of wholesale and retail bakers, confectioners and purveyors, manufacturers, contractors, and the business of banking." On January 26, 1869, a bakery was started in a small building in Glasgow. A retail bread shop was opened in connection with the bakery, and wagons were purchased for delivery to local societies.

The managing committee was entirely inexperienced in the baking business, and had no end of troubles at first. There were frequent complaints that the bread was sour and dirty. The baker, after repeated reprimands, quit his job. At the end of the first year only two of the eight original member societies were in sound business condition. Others were struggling to keep going and some were operating at a loss. Customers were dissatisfied, sales were small, and it was sometimes difficult to get payment. At times large sums were owed to creditors. Finally the managing committee appointed a paid manager to supervise the bakery's operations, keep itemized cost accounts, and present weekly financial statements to the committee.

He was to determine the brand and quality of the flour used—but not to pay more than a specified amount for flour in any one week.

During the first 6 months losses amounted to £62 10s. By the end of the year, after the appointment of the paid manager, the losses had changed to a surplus of £23 3s. 1d. Total sales for the year amounted to £5,082. Share capital of £194 and loan capital of £145 had been obtained.

In the second year trade increased and it was necessary to move to a larger plant. Sales amounted to over £9,000 and patronage refunds of sixpence on the pound (2½ percent) were made each quarter. During its second year the baking society became a member of the Scottish Cooperative Wholesale Society, taking up two shares for each of its own member societies.

As additional societies became members of the U. C. B. S., many of them at some distance from the bakery, the problem of satisfactory delivery service became acute. Several societies withdrew, and others were refused admittance, because of the physical impossibility of delivering to them fresh bakery goods regularly and at reasonable cost. This problem was solved, in part, by the establishment in 1877 of a branch bakery at the other end of Glasgow. In 1887 a new and larger central bakery was built; and the variety of products was gradually enlarged from bread alone to include breakfast rolls, fancy biscuits, cakes, and pastries. Biscuit-making, undertaken in 1871, was found unprofitable at that time, and was dropped until 1894.

In 1893 a catering department was added, which opened several dining and tearooms. In 1902 a branch bakery was established at Clydebank and 2 years later another branch was opened in Belfast, Ireland. The baking society undertook in 1911 to provide the meals at the Scottish cooperative holiday camp at Canada Hill, Rothesay. At the request of the camp committee, the U. C. B. S. assumed complete management of the camp in 1914. In 1917 another branch bakery was opened in Rothesay. Two more branches are now operated at Leadhills and Enniskillen.

The growth of the U. C. B. S. is summarized in the following table:

*Progress of United Cooperative Baking Society, Ltd.*

Year	Number of member societies	Annual sales	Capital—share, loan, reserve	Patronage refunds
1869-----	8	£5,082	£339	-----
1873-----	20	22,154	2,790	£475
1875-----	26	23,159	5,145	1,118
1885-----	29	37,944	14,199	2,194
1895-----	62	180,742	113,658	17,273
1905-----	154	482,544	382,274	37,621
1915-----	209	941,963	593,776	65,649
1920-----	212	2,195,902	825,888	98,303
1925-----	230	1,340,742	1,126,402	61,125
1935-----	237	1,226,957	1,637,405	119,318

As shown in the table, the society has built up an unusually sound financial structure. Its capital is composed of £455,058 of shares held by the member societies, £925,169 of loans from member societies, and £257,178 in reserve funds. Generally 4 percent interest is paid on loans as well as on shares. Total interest paid up to the beginning of 1936 since organization amounted to £971,028.

The U. C. B. S. has expended a total of £1,214,270 on land, buildings, plant, and equipment. But it has charged off £1,034,884 of this cost to depreciation, so that all of its properties are now carried at a nominal value of £179,386, which is far below their actual value. As a result, much of its capital is not needed in the business and can be invested elsewhere. Thus, the U. C. B. S. has purchased shares of stock totaling £114,901 in other cooperative organizations, including £110,000 in the Scottish Cooperative Wholesale Society and £2,000 in the Irish Agricultural Wholesale Society. It has also invested £1,334,708 of its funds in deposits with the S. C. W. S. (£586,722) and other cooperative societies, and in Government bonds and corporation stock (£747,742).

It is interesting to note that both membership and trade of the society increased most remarkably in the years just before and during the World War.

The U. C. B. S. received Government contracts during the World War, and, by controlling a large part of the bread market in Scotland, had a stabilizing effect on the price of bread.

As early as 1880, however, when its production was relatively small, the U. C. B. S. was able to prevent a rise in the retail price of bread in Glasgow by refusing to join the private bakers in an agreement to fix a higher price. At the turn of the century, the U. C. B. S., with an annual turn-over of more than 1½ million dollars, claimed to be the largest baking establishment in Great Britain.

U. C. B. S. bread is sold in constant competition with bread produced by private bakers. The maximum bread price is set by the Government Food Council, which applies pressure through the board of trade in case any baker attempts to take undue advantage of an upward movement in the price of flour. In general, its price is equivalent to that charged by private trade for the same quality of bread. The actual cost of the bread to the member societies, however, is reduced by patronage refunds, which generally amount to about 10 percent on sales (to non-members only 5 percent). From its organization until the spring of 1936, the U. C. B. S. returned to its member societies a total of £2,456,728 in patronage refunds on a total turn-over of £38,688,497.

The U. C. B. S. is managed by a board of directors and officers elected by delegates of member societies at annual meetings. The society has at present under consideration a change in the bylaws to permit absentee voting, in order to give a voice in the proceedings to local societies which cannot afford to send representatives to the meeting.

Ten societies are elected to the directorate. These societies choose the individuals who represent them on the board. The president and secretary of the society are elected directly by the annual meeting.

The directors receive no salary and as a result they tend to come from the societies immediately surrounding Glasgow. During the last 30 years, 8 societies have been constantly represented on the board. In general, the societies so represented are those which purchase the full range of U. C. B. S. products.

A local society handling the bread of the cooperative as well as its other products is entitled to one share in the U. C. B. S. per individual member. Other societies buying only crackers and biscuits must purchase a minimum of 50 shares, and the number of additional shares they may buy is determined by the board of directors.

Each member society of the U. C. B. S. has one vote in the annual meeting, plus additional votes on the following basis: The society with the highest purchases has 50 additional votes, each society having additional votes on the basis of the proportion of its trade to this maximum. The voting actually works out at approximately one vote for each £1,000 of purchases from the cooperative bakery.

The 2,000 U. C. B. S. employees are 100 percent unionized. Working hours are from 8 a. m. to 12 noon and from 1 p. m. to 5 p. m., with a 20-minute rest period in the morning and the afternoon. Regular bakers receive 75 shillings per week. An old-age pension fund established by the U. C. B. S. provides a uniform retirement allowance for all employees, based on the number of years of service, regardless of wages during that service. Working conditions at the U. C. B. S. are considered so attractive, we were told, that the society had to rule that only one member of each family belonging to a member society of the U. C. B. S. may hold a position at the bakery.

## Chapter IX

### THE SCANDINAVIAN COOPERATIVE WHOLESALE SOCIETY

THE Scandinavian Cooperative Wholesale Society, N. A. F. (Nordisk Andelsforbund), was formed in 1918. Membership in the society is limited to national wholesale societies of consumer cooperatives. The original members were the Swedish wholesale, K. F., the Danish wholesale, F. D. B., and the Norwegian wholesale, N. K. L. Later both Finnish wholesales, O. T. K. and S. O. K., became members. The society was formed on the initiative of the Swedish, K. F.

The function of the society is the purchase of commodities for its members, particularly commodities of colonial and foreign origin. N. A. F. acts solely as a purchasing agent; it carries no merchandise, and owns no production plant. Payment is made by the national wholesales to the sellers of commodities, N. A. F. guaranteeing payment for all shipments, and receiving from the sellers an agent's commission.

Coffee is the chief commodity purchased through N. A. F. Direct contact is maintained with producing and exporting firms in Brazil, Central America, and Java, and with the European branches of these firms. Next in importance are grain and flour, particularly American wheat flour, which goes chiefly to Denmark. Rice is imported from Spain, Italy, and India. Other imports are sago, tapioca, and refined vegetable oils for the manufacture of margarine. Oranges, apples, prunes, and apricots are purchased directly from growers in California and Oregon.

The following figures show the total turn-over of N. A. F. for each of the years indicated, as well as the volume of purchasing for wholesales of each of the four Scandinavian countries:

	1919	1924	1935
Denmark.....	<i>Danish kroner</i> 7, 100, 000 (\$1, 654, 300)	<i>Danish kroner</i> 13, 000, 000 (\$2, 171, 000)	<i>Danish kroner</i> 7, 400, 000 (\$1, 620, 600)
Finland.....			9, 200, 000 (\$2, 014, 800)
Norway.....	300, 000 (\$69, 900)	1, 000, 000 (\$167, 000)	2, 300, 000 (\$503, 700)
Sweden.....	2, 200, 000 (\$512, 600)	9, 000, 000 (\$1, 503, 000)	26, 300, 000 (\$5, 759, 700)
Total.....	9, 600, 000 (\$2, 236, 800)	23, 000, 000 (\$3, 841, 000)	45, 200, 000 (\$9, 898, 800)

It will be noted that at first Denmark made considerably greater use of the services of N. A. F. than did any of the other members. In recent years Sweden's share of the total has grown to more than the combined total of the other three countries.

Each member wholesale subscribes one share of 50,000 Danish kroner for each 10 million Danish kroner of its turn-over. Every second year the amount of shares held is revised on the basis of the average annual turn-over of the member wholesale during the 2 preceding years. However, if the turn-over of a member wholesale diminishes, the amount of shares already held by it may not be reduced.

The principal office of N. A. F. is in Copenhagen and a branch office is maintained in London.

Each member wholesale is represented at the annual meetings of the society by at least two delegates. Sixteen additional delegates are apportioned to the members in proportion to their annual turn-over and their volume of purchases through N. A. F. The board of directors consists of eight persons elected by the members in proportion to the number of their representa-



tives at the annual meeting. Each member wholesale decides for itself in what manner and for how long its representatives on the board shall serve.

In regard to commodities which the board has decided to handle, each member must provide the offices of the society with information on its annual consumption of such commodities and details of previous purchases.

The agency commissions which N. A. F. receives from sellers constitute its income. From its net surplus a reserve fund is first set aside equal to the subscribed share capital, and the remainder is distributed to the members in proportion to their purchases through the society.

N. A. F. is a practical example of how cooperative enterprise has extended itself internationally, unhampered by national boundaries.

**COOPERATIVE ENTERPRISE IN EUROPE**

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**APPENDIXES**

**A TO F**

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# Appendix A

## GROWTH OF COOPERATIVE ENTERPRISE IN EUROPE

THIS is a description of the development of cooperatives in each of the countries visited by members of the Inquiry. The information was assembled from reports and bulletins of governments, trade associations, banks and cooperative organizations that we collected, as well as from the memoranda of members of the Inquiry. While we believe this correctly describes cooperative enterprise in the countries covered, it will, of course, reflect inadequacies in the source from which it is drawn.

### THE GROWTH OF COOPERATION IN CZECHOSLOVAKIA

#### PRESENT STATUS

In 1934, the total trade of consumer cooperative shops in Czechoslovakia, including about 689,000,000 koruny (\$29,248,000) of purchasing of both home and farm supplies by the rural societies, amounted to about 2,323,000,000 koruny (\$98,512,000). This is roughly 3.8 percent of the total national consumption which is estimated at 60,000,000 koruny (\$2,544,000,000). However, it would be a mistake to judge the importance of the cooperative movement in Czechoslovakia by this low percentage, for if data were available to make the comparison on foodstuffs it would be much higher.

How important a place cooperation fills in the country's economic life may perhaps appear better from another set of figures compiled by the State Statistical Bureau to show the number of cooperative associations.

	1920	1934
Consumers' cooperatives.....	1,949	903
Credit cooperatives.....	5,559	7,096
Agricultural cooperatives.....	1,471	5,376
Building and housing cooperatives.....	566	1,489
Industrial producer cooperatives.....	1,080	1,492
Miscellaneous cooperatives.....	89	135
Total number of cooperative societies.....	10,714	16,491

The total membership for all these societies is not available. However, the 903 consumers' cooperatives alone account for about 800,000 families and the more than 5,000 agricultural cooperatives for about 600,000

families in a country whose total population is less than 15,000,000 individuals. The reduction in the number of consumer cooperatives was caused largely through consolidation of small societies for more effective operation.

#### SOCIO-POLITICAL BACKGROUND

This extensive cooperative movement must be viewed against its peculiar racial and socio-political background. The Czechoslovakian Republic was formed only 18 years ago by the fusion of territories and language groups which, up to then, had had no unified development. While in the eastern part of the country a relatively primitive agricultural economy was predominant, the western part, Bohemia and Moravia, was highly industrialized and accounted for about 80 percent of the industrial production of the entire former Austro-Hungarian Empire.

When the Republic came into being, there existed a number of separate cooperative movements, each federated along different lines not only territorially but also by languages. The Czechs, the Slovaks, the Germans, the Ruthenians, the Poles—each group had its own federations for one or more types of cooperatives. The patterns were already so set that little rearrangement became possible, although the federations have to some extent united in superfederations for specific purposes and have in other ways established working relationships.

#### EARLY GROWTH OF COOPERATION

Western Czechoslovakia, which has the most extensive cooperative development, lays claim also to the founding of the first real consumer cooperative, the Workers' Consumer Society organized by a group of poor German weavers in the Moravian town of Sternberg in 1861. Although this group had apparently never heard of the Equitable Pioneers of Rochdale, it was actuated by very much the same motives. The organization continued uninterruptedly until a few years ago when it amalgamated with another society.

Both German and Czech workers were quick to seize upon cooperation as a means of improving their economic condition. The Czechs, being a suppressed minority in the Austrian Empire, saw in this economic activity at

least a temporary substitute for political activity in which they were not permitted to engage. By 1872 more than 400 societies had been organized, but inexperience and internal differences broke down most of them within a few years.

In the late nineties the movement gained new impetus and in 1903 it joined in the organization of a Central Union of Austrian Consumers' Societies with headquarters in Vienna. Most of the Czech societies, however, seceded in 1908 to form their own federation (U.S.C.D.) and their own wholesale in Prague. At the beginning of the World War U.S.C.D. included 272 societies with 66,000 members while the 217 German societies in Bohemia and Moravia had 120,000 members.

The last quarter of the nineteenth century also marks the development of the credit societies. They were patterned chiefly after Raiffeisen or Schultze-Delitsch, serving industrial workers, small farmers, and small tradesmen. By 1913 there were 3,700 German and Czech Raiffeisen societies with 360,000 members. The earliest proponent of the Raiffeisen idea among the Czechs was F. C. Kappelik and the Czech movement consequently bears his name.

Aside from credit cooperatives there was little cooperative development in the rural areas before the turn of the century. Some joint purchasing of seed, feed, and fertilizer was carried on by credit societies and by consumer cooperatives that included rural membership. But by 1914 more than a thousand rural cooperatives had been formed for various specific economic activities such as purchasing home and farm supplies, marketing milk and dairy products, grain, potatoes, vegetables, beets, flax, chicory, joint use of heavy agricultural equipment, and production and distribution of electric current.

#### DEVELOPMENT SINCE THE FOUNDATION OF THE REPUBLIC

The establishment of the Republic brought additional influences to bear on cooperatives, besides those of racial character. Newly formed political party organizations appealed to the cooperatives for support, promising protection in return. Although the movement as a whole has retained political neutrality, the economic interests and political convictions of the membership in the different sections of the movement have at times prevented full mutual understanding.

The rural cooperatives are inclined to side with the Agrarian party, and the urban cooperatives with the Social Democrats or the National Socialists. However, organized attack on the cooperative idea by competitors and the recent suppression of the cooperative movement in neighboring countries have lately tended to bring all cooperative groups in the Republic closer together for mutual protection.

The friendly attitude of the Republican Government toward cooperative effort gave the movement an added

impetus throughout the country. The Agrarian Reform Act of 1919, which created thousands of new small peasant holdings, led to a tremendous development of rural cooperatives of all types, as is indicated by the comparative statistics shown previously.

At present there are about 50 cooperative federations of all types, most of them furnishing auditing and technical advisory services to their affiliated groups. Some federations operate wholesales and engage in production of goods for distribution to members. Nearly all federations perform some banking services for their members, thus building up a structure of loan capital from which expansion and new enterprise can be financed. They also carry on educational work through the publication of periodicals and pamphlets, through lectures and study classes, and through special institutes and training courses for leaders and employees. Many of the federations are again affiliated into several central organizations that represent the federations and their affiliated societies with regard to legislation and in dealings with cartels and with the national banking structure.

#### RURAL COOPERATIVES

The national central organization for farmers' cooperatives is the Centro-Kooperativ with headquarters in Prague. In 1934 it served 12 federations with 11,454 affiliated societies—nearly all of the farmers' cooperatives in Czechoslovakia. Nearly every one of these federations includes credit societies, purchasing societies, marketing societies, cooperative dairies, bakeries and flour mills, electric and machinery cooperatives, and cooperatives handling consumers' goods. The complexity of the situation can be further illustrated by a listing of these federations, with the respective date of organization:

Central Union of Agricultural Cooperatives at Prague (1896); Union of Czech Cooperatives at Prague (1909); Central Union of German Agricultural Cooperatives of Bohemia (1896); Central Union of Czech Agricultural Cooperatives (1899); Central Union of Agricultural Credit Societies of Moravia (1896); Central Union of German Agricultural Cooperatives of Slovakia (1893); Union of Czech Agricultural Cooperatives of Silesia (1901); Central Union of Germany Agricultural Cooperatives of Silesia (1894); Union of Polish Cooperatives (1921); Central Cooperative Federation of Slovakia (1919); Union of Agricultural Credit Societies of Slovakia (1924); Cooperative Union of Uzhorod (1925).

The consumer societies in this list are really general purpose societies, handling consumers' goods and farm supplies and doing miscellaneous barter with, and marketing for, their members. They are confined mostly to Slovakia and must not be confused with the purely consumers' cooperatives of Bohemia and Moravia which are not federated with the agricultural groups.

Statistics of Centro-Kooperativ for 1934 show the affiliated societies by major types as follows:

Credit societies.....	6, 101
Purchase and marketing societies.....	329
Cooperative dairies.....	483
Baking and milling societies.....	74
Electric and machinery cooperatives.....	2, 138
Consumer cooperatives.....	1, 003
Miscellaneous societies.....	626
<b>Total.....</b>	<b>11, 454</b>

The combined 1935 trade of the central wholesale societies for the 12 federations is given by Centro-Kooperativ at 2,338,240,000 koruny (\$97,364,000), of which 609,980,000 koruny (\$25,400,000) accounts for purchasing of supplies and consumers' goods and 1,728,260,000 koruny (\$71,964,000) for the marketing of agricultural products.

The functions of Centro-Kooperativ, which was organized in 1921, are auditing of central wholesales and federations, arbitration between federations, legal advice to and representation of the agricultural cooperatives in dealing with the public and with the Government.

There are several other central organizations for specific purposes. Kooperativa and Agrasol supply agricultural implements, coal and fuel oil, feed and fertilizer, and handle large sales of agricultural produce. V. E. S. is the electro-technical wholesale society specializing in the construction of rural electrification systems. Selecta is a wholesale supplying agricultural cooperatives with seed and plants.

The largest federation affiliated with Centro-Kooperativ is the Central Union of Agricultural Cooperatives at Prague, which consists primarily of Czech-speaking farmers' cooperatives in Bohemia. Its membership in 1935 included:

Credit societies.....	1, 948
Purchasing societies.....	97
Flour-milling societies.....	20
Bakery societies.....	6
Dairy societies.....	89
Distillery societies.....	144
Potato-growing societies.....	12
Fruit-growing societies.....	6
Vegetable-growing societies.....	4
Chicory-drying societies.....	32
Beet-growing societies.....	5
Flax-growing societies.....	7
Machinery societies.....	122
Electricity societies.....	1,439
Building societies.....	11
Pasture societies.....	16
Miscellaneous societies.....	119
<b>Total societies.....</b>	<b>4,077</b>

In the miscellaneous group are included a few weaving societies, consumer societies, cooperative breweries, malt factories, printing plants, poultry, beekeeping, and fishing societies.

The electricity societies have gradually absorbed the machinery societies. The first rural electric cooperatives were set up in 1911. By 1926 there were 739 with a total of 6,300 kilometers of high-tension lines, serving 1,720 village areas. Most of them own and operate expensive electric equipment, such as threshing machines, which the individual members cannot afford to purchase.

The Central Union gives auditing service to its member societies, furnishes technical advice, and carries on general educational work. Its magazine has a monthly circulation of 150,000 copies. It also circulates several films, two on thrift, as propaganda for credit societies, one on grain culture, one on the dairy cooperatives, one on Electricity in Rural Life.

Another of the larger federations, the Central Union of German Agricultural Societies of Bohemia, in 1934 had 1,235 member societies, with 208,910 members. Its 738 credit societies, with 126,822 members, did a yearly business amounting to 1,130,915,000 koruny (\$47,950,000). Its 48 purchasing and marketing societies, with 27,927 members, purchased feed, seed, fuel, and fertilizer amounting to 111,746,000 koruny (\$4,738,000) and sold agricultural products amounting to 102,244,000 koruny (\$4,335,000). Its 328 electricity societies, serving 26,931 members, valued their lines at 17,177,000 koruny (\$728,300) and used up about 2,000,000 kilowatt-hours of electricity. Retail prices to consumer members ranged from 0.58 koruna (2.4 cents) per kilowatt-hour upward. The total range of activities covered by the member societies of this German federation is similar to the list previously given for another Central Union.

#### CONSUMER COOPERATIVES

While many of the agricultural societies also embrace certain functions of consumer cooperatives, the organized consumer movement is represented principally through six independent federations. The most important of these are the Czech U. S. C. D. and the German V. D. W. In 1930 these 6 federations had 1,978 affiliated societies with 915,000 members and an annual turnover of 2,695,000,000 koruny (\$79,879,800). In this total, however, are included some 800 housing, credit, producers', and general-purpose societies. The membership of consumer cooperatives when analyzed by the State Statistical Bureau was found to consist of about 75 percent wage workers, 21.7 percent Government employees and other salaried persons, 1.6 percent farmers and 2.1 percent self-employed artisans and owners of small business enterprises. The Bureau therefore, in its official tables, often refers to the consumer cooperatives generally as the "working-class cooperatives."

U. S. C. D. is the largest consumer federation. Its growth is indicated by the following table:

Year	Societies	Members
1908.....	86	14,000
1921.....	1,326	605,000
1928.....	1,084	430,000
1930.....	1,035	461,000
1935.....	755	469,000

The large membership in 1921 was due to the official encouragement given to cooperatives by the new Government. The ensuing drop coincides with the inflation period and is an indication of the economic distress experienced by the low-income groups. However, since 1928 cooperative membership has again increased. The 1,035 societies in 1930 included productive, building, housing, credit, and agricultural societies besides 253 exclusively consumer cooperatives. The latter numbered 380,000 members, who through their 2,245 stores, did a business of about 1,000,000,000 koruny in 1930 (\$29,640,000).

The General Cooperative Bank of Prague was founded by U. S. C. D. in 1919. Twelve years later its annual turn-over amounted to 7,860,000,000 koruny (\$232,813,200).

Another of U. S. C. D.'s ventures is the cooperative insurance company "Czechoslovakia" chartered in 1919 to write life, fire, theft, accident, automobile, and several other kinds of insurance. In 1931 it had in force 153,000 policies. The year's premiums amounted to 46,400,000 koruny (\$1,362,500), and payments to policyholders to 14,800,000 koruny (\$438,376). In 1931 it had a share capital of 4,000,000 koruny (\$118,500) and reserves totaling 130,000,000 koruny (\$3,850,600). By 1934 the number of policies had increased to 177,000 and reserves totaled about 220,000,000 koruny (\$9,332,400).

The cooperative wholesale, V. D. P., was opened in 1909 to serve U. S. C. D. societies, and by 1931 had grown into the largest enterprise of its kind in the Republic. Its total trade in 1931 was about 480,000,000 koruny (\$14,217,600) and its own production 118,000,000 koruny (\$3,495,200). V. D. P. operates several coffee roasting and grinding plants, two flour mills, a number of bakeries, an underwear and clothing factory, a margarine factory, a soap factory, a meat packing plant, and manufactures brooms, cosmetics, fish products, condiments, and special foods. V. D. P. has established a business relationship with Kooperativa, the central wholesale organization for the agricultural societies in western Czechoslovakia under which it supplies various of its products to farmers' cooperatives and purchases other products from them. V. D. P. also buys tea from the British Cooperative Wholesale Society and electric bulbs from the Swedish Cooperative Union.

An important group in the U. S. C. D. federation is the building and housing societies, of which there were 212 in 1931. Up to that time they had erected for their members' use 4,373 residences, housing 5,732 families, and 351 tenement houses providing living quarters for 5,055 families, at a total investment of 731,000,000 koruny (\$21,652,200). Their activities were not confined to urban centers but also resulted in the establishment of several new model communities.

In 1931 U. S. C. D. and its affiliated societies paid out 55,000,000 koruny (\$1,629,100) in wages and contributed over 11,000,000 koruny (\$325,800) in aid to unemployed members. U. S. C. D. officials stated that all employees of cooperative plants and stores are required to be members of trade unions with which the cooperative federation maintains the most friendly relations. The trade unions, they said, frequently hold up the cooperative plants as models for private employers to measure up to, and frequently cite such plants as proof that private employers can grant better wages and conditions to labor. All difficulties arising between labor unions and any of the cooperative enterprises are settled by a joint committee comprised of representatives selected by the central union of the cooperatives and the central labor union.

The largest federation of German consumers' societies in the Republic, V. D. W., has a similar record of growth as is shown by the following table:

Year	Societies	Members
1919.....	194	182,000
1921.....	259	303,000
1929.....	168	230,000
1935.....	137	243,000

The continuous decline, since 1921, in the number of societies is largely due to consolidation of small societies. V. D. W. societies in 1935 operated 1,565 stores and had a turn-over amounting 447,500,000 koruny (\$18,633,900). A number of V. D. W. societies operate their own bakeries and abattoirs.

The Cooperative Wholesale, G. E. C., of this federation had a trade of 273,727,000 koruny (\$11,398,000) in 1935. Its own production has increased steadily from a value of about 6,000,000 koruny (\$94,200) in 1920 to 52,731,000 koruny (\$2,195,700) in 1935. G. E. C. manufactures coffee substitutes, chocolate, starch, fish products, condiments, canned fruits and vegetables, operates a cabinet and store-fixture shop, a flour mill, several bakeries, pickle works, a winery, underwear, clothing, and shoe factories, and a knitting mill.

We were told that G. E. C. and the Czech wholesale V. D. P. had reached an informal agreement that neither would build a productive plant if the other is already engaged in that line. It was cited as an evidence of close

working relations between V. D. P. and G. E. C. that the latter buys margarine and soap from the former and retains the V. D. P. trademark on such products for sale in its affiliated retail stores. Also, V. D. P. sells various chocolate goods and other products in G. E. C. packaging.

#### WORKERS' PRODUCTIVE SOCIETIES

There were 190 industrial producers' societies affiliated with U. S. C. D. in 1931. Their total membership was about 20,000. The workers numbered 6,500 persons whose annual earnings totaled nearly 70,000,000 koruny (\$2,000,000). These societies, operating such enterprises as bakeries, abattoirs and meat markets, clothing factories, construction companies, book binding, painting, and paper hanging, had an annual turn-over of 295,000,000 koruny (\$8,737,900).

Besides the producer groups affiliated with U. S. C. D. there were in 1930 eight independent federations of industrial producers' cooperatives including 1,184 societies. Five hundred and fifty-three of these were credit societies of the Schulze-Delitsch type, confining their cooperative activities to the providing of production credit rather than to actual production. Of the others, 503 engaged in cooperative production. Their own capital amounted to only about 10,000,000 koruny (\$296,400) making it necessary for them to borrow a total of nearly 100,000,000 koruny (\$2,960,400), in order to carry on operations.

Very few of these producer cooperatives seem to have attained any marked success. Aside from insufficient capitalization they seem to have difficulties in obtaining efficient management and in finding satisfactory market outlets. The producer cooperatives affiliated with U. S. C. D. fare somewhat better on the whole, since at least part of their market is provided by consumer cooperatives from which in many instances they receive financial support and management advice.

#### OPERATING METHODS OF CONSUMER COOPERATIVES

Except in the case of goods produced and sold locally the cooperatives endeavor to maintain uniform standards for all products. The desire of consumer cooperatives for quality goods at fair prices has resulted in a constant expansion of production activities by their wholesales. This is instanced by the production increase of G. E. C. and V. D. P., the two largest wholesales, that has been mentioned above. V. D. P. has succeeded in freeing itself of the margarine cartel's price dictation by setting up its own margarine factory.

Efficient merchandising is promoted through the amalgamation of small societies in the same area. The average consumer society now has upward of a thousand members and operates several stores, through one central management. This makes it possible to locate the stores with regard to the distribution of membership. The average cooperative store serves about 175 of the society's member families. Private stores have a much lower average.

Centralized purchasing, centralized management, and the relatively larger number of patrons per store enable the cooperatives to have lower goods and operating costs than the private traders. Most of this saving is passed on directly to the consumer in lower prices. The State Statistical Bureau made a comparative price study in 1933. It was found that in the large urban societies average prices were as much as 9.6 percent lower than in adjacent private stores. The average for the whole country is estimated at about 5.1 percent below private retail prices. In view of this policy, however, the annual patronage refunds are very low, averaging about 2 percent.

This price policy is made possible on account of the relative inefficiency of privately owned retail shops due to poor merchandising methods and small turn-over. In certain areas there is 1 private store for every 14 families.

Wages of cooperative employees are generally higher than those paid in private stores. Most consumer cooperative employees belong to trade unions. As previously stated, the largest federation, U. S. C. D., definitely requires trade union membership of its employees. Executive salaries seem to be somewhat lower than are paid for the same services in private business.

Since the Government requires each society to submit periodical audits made by accredited auditors who are not members of the society, the federations have established complete auditing services for their affiliated societies. In fact, this has grown to be one of the most important functions of the federations. The auditors at the same time act as critics and advisors, pointing out weaknesses in organization, merchandising, and accounting methods. They assist in installing uniform accounting systems and in the preparation of detailed annual reports for the information of the general membership.

Especially during the inflation period the cooperatives suffered great losses by extending credit to members on their purchases. The tendency for the past 10 years has been towards complete cash trading. Depending on the financial strength of the individual society, a limited amount of credit is still granted in some societies, but it is generally not allowed to exceed the amount of the member's investment. The extension of credit by private traders makes it somewhat difficult for cooperatives to enforce strict cash purchasing. A good deal of the efforts in membership education is devoted to stressing the importance of the cash policy.

The extension of credit is more prevalent today in agricultural than in urban consumer societies due to the more or less seasonal income of the rural population.

The financial resources of the average consumer society are made up about as follows: 25 percent paid up capital and reserves, 40 percent loans by members, 10 percent raised on mortgages, 25 percent loans from other sources and business credit.

The operating expenses of the federations are carried principally by the yearly contributions of the member societies. These contributions are determined at the annual meetings of the federations according to the preceding annual business of the societies. Regular auditing services and general educational activities of the federations are also covered by these contributions.

The larger federations are connected with banking institutions to facilitate financial transactions of their member societies, and with insurance companies that issue special policies for cooperatives. In some instances the federations have themselves set up such banks and insurance companies.

#### RELATIONS BETWEEN CONSUMERS' AND AGRICULTURAL MARKETING COOPERATIVES

In Czechoslovakia farmers are not often members of the regular consumer societies; instead they have their own general purpose societies which not only handle household supplies but also feed, seed, fertilizer, and other producer goods, and may in addition render other agricultural services. They purchase extensively from Kooperativa, the wholesale farm cooperative, and from private concerns, but in the western Provinces from V. D. P. and G. E. C., the urban consumer wholesales.

V. D. P. and Kooperativa have occasionally conducted joint purchasing operations, particularly of imports. Under an informal understanding of several years standing the two wholesales purchase from each other when mutually advantageous to do so. In 1931 and 1932 V. D. P. bought farm products from Kooperativa and Kooperativa bought household goods from V. D. P. to a total value of 11,354,700 koruny (\$336,000). The two groups have also used their influence to minimize the competition between their affiliated societies.

Direct dealings between the wholesales as well as between local consumers' societies and farmers' marketing cooperatives are conducted without favoritism. The relations are therefore the usual buyer-seller relations, with each saying the other is a stern trader as to price.

A handicap to more widespread commercial relations are political differences. Most of the urban consumer cooperative leaders hold to the belief that the purpose of cooperation is to eliminate the capitalistic system; and collaborate with the left-wing parties. Most farm cooperative leaders, on the other hand, say they oppose abolition of private enterprise and they are identified with the conservative party.

To prevent destructive controversy between the two groups of cooperatives numerous efforts have been made to promote informal collaboration, many of which have been very successful.

Since 1928 there is also in existence an informal committee representing all types of cooperative federations whose function it is to consider changes in cooperative corporation law, questions of taxation, tariff regulations,

and other matters affecting the cooperative movement as a whole.

#### COOPERATIVES AND THE GOVERNMENT

The Government has shown a very sympathetic attitude toward the cooperatives. When, in 1924, the Government put up 1,640,000,000 Koruny (\$48,445,600) to remedy the losses caused to all types of business by post-war inflation, 150,500,000 Koruny (\$4,445,800) of this fund was allotted to urban cooperatives and 171,500,000 koruny (\$5,066,100) to rural cooperatives. In addition, Government loans have been made to producers' cooperatives and to many of the electrification societies. The Minister of Social Affairs is authorized, under certain conditions, to grant to cooperatives a subsidy not to exceed one-fifth of 1 percent of their gross surplus to be used for educational work.

Cooperatives receive some special consideration in the matter of taxation. While private profit enterprises pay an 8-percent tax on profits, cooperatives dealing only with members are taxed instead two-tenths of 1 percent on their paid up capital. If, however, a cooperative serves also nonmembers it must pay the profit tax the same as the private profit enterprises. In order to guard against malevolent denunciations the law provides that inadvertent sales to nonmembers and sales under specified conditions shall not deprive the cooperatives of this tax privilege. Agricultural cooperatives are exempted from both profit and capital tax.

The transaction tax is applied to all business whether private or cooperative. However, the cooperative wholesales are not required to pay it, since their business is reflected in the business of the retail societies which they serve. In the case of real-estate transfers cooperatives pay only a transfer tax of 1½ percent while private individuals and corporations must pay 7 percent.

In certain types of business the Government has established regulations limiting expansion and the setting up of new enterprises. Private retailers have attempted to get such restrictions to apply also to cooperatives but the Government has so far upheld the right of cooperatives to exemption from this rule.

Representatives of the cooperative movement have been asked to serve on several Government boards. Thus the Grain Marketing Board, which holds a complete monopoly over production and marketing of grain, has representatives both from the agricultural and from the consumer cooperatives. The Ministry of Social Affairs has a division dealing specifically with consumer cooperative matters. It also has a consumers' council on which a committee selected by the major consumer cooperative federations represents consumers' interests.

#### IN CONCLUSION

It may be said that during the first years of the Republic the cooperative movement in Czechoslovakia suffered



from over-expansion and from too great a diffusion of energies. Societies and federations for virtually identical purposes, but separated by language barriers, by feeling of class distinctions, or by difference in occupation, duplicated a good deal of effort. This waste of effort has been generally recognized. During the past 6 years most of the federations have devoted their energies to a strengthening of the existing societies rather than to the organization of new ones. And they have learned by experience the advantages of interfederational cooperation and of uniting for common action wherever possible.

The opinions expressed to a member of the Inquiry by the manager of one of the largest banks in Czechoslovakia (not a cooperative bank) are indicative of the place of cooperation in the social economic structure of the Republic. He considered both urban and rural cooperation essentially a "self-help movement." The rural movement, in its effort to improve the lot of the peasant farmer, "does not disturb deeply the various components of our economic structure and it cannot be held that it brings havoc to the small businessman despite the fact that it performs an important distribution function. Farm progress is furthered by the agricultural cooperative through supporting the peasant class in developing their economy, thereby improving and intensifying production.

The urban consumer movement "can help the general situation, provided it does not reach such proportions as to disturb the economic balance. In this direction it has certainly augmented consumption because of the policy of selling cheaply and has brought to the private trader a competitive force. This competitive force is beneficial if it does not reach monopolistic proportions. In our urban centers it has been helpful to the laboring classes."

The effect of cooperation in the agricultural field has been to lower the small farmers' production costs, to furnish him cheap production credit, to enable him to get better prices for his products and to increase the real purchasing power of his income. The effects of urban consumer cooperation have been an increase in the purchasing power of cooperative members who are mostly wage earners, and a competitive pressure on private traders to improve their business methods. While the consumer cooperatives may be responsible for the elimination of some of the most inefficient private traders, it was asserted by national cooperative leaders that the number of small business men increased three to five-fold during the 11-year period 1925-35, inclusive. These leaders also expressed the opinion that the further growth of consumer cooperation in Czechoslovakia would not be so rapid as to endanger the structure of private trade for at least 100 years.

#### COOPERATIVE ENTERPRISE IN DENMARK

Cooperative enterprise today occupies a position of major importance in the predominantly agricultural economy of Denmark. In the rural areas almost every

phase of agriculture is in some way dependent on cooperation. In the cities both the consumers' societies and the workers' productive associations, while not as large, are of growing importance.

With a population in 1935 of 3,705,500 Denmark had approximately 8,000 local cooperative societies of various kinds. Chief among these in membership and annual business turn-over were the following:

Type of cooperative society	Number of societies	Membership	Turn-over	
			Krone	Dollars
Consumers' distributive.....	1,939	354,000	289,500,000	63,400,500
Dairies.....	1,411	189,250	460,000,000	100,740,000
Bacon factories.....	61	183,890	441,400,000	96,666,600
Fodder purchasing.....	1,412	90,685	79,100,000	17,322,900
Fertilizer purchasing.....	1,468	61,000	20,100,000	4,401,900

In addition there are cooperative societies for egg collecting and export, cattle export, fishing, seed culture, and marketing, generating and distributing electricity, housing, baking, insurance of several kinds, and banking. There are workers' productive associations or mechanics' leagues, industrial workers' canteens, livestock breeding and control societies; and a number of small societies for crushing and distributing lime, and for the operation of cooperatively owned farm machinery.

It must be borne in mind that simply adding together the membership figures for all types of cooperative enterprise does not really show how many people are members of cooperative societies, or how large a proportion of the population is affected by cooperative enterprise. If all duplication were eliminated, however, the total individual membership would be close to 400,000, according to an official of the Central Cooperative Committee.

Each Danish cooperative society is usually limited to a single specific function. A farmer may belong to a dairy, a bacon factory, an egg-collecting society, a feed-supply society, a fertilizer-supply society, a store, a village bank, a bull club, and a "control" or cow testing society, all of them cooperative. The executive committees of these various societies may be identical, but the business of each is kept separate. Societies of each type are usually federated in their own district and provincial associations, finally coming together in the Federation of Danish Cooperatives, whose executive body is the Central Cooperative Committee. This plan of organization, according to the secretary of the Central Cooperative Committee, permits greater decentralization than is exhibited by the cooperative movement in other countries, notably Sweden.

#### THE CENTRAL COOPERATIVE COMMITTEE

Practically all cooperative enterprise in Denmark (with the exception of the credit associations) are represented on the Central Cooperative Committee. The C. C. C.

was formed as a result of a meeting in 1898 of delegates from the Cooperative Bacon Factories, two associations of Cooperative Dairy Societies, the Cooperative Wholesale Society of Denmark (F. D. B.), the Danish Cooperative Egg Export Society, and the Jutland Cooperative Society for Feed Purchase. The purpose of the Committee was to represent the cooperatives in their relationships with one another and with outside groups.

Many additional societies affiliated with the C. C. C., and to give them adequate representation the Federation of Danish Cooperative Societies was organized in 1917. The C. C. C. is the executive committee of the federation. It is composed of 26 members elected by the federation's annual meeting of delegates. The various societies are represented on the C. C. C. as follows:

Society:	<i>Number of representations</i>
Association of Cooperative Dairy Societies . . . . .	5
Association of Cooperative Butter Export Societies . . . . .	1
Association of Cooperative Bacon Factories . . . . .	2
Association of Cooperative Cattle Export Societies . . . . .	1
The Danish Cooperative Egg Export Society . . . . .	1
The Danish Seed Supply and Seed Growers' Association . . . . .	1
The Central Cooperative Wholesale Society of Denmark (F. D. B.) . . . . .	3
The Association for the Purchase of Goods for the Cooperative Societies of Ringjobing . . . . .	1
The Jutland Cooperative Society for Feed Purchase . . . . .	2
The Islands Cooperative Society for Feed Purchase . . . . .	1
The Funen Cooperative Society for Feed Purchase . . . . .	1
The Danish Cooperative Fertilizer Supply Society . . . . .	2
The Danish Cooperative Coal Supply Society . . . . .	1
The Danish Cooperative Cement Factory . . . . .	1
The Association of Danish Cooperative Agricultural Insurance Societies . . . . .	1
The Danish Cooperative People's Bank . . . . .	1
The Danish Cooperative Societies Sanitorium . . . . .	1

The federation publishes an official organ, the *Andelsblad*, a weekly with a wide circulation; also books, reports, and statistical information on the cooperative movement.

The Federation of Danish Cooperatives is a member of the International Cooperative Alliance.

#### CREDIT ASSOCIATIONS

The growing need of agriculture for credit facilities developed credit associations as the first of the modern cooperative forms. The advantages of cooperative credit associations were first pointed out by a Danish economist

who in 1839 published a description of the German credit societies. Although this aroused considerable interest it was not until 1850 that anything came of it.

In 1850, the Rigsdag passed a law on credit associations and credit offices for estate owners. Meetings were called in Jutland and Sealand to form credit associations. On December 1, 1851, the bylaws of The Credit Association of Landed Estate Owners in Jutland were approved, and on December 6 the bylaws of a similar organization for the islands were accepted.

A third association, The Credit Association of Jutland Towns, was formed the following year. In the financial crisis of 1857-58 this society failed, though its creditors received the full value of their holdings.

This failure shook public confidence in the credit associations, and a law was passed in 1861 stipulating that new associations could be formed only by the passage of a special act in each case. By 1865 a bill was introduced for the formation of another association. Though some maintained that there were already enough such credit organizations to serve the country, the bill was finally approved after a declaration "that there was no more need to inquire whether there were enough credit associations than to inquire whether there were enough tailors in town; people ought to be free to form what associations they wanted."

There are today 12 such credit associations which, up to 1929, had made 359,356 loans. Ten of these associations serve the general population including the large property owners. The other two are specifically for small property holders, and originally no one might be accepted as a member if his estate was valued at more than 4,000 kroner (\$1,072). This limit was later raised to 20,000 kroner (\$5,360). The growth of these associations is shown in the following table:

Year	Total mortgages held (less part repayments)		Reserves	
	Kroner	Dollars	Kroner	Dollars
1852	2,489,000	667,052	27,700	7,423
1860	34,254,000	9,180,072	750,200	201,053
1870	68,375,000	18,324,500	2,417,800	647,970
1880	195,372,000	52,359,696	7,980,900	2,138,881
1890	451,613,000	121,032,284	14,860,300	3,982,560
1900	744,111,000	199,421,748	26,815,100	7,186,447
1913	1,606,342,000	430,499,656	66,753,100	17,889,831
1918	1,856,027,000	556,808,100	86,216,000	25,864,800
1923	2,629,247,000	483,781,448	116,269,000	31,393,496
1928	3,328,066,000	888,593,622	142,587,000	38,070,729
1929	3,409,920,000	910,448,640	151,972,000	40,576,524
1930	3,586,501,000	961,182,000	161,900,000	43,389,200
1931	3,851,500,000	962,875,000	171,700,000	42,925,000
1932	4,184,764,000	786,735,632	195,124,000	36,683,312
1933	4,262,029,000	814,047,539	200,233,000	38,244,503
1934	4,434,562,000	997,776,450	214,150,000	48,183,750
1935	4,621,749,000	1,012,163,031	(1)	(1)

<sup>1</sup> Not available.

The only association that has had to liquidate was the one that failed in 1857. During the recent depression one of the associations for small holdings got into diffi-

culties and was placed under the special administration of the Minister of the Interior.

#### DISTRIBUTIVE SOCIETIES

The earliest efforts to organize cooperative stores patterned after Rochdale were made in 1851, and were unsuccessful. In 1866, in an urban community, the Society of Workingmen in Thisted Town was organized. This enjoyed a moderate success but the spread of the idea was slow, particularly in the cities. By 1874 there were 92 local societies.

In 1871 a central society for joint purchasing was formed. This central society, however, did not open a wholesale business but employed a merchant at a fixed commission to purchase goods for the stores. This proved a failure, and as a result 37 societies dissolved.

In the meantime, another cooperative store organized in a Jutland village in 1868 was so successful that other stores began to join with it for wholesale buying. In 1884 a similar wholesale business was established in Sealand and in 1896 these two associations of cooperative societies amalgamated to form the Cooperative Wholesale Society of Denmark (F. D. B.), with headquarters in Copenhagen.

From that time on there has been steady and consistent growth even during the depression years. In 1935 there were 1,939 local societies with 354,000 members and an annual retail turn-over of 289,500,000 krone (\$63,400,500). Of these local societies 1,869 were affiliated with F. D. B., which is open to all consumers' societies that wish to join.

Figures showing the growth of F. D. B. and its affiliated local consumers' societies over the last decade are given below:

Year	Membership local societies	Number of stores	Share capital of F. D. B.	
			Krone	Dollars
1926	323,500	1,802	1,463,000	383,306
1927	321,500	1,785	1,454,000	388,218
1928	321,500	1,784	1,451,000	387,417
1929	321,500	1,750	1,450,000	387,150
1930	321,500	1,791	1,447,000	387,796
1931	321,500	1,796	1,519,000	379,750
1932	306,500	1,819	1,525,000	286,700
1933	307,600	1,833	1,532,000	292,612
1934	309,100	1,853	1,537,000	345,825
1935	344,000	1,869	1,545,000	338,355

Many of the items which F. D. B. handles for its member societies are made in its own factories. In 1935, F. D. B. owned and operated factories producing hosiery, ready-made clothing, cotton garments, bicycles and automobile fittings, boots and shoes, spices, coffee, tea, wine and spirits, chocolate, confectionery, cigars and tobacco, twine and rope (two factories), soap, mustard, margarine, wooden shoes, and harness. It also owned and operated a flour mill, a tannery, and a technological plant.

The figures below show the total turn-over of F. D. B., and total volume of goods produced in its own factories, and the rate of patronage refunds which member societies received from F. D. B.

Year	Total turn-over		Value of own production		Patronage refunds
	Krone	Dollars	Krone	Dollars	
1926	136,869,000	35,859,678	38,932,000	10,200,184	Percent
1927	133,433,000	35,626,611	36,869,000	9,844,023	5
1928	134,369,000	35,876,523	38,079,000	10,167,093	5
1929	141,612,000	37,810,404	40,307,000	10,761,969	7
1930	143,334,000	38,467,112	39,645,000	10,624,860	7
1931	131,513,000	32,878,250	36,783,000	9,193,750	6
1932	135,158,000	25,409,704	38,477,000	7,233,676	7
1933	151,925,000	29,017,675	42,927,000	8,199,057	7
1934	168,051,000	37,811,475	47,469,000	10,680,525	7
1935	184,187,000	40,336,953	51,165,000	11,205,135	6 3/4

The local societies affiliated with F. D. B. in 1932 had a total retail turn-over of 236,300,000 krone (\$44,424,400). By 1935 this had increased to 286,000,000 krone (\$62,634,000).

Several societies in the district of Ringjobing, in 1885 formed their own association, the Consumer Cooperative Association for the District of Ringjobing. They did not affiliate with F. D. B. because they believed that private wholesalers and manufacturers performed their functions satisfactorily. In 1935 there were 70 local societies with approximately 10,000 members, affiliated with this district association. Their total turn-over in 1935 was 3,500,000 krone (\$766,500).

#### URBAN CONSUMERS' SOCIETIES

Most of the local societies affiliated with F. D. B. are in small towns and villages of the rural areas. Cooperative enterprise in the cities has grown slowly. In recent years and particularly during the depression, the growth of consumers' societies in the cities has been more rapid, as is shown by the figures for the years from 1931 to 1934.

Year	Stores	Membership	Turn-over	
			Krone	Dollars
1931	30	42,230	14,922,100	3,730,525
1932	32	52,200	15,925,700	2,994,031
1933	32	55,400	18,803,500	3,591,468
1934	36	60,860	22,501,100	5,062,747

These urban societies are members of F. D. B. and the figures in the table above are included in the totals previously given for F. D. B. and its affiliated societies. They are also members of the Cooperative Mutual Association which has a membership of 158 societies embracing urban cooperative bakeries and housing societies as well as consumers' societies.

The Cooperative Mutual Association was formed, not because of any direct conflict between the urban and rural societies but because most of the members of the urban societies are members of trade unions. It was argued that the various farm processing and marketing societies were large employers of labor and that many of their employees belonged to labor unions. This situation, they said, called for a separate association of those societies whose members were predominantly workers so that they should not find themselves in the paradoxical position of close association with their employers in case labor disputes should arise.

In this connection it should be pointed out that at one time many of the cooperative dairies and bacon factories were members of the Danish Employers Association. They withdrew in order not to unduly antagonize organized labor which looked upon the Employers Association as purely capitalistic.

#### CANTEENS

About 10 years ago industrial workers started cooperative canteens in the neighborhood of the factories in which they were employed.

In 1934 there were 22 of these canteens with an annual turn-over of 3,098,200 krone (\$697,095). The canteens are federated in a single organization, which in turn is a member of the Cooperative Mutual Association.

#### BAKERIES

Cooperative bakeries, with their chief aim the production of pure bread in clean bakeries, have been started in several towns. Many of these are workers' productive societies that received their original capital from labor unions.

In 1931 there were 35 bakeries with a turn-over of 5,822,900 krone (\$1,455,725). By 1934 there were 37 plants and the turn-over had increased to 9,288,000 krone (\$2,089,800). Most of them are members of the Danish Associated Cooperative and Joint Bakeries Society which was formed in 1916 for the joint purchase of raw materials.

#### WORKERS' PRODUCTIVE SOCIETIES

Although slow to take up consumers' cooperation, urban industrial workers have organized many productive enterprises on cooperative principles. Some of the bakeries have been mentioned.

Somewhat different are the cooperative mechanics' leagues, which grew out of a lockout declared by the Danish Employers' Association in 1899. These leagues of carpenters, masons, ironworkers, undertake the same sort of jobs as private contractors. The working conditions and wages which the leagues are able to afford their members are held up by workers as examples in disputes between private contractors and their employees.

In 1934 there were 40 of these various productive enterprises, excluding the bakeries, and their annual turn-over was 46,692,500 krone (\$10,505,812). These societies are all members of the Cooperative Mutual Association.

#### HOUSING

There are 2 cooperative housing societies in Copenhagen and 13 in other urban centers. The largest of these, the Workers' Mutual Building Society, has 5,000 members and has erected buildings with 4,200 apartments.

Each apartment house is operated as an independent unit, but the society as a whole retains ownership of the property. The tenants are the members. Forty percent of the capital required is secured on a first mortgage from a credit association, another 15 percent from an association taking second mortgages, while the balance up to 90 percent is supplied by the State from a building fund established by law in 1933. The remaining 10 percent is put up by the members in the form of a membership fee of Kr. 40 (\$9) and, after assignment of an apartment, a sum equal to 1 year's rent. If a member withdraws, both these sums are returned to him, as well as a proportional share of the amount by which the mortgage has been reduced during his occupancy of the apartment. When the mortgages have been cleared, rents are reduced to the level necessary to provide adequate maintenance and operation.

The next largest society, the Workingmen's Cooperative Building Association, has buildings with 3,000 apartments. The members of this association are members of the various mechanics' leagues. The tenants of the houses are not members. Financing is similar to that of the Workers' Mutual Building Society.

#### SOCIETIES FOR THE PURCHASE OF FARM REQUISITES

Cooperative societies for the purchase of farm requisites came after the development of Danish agriculture to a position of major importance in the national economy. From an exporter of many kinds of grain and feed, Denmark became an importer of these things.

The increased demand for feed, fertilizer, and seed tempted many private traders to adulterate their wares and maintain high prices. In the nineties merchants formed the Jutland Corn & Feed Co.

This was interpreted by the farmers as a trust for the exaction of high prices for goods of inferior quality. They countered by organizing the Jutland Cooperative Society for Feed Purchase in 1898. Beginning with 68 local societies, the number increased rapidly. By 1917 there were 848 local societies in the federation.

Within a few years four more associations were established, each serving the local societies and farmers in its district. These provincial societies are not federated in a national organization as are many other cooperative enterprises. Most of the feed they handle is imported,

though they make a certain amount of oil cakes, etc., themselves, from domestic products.

These societies now handle more than three-quarters of the total Danish imports of feed, as is shown in the following table:

	1928	1930	1932	1934
Provincial societies.....	5	5	5	5
Local societies.....	1,275	1,360	1,379	1,412
Members.....	75,000	79,000	83,350	90,685
Turn-over:				
Million krona.....	145.8	116.1	106.0	79.1
Million dollars.....	38.4	31.1	19.9	17.8
Percentage of total imports	42.1	52.5	55.4	82.9

Most of the shrinkage in turn-over is due to Government control and restriction of imports of foreign grain. In 1935 the turn-over rose to 85,000,000 krona (\$18,615,000).

#### FERTILIZER

Many local societies for the joint purchase of fertilizer had been formed before 1900, usually securing their supplies from private wholesalers. In 1901, a federation of 21 local societies, the Danish Cooperative Fertilizer Supply Society, was formed to coordinate the activities of the local societies. Subsequently several other local societies joined the federation.

By 1915, however, most of the imports of fertilizer had been monopolized by a private firm, the Danish Fertilizer Supply Co. In 1915 this company notified its customers that if they wanted to be supplied at all they would have to bind themselves for a period of several years to buy their total needs through the company.

This aroused the indignation of the farmers and in July 1916, farmers' organizations of all kinds sent 871 delegates to a meeting where it was decided to form the "Danish Cooperative Fertilizer Supply Society of 1916." The structure of this society differs from that of the feed societies in that it is one large national federation of local societies.

The following figures show the development in recent years and the present size of this enterprise:

	1928	1930	1932	1934
Local societies.....			1,426	1,468
Members.....			57,389	61,000
Turn-over:				
Million krona.....	18.3	23.6	14.3	20.1
Million dollars.....	4.9	6.3	2.7	4.5
Percentage of total imports.....	31.4	29.2	35.2	39.3

In 1935 the total turn-over increased to 21,200,000 krona (\$4,642,800). Though the Government control of imports extends to fertilizer, no restrictions have been imposed on the quantity of imports.

#### SEED

The demand for pure seed of known germinating power led to the formation in 1906 of the Danish Agricultural

Societies' Seed Supply Association (D. L. F.). Many private seed merchants had been adulterating seed with dead or poor grade seed. (It was said in justification that this was "to counteract the unfortunate inclination of farmers to sow too closely.") Another and more extreme form of adulteration was the use of powdered quarry stone which could be made to resemble clover seed. As much as 30 percent of this stone powder, which came to be known in the trade as "Bohemian Mountains," was to be found in commercial clover seed.

The D. L. F. set out to encourage the production of good seed and to facilitate its exchange between farmers who grow seed and farmers who buy seed. To become a member, a grower must contract to deliver only good seeds of select strain and to have them officially tested at the Government seed testing station. The D. L. F. undertakes to sell the seed for its members at the best possible price but makes no minimum guarantee.

The D. L. F. itself does not produce seed for commercial sale, leaving that to the individual members, but it does operate experimental farms for testing and developing improved strains. In this work it cooperates closely with the Government experimental farms.

In 1913 the D. L. F. reached an agreement with the Cooperative Wholesale Society (F. D. B.), which had already been growing and selling seed. This agreement stipulates that the D. L. F. shall make available to F. D. B. all the seed that F. D. B. can sell to farmers through its affiliated local societies. Any seed in excess of the needs of F. D. B. may then be sold on the open market. F. D. B. on its part agrees to sell only seed supplied by the D. L. F. so long as the supply is sufficient. If its needs are greater than the capacity of the D. L. F., it may purchase on the open market.

Prices are agreed upon in joint meetings and every effort is made to assure fair prices both to the seed growers and the farmers.

Figures showing the membership and volume of business done by the D. L. F. are given below.

Year	Members	Total sales		Sold to F. D. B.	
		Krona	Dollars	Krona	Dollars
1928.....	2,959	3,400,000	907,800	2,300,000	614,100
1930.....	3,343	5,800,000	1,554,400	4,500,000	1,206,000
1932.....	3,436	3,700,000	695,600	2,800,000	526,400
1934.....	3,820	5,600,000	1,260,000	4,400,000	990,000
1935.....	-----	6,600,000	1,445,400	5,100,000	1,116,900

#### OTHER SOCIETIES

In 1901 there was formed the Danish Cooperative Dairy Societies' Joint Purchase Society and Engineering Works, which supplies machinery and other equipment for dairies. Both local cooperative dairy societies and private dairy owners belong to this organization.

The Danish Cooperative Coal Supply was formed in 1913 as a direct result of efforts by private coal merchants to fix prices. It supplies coal to the cooperative dairies and bacon factories, and to many local consumers' societies who in turn supply their members' fuel needs.

#### CEMENT

Another move to defeat monopoly price fixing brought the organization of the Danish Cooperative Cement Factory. Prior to 1911 the Cooperative Wholesale Society (F. D. B.) had made year to year contracts with the association of private cement manufacturers. In 1911 F. D. B. made a 5-year contract and immediately the cartel raised its prices.

This led the cooperatives to start building their own factory, which was completed and ready for operation in 1913. In the meantime local societies started dealing with independent importers. Thereupon the cartel went into court and argued that in its discussions of the 5-year contract it had used the term "cooperative societies" rather than "Cooperative Wholesale Society," and that independent purchasing by the local societies or the operation of a cooperative factory was a violation of the contract. The courts upheld this view; consequently the cooperative factory did not start production until 1916.

The cooperative factory sells cement at prevailing prices. During the first years of operation, it was not able to make any savings. Recently, however, it has been able to pay a 5-percent patronage refund.

In the opinion of cooperative leaders, the existence of the factory has prevented the cartel from raising prices.

#### PRODUCTION AND DISTRIBUTION OF ELECTRICITY

A high percentage of the farms in Denmark are electrified, and according to Danish experts over 50 percent of the power consumed in rural areas is either produced or distributed by cooperative societies. Frequently generating plants owned and operated by municipalities supply power to rural cooperative distribution societies.

Seventy out of 137 major generating plants operating in 1934 were cooperative, while of a total of 72 rural distributing sub-stations 40 were cooperative. Before the introduction of alternating current, a great many small direct-current plants were built in the rural areas. In 1934 there were 347 of these in operation, 243 of them cooperative.

#### FISHING

Fishermen have formed cooperative associations for the marketing of fish, both domestically and abroad. They have also formed many societies for the purchasing of gear; credit societies; and mutual societies for the insurance of their boats.

#### INSURANCE

A great many cooperative insurance societies, covering a wide variety of risks, exist in Denmark. Most of them

are small societies, operating over a limited area, and confined to one type of coverage. Some are national in scope and insure against several forms of loss.

A number of these societies are quite old, one that is still in existence having been organized in 1812. Many more were organized after the Law of the Constitution in 1849.

Most of these societies cover agricultural risks. In 1915 an inquiry disclosed in operation 2,221 societies that insured livestock; 1,090 horses; 757 cattle; 212 pigs; and 162 several kinds of livestock. There were also 15 societies with 84,400 members, that insured against loss by hail, and 7 societies with 87,000 members, covering damage to buildings by storm.

In 1898, as a result of the passage of an industrial employers' liability act, 712 dairy societies formed an insurance society to cover their employees. By the end of the following year practically all the cooperative dairies had joined, as well as many private dairies.

In 1908 another act imposed a similar liability on owners of agricultural holdings. Provisions in this act provided that the State pay one-half of the premiums and that both owner and employee be covered in case of accident. The insurance society serving the dairies received the approval of the Minister of the Interior to extend its activities under this law; at the same time it started to write private accident insurance.

In 1916 the society had 158,000 members of whom 51,500 were compulsorily and 14,000 voluntarily insured agricultural holdings; about 90,000 were private persons, and the remainder were dairies. Automobile insurance and pension fund departments were added and by 1930 membership had increased to approximately 225,000.

Early in this century a cooperative life insurance society was organized, which in 1911 bought out a private company and assumed its name "Tryg", which means safety. In 1930 Tryg had 165,000 member policyholders and reserves of over Kr.30,000,000 (\$8,040,000).

In 1899 the cooperative bacon factories organized a liability insurance society similar to that of the dairies, and in 1914 another society writing marine and war risk insurance.

Workers in many of the cooperatives have formed pension organizations limited to employees of one society, to which both the society and employees contribute. Another pension plan is operated by an independent cooperative organization covering employees of several societies.

#### COOPERATIVE BANKING

Although established cooperative societies and farmers with property were readily able to secure loans from the Credit Associations and private banks, new cooperative enterprises found it more difficult to secure short-term loans for operating capital. As a result, the Central Cooperative Committee, in 1905, conducted an inquiry

to determine to what extent cooperative societies would be willing to support a cooperative bank.

The suggestion of a cooperative bank was opposed by some private bankers, who conducted a widespread campaign to show how dangerous it would be to the nation if all cooperative banking were done through one institution. In spite of this, the cooperative congress of 1906 appointed a committee to draw the plans for a bank and to secure promises of capital from cooperative societies. The purpose of the bank was to support every reasonable cooperative scheme that was presented to it. By 1909, 236 societies had pledged over Kr.650,000 (\$174,200). However, the bank did not open until 1914.

The members of the bank were cooperative societies, which purchased shares in proportion to their annual trade. Individuals could also participate by joining "bank clubs" which would take shares in proportion to the number of individuals in the club. Cooperative Village Banks, which were started in 1915, might also become members by taking a number of shares based upon the amount of their local deposits.

The Cooperative Bank did not restrict its business to members, but accepted any business that came its way. After paying 4-percent interest on share capital, and setting aside reserves, the surplus income was distributed to members annually in proportion to the amount of business they had done with the bank.

The bank prospered for a time; but the financial strain of the post-war years forced it to close in 1925. Various attempts to reopen it failed and finally shareholders were repaid about 92 percent of their investments.

Later in 1925 a new institution was organized, the Danish Cooperative and Folk Bank, with a capital of Kr. 200,000 (\$42,200), which was later increased to Kr. 1,000,000 (\$211,000). This new bank has 20 branches in different parts of the country. It operates along lines similar to those of the Cooperative Bank. Its growth is shown by figures for recent years:

	1932	1933	1934
Shareholders.....	6, 185	7, 224	7, 447
Capital:			
Krone.....	4, 300, 000	6, 200, 000	7, 500, 000
Dollars.....	808, 400	1, 184, 200	1, 667, 500
Clearances:			
Krone.....	2, 075, 000, 000	3, 300, 000, 000	5, 309, 000, 000
Dollars.....	390, 100, 000	630, 300, 000	1, 194, 525, 000
Balance:			
Krone.....	31, 900, 000	53, 500, 000	62, 800, 000
Dollars.....	5, 828, 000	10, 218, 500	14, 130, 000
Reserves:			
Krone.....	6, 800, 000	1, 100, 000	1, 500, 000
Dollars.....	1, 128, 000	210, 100	337, 500

Six thousand of the share holders in 1934 were individuals, both members or nonmembers of cooperative societies. The other share holders were cooperative societies.

#### VILLAGE BANKS

The Cooperative Village Banks are small rural savings banks which restrict their activities to their own locality.

They were started in 1915 to provide small short-term loans to the smaller farmers and to fill the gaps where other banking facilities were lacking. They spread rapidly at first, and by 1930 there were 150 of them, with an annual business of Kr. 300,000,000 (\$80,400,000).

Each bank is a separate institution, managed locally, though about one-third of them have joined an association, the "Danish Village Banks," which represents them on the Central Cooperative Committee. As a result of the depression the number of these small banks has been reduced to about 100.

The Village Banks introduced the use of bank checks in rural areas. They also function as financial clearing house between the cooperatives. Thus the accounts of a person who is a member of several local cooperatives, such as a dairy, store, seed, or fertilizer supply, are all cleared through the local bank, with practically no cash changing hands. Patronage refunds declared by the store are credited directly to the member's bank account.

#### FARMERS' PROCESSING AND MARKETING SOCIETIES

The change of Danish agriculture during the early part of the nineteenth century from grain to dairy farming created conditions favorable to the extension of cooperative enterprise. Following by several years the first successful distributive societies, farmer-owned dairies were the first of the agricultural enterprises to be operated cooperatively. These were followed by cooperative slaughterhouses and bacon factories, egg collecting and marketing societies, and societies for cooperative purchase of farm requisities such as feed and fertilizer.

#### DAIRY SOCIETIES

In 1875 seven farmers of Kaslunde, in the province of Funen, built and operated a dairy on cooperative principles. Although this dairy is still in existence, its existence was not known elsewhere for many years. Hjedding dairy, built in 1882, in Jutland, is generally considered the first cooperative dairy in Denmark, since it was from this group that the movement spread to the rest of the country.

Underlying the development of this movement was the necessity for small farmers to improve and standardize the quality of their butter if they were to compete successfully with the large estate owners in foreign markets. Home-made butter produced by the small farmer in his own churns and then collected and sold by commission merchants brought about 10 cents a pound less in the English market than the already famous "estate butter."

The cooperative dairies changed this. Not only has the large production of indifferent and always variable small farmers' butter completely disappeared, but Danish "dairy butter" has come to surpass the "estate butter."

The advantages offered by the cooperative dairies were immediately grasped, and the idea spread rapidly throughout the country. The spread of the cooperative

dairies has been called "a wave from the sea in the west." The following table shows the growth of the cooperative dairies:

Year:	Local societies	Year—Continued.	Local societies
1885.....	84	1914.....	1,168
1890.....	679	1928.....	1,367
1895.....	832	1930.....	1,388
1900.....	1,029	1932.....	1,402
1909.....	1,157	1934.....	1,411

To protect their common interests and to facilitate exchange of ideas and statistics on the dairy industry, the local societies joined together in district associations, of which there are now 21. The district dairy associations in turn formed three provincial unions of dairy associations, and in 1899 the unions delegated the chairman of each to a central general purpose committee. In 1912 this committee was reorganized and became the Central Organization of Danish Dairy Associations. Each district dairy association elects one delegate for every 20 affiliated local dairy societies to a general meeting of delegates. Four members elected from the general meeting and the three chairmen of the provincial unions, compose the Central Organization.

The Central Organization represents the cooperative dairies in their internal and external relations. Among other things, it deals with questions relating to the dairy industry which may be raised by legislative or administrative authorities.

In 1900 both cooperative and private dairies formed the Danish Dairies Butter Mark Society for the purpose of having all Danish butter marked with a common trade mark. By 1906 all but 13 of the dairies in the country had joined this society. Their mark was the "Lur Brand" which appeared on the packaging of all the butter they produced for export.

This action met with complete approval in foreign markets, the British Cooperative Wholesale Society being among the first to require the "Lur Brand" on all butter which it bought in Denmark. With the pressure of all the dairy societies behind it, a law was passed in 1906 making it compulsory for all butter produced in Denmark for export to bear the "Lur Brand."

Approximately 95 percent of the milk produced in Denmark goes through the cooperative dairies. Export of butter is handled by 11 regional butter export associations and the Federation of Danish Cooperative Butter Export Associations. The volume of butter exported by these associations and its proportion to total butter exports from Denmark are shown below:

	1932	1933	1934	1935
Value of butter exported by cooperative societies:				
Million kroner.....	143.4	134.4	129.6	142.9
Million dollars.....	27.0	25.7	29.2	31.3
Percentage of total Danish butter exports handled by cooperative societies.....	45.7	47.1	48.9	-----

The decline in volume during 1933 and 1934 is due to the declining price level rather than to a reduction in the physical volume handled.

The extent of the cooperative dairies will be seen from the following:

	1932	1933	1934
Number of members.....	191,300	190,000	189,250
Number of dairies.....	1,402	1,402	1,411
Percentage of all dairies.....	82.0	82.0	81.0
Total turn-over:			
Million kroner.....	465.0	445.0	460.0
Million dollars.....	87.4	85.0	103.5

#### BACON FACTORIES

With dairying established as a principal agricultural industry, the next step in Danish agriculture was pig breeding. The dairies had large quantities of skim milk, buttermilk, and whey which were turned back to the farmers, enabling them to keep more pigs economically.

In 1837 there were 235,000 pigs in Denmark, of a variety of breeds and indifferent quality. Forty-four years later this number had risen to 527,000. During the next 7 years, the period of the beginning of the dairies, the number rose rapidly to 771,000. The export of live pigs was made difficult by quota restrictions and duties imposed by importing countries, high transportation rates, etc.

With the success of cooperation in the dairy industry before them, leaders in the Horsens district had for some time been considering cooperation to facilitate the sale of their pigs. In 1887, 5 years after the first cooperative dairy had been established, the first cooperative bacon factory was opened.

Unlike the cooperative dairies, the bacon factory met with opposition from owners of private bacon factories and dealers who bought pigs. Letters were published in the papers to prove to farmers that the production of bacon pigs did not pay. Local banks refused to advance the necessary funds, while the sanitary committee of the Town Council of Horsens thought it might be injurious to public health and prohibited the construction of the slaughterhouse.

The cooperative won out, however, and the first pigs were killed in December 1887. More pigs were killed the first year than had been expected, in spite of keen competition.

The larger farmers were not at first wholly in sympathy with the idea of cooperative bacon factories, but the small farmers took the idea up eagerly. In 1888 four cooperative factories were opened, and in 1889 four more. By 1897 there were 24 cooperative bacon factories.

Many plans were proposed to combine the cooperative factories with those that were privately owned, to form one large organization or trust. But the cooperators refused to risk losing the gains they had made and remained independent.



It has been estimated from official figures that, by 1903, of all the farm holdings on which pigs were being raised, at least one-third were in connection with a cooperative bacon factory. An analysis of figures collected in 1903 shows that, of all those replying to a questionnaire addressed to pig raisers, 75.9 percent of those connected with cooperative bacon factories had holdings of less than 73 acres.

The table below shows the growth in the number of cooperative factories and the membership:

Year	Members	Number of factories	Year	Members	Number of factories
1888.....	1, 218	1	1929.....	182, 872	49
1890.....	15, 648	10	1930.....	177, 221	51
1900.....	60, 000	26	1932.....	169, 587	59
1910.....	90, 000	34	1933.....	179, 873	60
1925.....	169, 433	45	1934.....	183, 890	61
1928.....	179, 876	48			

In 1897 the Cooperative Bacon Factories formed the Union of Danish Cooperative Bacon Factories, with offices in Copenhagen. Practically all of the bacon produced in Denmark is exported to Great Britain, less than 10 percent of the total production being retained for domestic consumption. Fifteen cooperative factories have formed the Danish Bacon Co., Ltd., which maintains offices and warehouses in London, and acts as wholesale merchant. Among other things, the Union has effected a cheap marine insurance for bacon shipments.

By the same statute that established the "Lur Brand" for butter, a similar brand was prescribed for pork products intended for export. This brand indicates the factory in which the pork was processed.

During the recent depression Great Britain imposed restrictions on the amount of bacon imports. As a result the production of Danish bacon had to be curtailed. This was done by means of the "card system", which is a control of the sale of hogs to the factories but not of the production of pigs.

Hogs that are delivered to the factories accompanied by cards receive a price appreciably above that paid for hogs delivered without cards. Producers receive a varying number of cards; the number depending on the value of the farm, the amount of skim milk returned to the farmer from the dairy, and the number of hogs delivered the preceding year.

We were told by government officials that the existence of the cooperative factories had made it unnecessary to set up any special and elaborate machinery for the administration of this control program. The cooperative organizations were charged with carrying out the plan and "they did it fairly and without discrimination."

The following table shows the total number of hogs slaughtered by the cooperatives each year, as well as the value of the total turn-over, of which the cooperatives

handle about 85 percent. It will be seen that although the number of hogs slaughtered in 1934 was about 18 percent below the 1933 level, the drop in turn-over was only about 1.3 percent, due to sharply rising prices.

Year	Hogs slaughtered by cooperatives	Turn-over for Denmark	
		Krone	Dollars
1928.....	4, 417, 178	452, 800, 000	120, 897, 600
1929.....	4, 134, 881	469, 500, 000	125, 356, 500
1930.....	4, 974, 624	495, 900, 000	132, 901, 200
1932.....	6, 266, 127	376, 400, 000	70, 763, 200
1933.....	5, 111, 153	470, 800, 000	89, 922, 800
1934.....	4, 185, 200	464, 500, 000	104, 512, 500
1935.....	( <sup>1</sup> )	441, 400, 000	96, 666, 600

<sup>1</sup> Not available.

#### EGG COLLECTING SOCIETIES

It has been said that the Englishman sitting down to his breakfast egg, can, if he chooses, find out exactly whose hen in Denmark laid it.

This was not always the case. Like the butter industry before the advent of the cooperative dairies, the collection and export of Danish eggs was extremely haphazard. Most of the trade in eggs was in the hands of small private collectors and agents who collected the eggs from farmers' wives and resold them to merchants who in turn exported them to England. The farmers' wives learned that by holding their eggs for a week or two at certain seasons they were able to get a higher price for them. The merchants too would hold them for a time and, after going through several middlemen's hands, when the eggs finally reached England they were frequently unfit for use.

In 1894 the Agricultural Society of Horsens attempted to get egg producers all over Jutland to form one large society for the improvement of the egg trade. Although it did not succeed, the discussion that was aroused drew attention to the problem. It was argued that the middlemen would have to be eliminated, and that a system of marking eggs must be adopted, so that if bad eggs were delivered they could be traced to their source.

In 1895 the Danish Cooperative Egg Export Society was formed. The Society started with 24 branches and less than 3,000 members throughout the country. Among the first to lend support to the new Society was the Cooperative Wholesale Society in England which purchased a large part of its needs from the Danish Cooperative Egg Export Society.

The Society grew rapidly. Through its efforts the value of Danish eggs was reestablished in the English markets. Each egg handled by the Society is rubber-stamped with the trademark of the Society, with the number of the member from whom it came, and with the number of the collection branch.

The Cooperative Bacon Factories also took up the collection of eggs. Those that they handle are similarly marked to show their origin.

The Cooperative Egg Export Society does not handle as large a share of the total Danish trade as do the cooperative dairies and bacon factories, but its proportion is gradually increasing. In 1932 it was 23.4 percent of the total and by 1935 it had risen to about 25 percent. The reforms introduced, however, have spread throughout the trade, and the price of Danish eggs is now such that this is an economically practical industry. Virtually all eggs exported from Denmark are marked as are the cooperative eggs.

Year	Turn-over of Cooperative Egg Export Society	Turn-over of eggs handled by bacon factories	Total cooperative turn-over
1928.....	Kroner 14,500,000 (\$387,150)	Kroner 7,600,000 (\$202,920)	Kroner 22,100,000 (\$590,070)
1929.....	14,900,000 (\$397,830)	7,000,000 (\$186,900)	21,900,000 (\$584,730)
1930.....	14,300,000 (\$383,240)	6,300,000 (\$168,840)	20,600,000 (\$552,080)
1932.....	13,900,000 (\$361,320)	5,300,000 (\$99,640)	19,200,000 (\$360,960)
1933.....	15,600,000 (\$297,960)	5,400,000 (\$103,140)	21,000,000 (\$401,100)
1934.....	17,100,000 (\$384,750)	6,000,000 (\$135,000)	23,100,000 (\$519,750)

In 1932 the cooperatives entered upon the killing and dressing of poultry for the export market. In 1935 the value of their exports was 4,500,500 kroner (\$985,610). This was about 45 percent of the total exported.

#### CATTLE EXPORT SOCIETIES

The Cooperative Cattle Export Societies deal only in beef cattle and calves. They were commercially important during the early 1900's. Since the World War they have steadily decreased both in membership and in the volume of their trade.

In 1931, Germany, which was Denmark's best customer for beef, placed an embargo on Danish cattle. For the years 1922 to 1926 the average price per head of cattle was 351 kroner (\$94.07). By 1930 this had dropped to 284 kroner (\$76.11). The decline of these societies is shown below:

Year	Number of societies	Member-ship	Turn-over	
			Kroner	Dollars
1922-26 (average).....		20,224		
1928.....	15	14,729	10,300,000	2,750,100
1929.....	15	14,465	9,800,000	2,616,600
1930.....	15	11,680	10,300,000	2,760,400
1932.....	15	13,595	5,000,000	940,000
1933.....	15	13,277	4,800,000	916,800
1934.....	16	11,613	4,200,000	945,000
1935.....			7,700,000	1,686,300

The Cooperative Cattle Export Societies handle somewhat over one-third of the total exports of Danish beef cattle.

#### BREEDING SOCIETIES

It is evident from what was done by the cooperative dairy, butter, bacon, and egg societies that cooperators realized the importance of maintaining high quality. This naturally extended itself to the breeding of livestock.

In 1884 the first cooperative Bull Clubs appeared. Each club has its pedigreed bull or bulls which are available for the service of members' herds. In 1915 there were 925 Bull Clubs with 23,100 members. The clubs have joined together in Cattle Breeding Societies, and in each of the three provinces (Jutland, Sealand, and Funen) there were formed Central Associations of Bull Clubs.

The Danish Government, which extended no active aid to the distributive or dairy societies in their formative stages, from the first approved the breeding societies. Grants of funds were made to the societies to be offered as prizes for the best bulls raised.

Similarly, and with State aid, horse and pig breeding societies have been formed in all parts of the country. The result has been a vast improvement of the livestock of the country. This has brought with it better prices for higher quality bacon, and greater yields of butterfat per cow.

Another cooperative undertaking was the formation of Control Societies for measuring quantity and testing the quality of milk from individual cows. Precise records are kept by these societies of the amount of different kinds of feed consumed by each animal, and the food consumption is checked against the yield of butterfat.

Control Societies, alone or in conjunction with Bull Clubs and Cattle Breeding Societies, have formed district and provincial associations which collect statistics and publish regular reports.

In 1929 there were 1,336 Control Societies with 41,759 members. Records were being kept on 545,833 cows, somewhat more than 35 percent of all the cows in the country.

#### OTHER RURAL COOPERATIVE ENTERPRISES

Of lesser importance than the organizations already mentioned are the many cooperative societies which own and operate steam and electric threshers, drills and seeding machines, mowers, harvesters, and binders. A number of societies have machinery for cleaning and sorting seed.

These societies usually start by borrowing the funds necessary for the purchase of machinery, and charge each member in proportion to the use he makes of the machines.

Other cooperative enterprise includes the cooperative marling societies which quarry, crush, and transport marl for their members. Aided by the State and working in connection with the Danish Health Society, they operate light movable railways for the transportation of the marl from local pits to their members' farms, usually within a radius of 10 miles.

## WELFARE AND EDUCATION

In 1904 several local dairy societies organized the Danish Sanatorium Society for the purpose of building convalescent homes for members and their families. Individuals and societies subscribed a capital of 200,000 krone (\$53,600). A hospital and sanatorium, Krabbeholm, was built in a beautiful 53-acre park. The society has grown until there are now over 1,100 local societies of all kinds affiliated with it.

Much has been written about the Danish folk high schools and the important part which they have played in developing the spirit of cooperation in the Danish people. Briefly (because extended treatment would be outside the scope of this report), these schools are private institutions; moderately subsidized, but not controlled, by the State. They are not part of the cooperative movement, but they are credited by Danish cooperative leaders with having created the cultural atmosphere in which cooperation thrives. Their appeal has been principally to the young people on the farms. To their rural isolation they brought literature, the arts and sciences, not the least of which was scientific agriculture and a love of the land. The farm youth who attended these schools 40 years ago are today the backbone of the Danish cooperative movement.

The cooperatives have established their own educational center at Stauby Skov, near Middelfarth, where cultural and technical courses are available to members and employees of the societies. F. D. B. contributes from 10,000 krone (\$2,680) to 15,000 krone (\$4,020) annually to help workers in cooperative stores attend this school.

The original cost of establishing the school, 400,000 krone (\$107,200), has been completely paid off and the school is now supported entirely by student fees paid either by the students themselves or by the societies sending them.

## COOPERATIVE PRICE DETERMINATION

Efforts have occasionally been made by trade associations to persuade the cooperatives to join in price fixing agreements on certain articles. This the cooperatives have refused to do, maintaining that if they are able to sell at lower prices the members of the trade associations are, or should be, equally able to do so. Thus, though they often control only a fraction of the market, the cooperatives are able to set the general market price of a commodity.

An instance of this is the price of binder twine, of which the cooperatives sell more than 40 percent of the total sold in the country. They produce somewhat less than one-half the quantity they sell; the balance they purchase from private manufacturers. By operating their own factory, the cooperatives have first-hand knowledge of fair wholesale and retail prices.

The extent to which consumers' distributive societies engage in manufacturing is dictated entirely by practical considerations, a director of F. D. B. said, and the Whole-

sale Society starts to manufacture only when it seems possible to do it more efficiently. As a matter of policy, the cooperatives say they never go into manufacture if they are well treated by private industry—that is, they only manufacture when they can do it more cheaply.

An interesting illustration of the effectiveness of cooperative attacks on monopoly prices is the production of rolled oats by F. D. B. Through extensive advertising, a large international milling trust developed a market for packaged rolled oats retailed 76 Øre (16.7 cents) per kilogram. The cooperatives failed to have this price reduced, and they finally decided to manufacture their own brand of packaged oats.

They found it immediately possible to sell a product, equal in every way to the private brand, at a packaged price of 56 Øre (12.3 cents) per kilogram, a saving of more than 25 percent. The same product is sold in bulk for 44 Øre (9.7 cents) per kilogram. Bulk sales exceed in quantity the package sales.

Prices in cooperative stores run somewhat lower than in private shops. In rural areas, where the members prefer high patronage refunds, ranging from 8 to 12 percent, prices are higher than in the city cooperatives, where the patronage refunds rarely exceed 4 or 5 percent.

## ORGANIZATIONAL AND OTHER PROBLEMS

An outstanding characteristic of almost all Danish cooperatives is that they are unincorporated membership associations, and that members are jointly and severally liable for the debts of the enterprise. The principle of joint and several liability has in Denmark long been considered fundamental to cooperative organization; of equal importance with the principles of one member, one vote; and distribution of earnings in proportion to patronage.

This principle has been called "ideal" since it compels members actively to participate in the affairs of their societies. Some leaders today, however, maintain that "experience refutes this view", and that joint and several liability should be done away with.

Many of the new societies have adopted the principle of limited liability. Most of these are cooperative bank and urban consumer societies.

As a rule members of the farm marketing and supply societies pledge themselves to deal exclusively with their own association for extended periods, 5, 10, or even 15 years. Commonly, in the case of the dairies, when the pledge period has expired, the enterprise is liquidated, and a new society is then organized and new pledges are taken to operate the same plant.

Because of the seasonal nature of farm income, most of the cooperative distributive stores in rural areas sell on credit, the risks being borne by the store managers. Some cooperative leaders feel that the extension of credit is unsound; they are making efforts through the Central Cooperative Committee to persuade local societies to adopt a rule to make the boards of directors share the

risks equally with the managers. This, it is hoped, would materially reduce the volume of credit sales.

Such disagreements as have occurred between the urban and rural members of the consumers' societies may be traced principally to the political complexions of the two sections of the population. The members of the urban societies are predominantly industrial workers whose political sympathies lie with the left parties, while the farmers generally tend to ally themselves with the more conservative political groups. The differences have not been severe enough to result in open breaks over matters of policy; and in the opinion of most of the leaders of the Danish cooperative movement there is much less chance of an open split today than there was 10 years ago.

In actual business dealings there is no division at all, most of the urban societies being members of F. D. B., the Cooperative Wholesale Society. Recently there has arisen the question of adequate representation of the urban societies in the management of F. D. B. All concerned agree that, with the increasing membership of the city groups, a more equitable system of representation must be worked out.

The Cooperative Mutual Association brings together in an independent organization, urban cooperatives of all types in efforts to improve the well-being of workers and "make the workers independent." The three points of its program are cooperatives, labor unions, and a workers' political party.

With the exception of the relatively small number of city members, most of the members of the consumers' societies are identical with the members of the various farmers' processing and marketing societies. Relationships between these two forms of cooperative enterprise have been harmonious, since the members know intimately the problems of both production and distribution.

Workers employed in cooperative enterprises, on the whole, enjoy better working conditions and wages than employees in similar private enterprises. A director of F. D. B. told us that the Wholesale Society had agreed to pay the highest wages paid anywhere in the country by private industry, and that frequently they paid higher wages. As a consequence, he said, if there should be a strike or lock-out, the cooperatives would not be affected.

The employees of the cooperative dairies and bacon factories are all organized and affiliated with the Danish Central Labor Organization.

Workers in the distributive trades have only recently begun to organize and are not yet affiliated with the Central Labor Organization.

#### LEGISLATION AND TAXES

With the exception of the credit associations, which came into being as the result of legislation, Danish cooperative societies have developed without any special laws

either to encourage or restrict them. Practically all of the cooperatives are unincorporated associations restricted only by the principles of common law.

The general statutes regulating trade, which require that all business enterprises secure licenses, apply equally to cooperative and private enterprise, with one exception: Cooperative societies that sell only to members do not have to obtain licenses. This exemption applies to wholesale societies as well. Any society that sells to nonmembers must secure a license. The license fee is small.

Cooperatives which sell to members only are not subject to taxation of their earnings. If they sell to nonmembers as well as to members their earnings are taxed at the same rates applied to private enterprises. The tax is applied to total earnings; not only to that portion of the earnings resultant from nonmember trade.

Wholesale societies are taxed in the same way if they sell to nonmembers. If, however, they sell only to member societies they are not subject to taxation even if some of the local societies sell to nonmembers.

The cooperatives enjoy no exemptions from any other taxes.

About one-half of the cooperative stores sell to nonmembers as well as to members and are thus subject to the same taxes that private merchants pay.

#### THE GROWTH OF COOPERATION IN FINLAND

Finland, the youngest of the Scandinavian states, became a republic in 1919, upon its declaration of independence from Russia. Four-fifths of its people live in rural areas; three-fifths are engaged in agriculture, although less than 7 percent of the land is under cultivation.

Forests cover nearly 75 percent of Finland; they are its greatest natural wealth and supply the bulk of its export products. Its population of about 3,600,000 is scattered over 150,000 square miles, a territory 60 percent larger than that of Great Britain. Nine-tenths of the people speak the Finnish language while the other tenth speaks Swedish. There is practically no illiteracy.

The present Finnish cooperative movement dates from the beginning of this century. Within 35 years the movement has grown until now it includes well over one-half of the families of Finland.

We were told by an official of one of the two national consumer cooperative federations that the total retail trade of Finland amounted to from \$200,000,000 to \$250,000,000 per year and that the consumer cooperatives accounted for \$73,000,000 or about 30 percent of this total. On the basis of reports for the first half of 1936, he thought that cooperative retail business would show an increase of at least \$4,000,000 during 1936.

The governor of the Bank of Finland estimated that the Finnish consumer cooperatives handle from 25 to 30 per-

cent of the country's combined wholesale and retail trade. He added that, if only the retail trade in foods and household commodities were considered, the percentage would be as high as 40 percent.

The Finnish retail price level is said to be one of the lowest in Europe, and cooperatives are given considerable credit for this. On the other hand, wages in Finland are low, lower for example than in the other Scandinavian countries.

The plants and office buildings of the various central cooperative associations are impressive structures. Cooperative services extend into the remotest corners of the country where the population has a density of less than one person per square mile.

The phenomenal growth of cooperation corresponded to a national need. For more than 100 years, until 1917, Finland, under the rule of the Russian Czars, was gradually and systematically deprived of self-government. They turned to economic organization as a substitute for political action in which they were not permitted to engage. After 1866 repeated attempts were made at cooperative organization of consumers and of agricultural producers, but without marked success.

#### PELLERVO SOCIETY

In 1899, when Russian oppression threatened the very existence of Finland as a nation, the Pellervo Society was founded for "promoting the economic improvement of the people by means of cooperation, and to establish a bond between the various different cooperative societies in the country." Its founder was Hannes Gebhard, lecturer in agriculture at the University of Helsinki. In most other countries the cooperative movement began with local societies that later federated into central organizations. In Finland cooperation started from an established center outward, according to a definite, preconceived plan. Gebhard had made a thorough study of cooperation in other countries, particularly as it concerned agricultural groups. He applied his knowledge to the needs of the hard-pressed Finnish rural population with whom his sympathies largely lay. He was convinced that cooperation was the only hope of the small landholder, and he directed the efforts of Pellervo toward teaching this to the rural population.

Gebhard was the chief author of the Cooperative Act of 1901. Under this act, still in force today with certain amendments, a cooperative association can be formed for any activity whose object is to secure economic advantage to its members, either by raising their income or by reducing their expenses. Only insurance societies are excepted from it. At the option of the members, liability can be limited to the society's own resources, or a limited or unlimited individual liability may be specified in the articles of incorporation.

By 1903 there were 189 cooperative societies registered under the act, among them 66 consumer cooperatives, 75

cooperative creameries, and 24 cooperative credit banks. Consumer cooperation was at first confined to industrial workers, but soon spread into the rural areas. All three forms of cooperation were propagandized by Pellervo, through agricultural experts, folk-school teachers, and trained business advisors, and through pamphlets and Pellervo's magazine, which reached a circulation of 23,000 in 1905.

Pellervo did not confine its efforts to these three types of cooperatives. Wherever it found some economic activity, especially among the rural population, that could be carried on more effectively through cooperative organization, Pellervo assisted the people to organize. For each new type of cooperative it helped to plan and set up central organizations almost at once, so as to guard against diffusion of individual efforts. In this way it was possible for all new societies to benefit by the collective experience of those already functioning and to avoid repetition of costly errors. This policy of one nationwide central organization for each type of cooperative activity has been carried through successfully. The chief exceptions come from the split in the consumer movement (which will be described later), and the establishment of paralleling central organizations serving relatively small numbers of societies developed in minority language groups.

While Pellervo lent its full support to this cooperative development by issuing propaganda material, providing organizers, supplying model rules, text books, account books, giving management advice, making audits, compiling statistics and generally assuming the role of protector of cooperative interests and ideals; it was careful not to attempt any control over the economic activities of the societies it helped to get started. Holding to its self-imposed function of educational and advisory agency, it was able to remain impartial and on good terms with all types of cooperatives.

#### THE SCOPE OF FINNISH COOPERATION

Besides 1,500 local societies, Pellervo gradually came to include in its membership the following national central organizations: Y. O. L., the federation of neutral consumer societies and its wholesale society S. O. K.; Hankkija, the central organization handling supplies for farm societies and cooperative dairies; Valio, the creamery wholesale, and its affiliated dairies; Muna, the federation of egg marketing societies; Karjakekuskunta, the central cooperative livestock society; and M. M., the forest products federation.

The other central organizations not directly affiliated with Pellervo are O. T. K., the cooperative wholesale for K. K., the federation of progressive consumers' societies; Enigheten, the marketing wholesale of cooperative dairies operated by Swedish speaking people; and Labor, serving the Swedish speaking population as Hankkija serves the Finnish speaking population.

In addition, there are a number of mutual insurance societies which, although not incorporated under the Cooperative Act, were organized by cooperative federations for the benefit of their member societies. S. O. K. is served by Tulenvara, a fire-insurance society, Elenvara, which covers death, sickness, disablement, and old-age pensions, Oma, providing workmen's compensation, and Pohja, a life-assurance society. K. K. is served by Kansa Life and Kansa Fire Insurance Societies. There are many local mutual fire-insurance societies operated largely under rules prepared for them by Pellervo, which also aided them in 1917 to form a reinsurance society for a wider spreading of risks. A number of mutual livestock-insurance companies, and their reinsurance society, owe their existence to Pellervo's initiative.

The following table, taken from the 1936 edition of the Finland Yearbook, gives a summary of cooperatives in Finland for 1933:

*Local Cooperative Societies in Finland in 1933*

	Number	Membership	Turn-over in dollars
Cooperative distributive societies.....	545	491,400	\$51,516,000
Cooperative dairies.....	696	76,300	12,979,000
Cooperative rural banks (credit societies).....	1,401	142,500	24,123,000
Cattle-selling cooperative societies.....	7	5,300	2,539,000
Egg-selling cooperative societies.....	195	13,700	1,035,000
Forestry societies.....	5	3,100	694,000
Machinery cooperative societies.....	400	5,500	43,000
Moss litter cooperative societies.....	110	4,200	28,000
Sawmill, flour mill, and electrical cooperative societies.....	250	15,000	281,000
Telephone cooperative societies.....	335	18,000	215,000
Bull and hog cooperative societies.....	1,216	18,300	65,500
Miscellaneous cooperative societies.....	300	6,800	299,000
Total.....	5,460	800,100	93,817,500

In the item of rural banks, the balances of these banks have been calculated as their turn-over. The membership total contains, of course, considerable duplication since many farmers are members of several cooperative societies. The Finnish cooperative movement was, in 1933, still far below the saturation point; the membership figure for all distributive societies in 1933 was 491,400; by 1935 the figure was 517,763.

The growth of the major forms of Finnish cooperation is described in the following pages.

#### RURAL CREDIT AND BANKING

The rural cooperative credit banks were Gebhard's special concern. He found the small Finnish farmer subjected to the same pitiless usury that had prompted Raiffeisen in Germany to evolve his principles of cooperative rural banking over 50 years earlier. Gebhard emulated the Raiffeisen credit societies, but here again he reversed the usual order of development by first establishing a central cooperative bank (O. K. O.) in 1902 before there were any local credit societies whom it could serve. Share capital was furnished by interested

private persons. The Government agreed to support the bank with an amortization loan at low interest and an annual subsidy for education on the cooperative rural bank movement and for the inspection of the banks. The central bank was authorized to grant credit to loan credit societies, not to individuals. The local societies in turn could make loans to their members for productive purposes. The charters, however, called for unlimited individual liability of the members.

The period from 1902 to 1910 was one of moderate growth, resulting in the establishment of 374 credit societies, largely in the southeastern Provinces, where poverty and usury had been most notable. The next 10 years were a period of retrogression, as it proved necessary to wind up a considerable number of badly managed societies; in addition, O. K. O. fell into disfavor with the Russian authorities. Nevertheless, the movement spread geographically even though its resources dwindled to one-third during the World War years. In 1920 there were nearly 700 credit societies with about 32,000 members.

From then on the movement grew rapidly and effectively, due partly to assistance from a sympathetic Government, and partly to a doubling of the number of small-farm owners as a result of an act of 1918 enabling tenant farmers to acquire their own land. By 1926 there were about 300,000 small holdings, supporting approximately 40 percent of the Nation's population. More than 100,000 of these farmers were organized in 1,400 credit societies covering the entire country in a close network. In some of the eastern and sparsely settled far northern parishes the membership included more than 75 percent of the farm owners. About 80,000 of the members owned less than 25 acres of cultivated land; 30,000 owned 5 acres or less.

On the occasion of the twenty-fifth anniversary of O. K. O. in 1927, Dr. Gebhard, then still its managing director, told of the accomplishments of the credit societies during the previous year. With a modest share of \$403,200, deposits of \$2,116,800, loans of \$7,938,000 from O. K. O., of which \$4,410,000 was repaid during the year, a wealth of farm improvement was accomplished, as shown by the following table:

#### *Uses to which loans from cooperative rural banks were put in 1926*

Bought 458 new holdings..... acres..	13,800
Bought additional land for 1,353 farms..... acres..	28,700
Bought 1,014 existing farms..... do....	60,700
Built new homes..... buildings..	1,439
Built dwelling accommodation to replace old..... buildings..	2,509
Built accommodation for 22,280 head of cattle..... buildings..	3,290
Built other buildings..... do....	5,639
Repaired..... do....	5,426

Cleared fields for cultivation . . . . .acres..	27, 200
Dug ditches . . . . .meters..	8, 340, 000
Carted materials for improving soil..loads..	2, 022, 500
Bought artificial fertilizers . . . . .sacks..	107, 887
Bought seed . . . . .kilos..	1, 544, 000
Bought fodder . . . . .do....	1, 254, 700
Bought hay . . . . .do....	6, 767, 200
Bought machinery . . . . .items..	2, 379
Bought agricultural implements . . .do....	3, 244
Bought cattle . . . . .head..	9, 079

Dr. Gebhard commented on this table: "It was one of Raiffeisen's original principles that loans should only be granted for purposes of increased production. In Finland we attempt to adhere to this principle as closely as the undeveloped condition of the country will allow, and exercise the utmost strictness in its supervision. The boards of the rural banks must appoint special inspectors for the purpose, whose duty it is to visit every member who has received a loan and control the uses to which the loan has been put and to draw up a written report of what they have seen. The preceding compilation is drawn up from these reports. \* \* \*

"The list given here is incomplete, for it does not take into account the fact that in the same year the Central Bank had outstanding loans to cooperative dairies amounting to almost \$1,260,000 and about \$378,000 lent to about 100 other cooperative undertakings. \* \* \*"

It can thus be seen that the credit societies or rural cooperative banks have become the most important lending institutions for Finnish farmers, both for short-term production loans and for long-term amortization loans.

They operate at an extremely low overhead. Their expenses are only 0.61 percent of the balance-sheet total. The difference between rates of interest on credits and deposits is below 2 percent on short-term notes and only 0.2 percent on long-term amortization loans.

In 1935, O. K. O., the central bank, had a share capital of \$865,200, of which the State held \$540,750 and the local credit societies held the rest. Nevertheless, the State has only a minority vote in general meetings; it can nominate 3 members of O. K. O.'s advisory board of 12. O. K. O. has reserves of \$876,000. In 1935 it loaned out \$22,690,000, including \$19,250,700 to 1,299 affiliated rural credit societies with a membership of 140,000, and \$735,400 to other cooperative societies. Members' deposits in the local and central credit banks amounted to \$14,913,900. The Government supplied \$4,297,900 in loans and the balance was raised by bond loans issued by O. K. O.

In most of the local societies the office work is handled by nonprofessional bookkeepers. More than 700 are farmers or farmers' sons, a few hundred are school teachers and only a relatively small number have had any previous training in accounting methods. O. K. O. provides brief training courses and its auditors also act as instructors on their inspection trips. In fact, these

auditors have multiple duties. They also spread general education in cooperative principles and assist farmers in founding various forms of cooperative enterprises. The Finnish credit societies not only recognize their kinship to the whole cooperative movement, but also take a leading part in expanding and strengthening the movement in all its phases.

#### S. O. K., THE "NEUTRAL" COOPERATIVE WHOLESALE SOCIETY.

Largely through Pellervo's educational and promotional activities, and aided by the Cooperative Act of 1901, a number of consumer cooperatives both in town and country arose side by side with cooperative creameries and credit societies. By 1903 there were 72 consumer societies. There was, however, no cohesion and no joint action among them. They purchased individually from private wholesalers, to whom most of them, because of inadequate capital, soon became credit-tied.

In 1904, on the initiative of one of the urban workers' consumers' societies, delegates from a number of consumers' societies, with the assistance of Pellervo, met to discuss a central wholesale society. Thirty-seven societies were represented. One of the delegates was Väino Tanner, then the manager of a small society, later to be Minister of Finance and Prime Minister of Finland, and still prominently connected with the cooperative movement. The meeting resulted in the organization of S. O. K., with an initial membership of 12 societies, most of them consisting of urban workers.

S. O. K. immediately set out to promote a uniform and sound development of consumer cooperatives. It advocated Pellervo's model rules; discouraged credit sales; and persuaded societies to insist on compulsory members' shares at from 10 to 25 Finnish marks (19 to 48 cents) to supply working capital, and to lower the liability of individual members. By 1905 it went into wholesaling. The following table indicates the development of consumer cooperation in Finland up to 1915:

*S. O. K. Statistics, 1905-15*

Year	Societies purchasing from S. O. K.	Number of shops	Total membership	Total sales of societies	Purchased from S. O. K.
1905.....	155	210	26, 000	\$2, 200, 000	\$200, 000
1910.....	405	695	79, 000	8, 800, 000	2, 800, 000
1915.....	413	980	110, 000	17, 400, 000	7, 000, 000

While nearly all societies purchased through S. O. K. almost from the beginning, only 27 were members of the Wholesale Society in 1905. By 1908 there were 115 member societies.

In 1905 Pellervo organized the agricultural supply wholesale society Hankkija. Therefore, S. O. K. con-

fined its trade almost exclusively to consumer goods. Thus, the local rural societies dealt with two wholesalers, while the urban societies dealt only with S. O. K. All societies, however, did direct buying of their own in the open market, since the wholesalers could not supply all their needs.

Agitation for a separate federation to carry on the educational functions of the consumer movement resulted in the organization of a general cooperative union, Y. O. L., in 1908. Its membership was practically identical with that of S. O. K.

#### THE SCHISM

Many local societies went into production, and had rather sizable staffs of employees. The urban cooperatives, consisting largely of trade-union members, were for unionization of, and collective agreements with, their employees. The agricultural consumers' societies were generally opposed to such policies. Furthermore, the one-member, one-vote principle which had been carried into the membership set-up of the central organizations S. O. K. and Y. O. L. was unsatisfactory to the urban societies, which were generally much larger than the rural societies. The former wanted representation according to membership. The latter were opposed to this change which would have vested control in the urban groups. They feared that this would mean unionization of employees and other so-called socialistic innovations.

In 1916 matters came to a rupture. A number of societies withdrew from Y. O. L., founding the new educational federation K. K., but continuing to purchase from S. O. K. In 1917, the K. K. societies set up their own wholesale society, O. T. K. More than half of the consumer societies remained with Y. O. L. and S. O. K., but although K. K. and O. T. K. had fewer societies, they comprised fully one-half of the total consumer membership. The self-styled designations "neutral" and "progressive" for the two consumer movements date from this time.

The division, however, was not altogether clear-cut as between urban and rural societies. While K. K. and O. T. K. are supported mostly by townspeople and industrial workers, they took into their fold and still retain a considerable number of small farmers and agricultural workers. S. O. K., on the other hand, retained a number of urban societies. Both movements have continued along consumer cooperative lines, both are members of the International Cooperative Alliance and of the Scandinavian Wholesale Society, and they often act together when general consumer interests are threatened.

Since 1917 only societies affiliated with S. O. K. are permitted to purchase from that wholesale. The retail societies still sell to nonmembers, and it is from nonmember customers that most of the increase in membership is drawn. The development of S. O. K. societies since the split is indicated by the following table:

S. O. K. Societies, 1920-35

Year	Societies	Number of shops	Total membership
1920.....	484	1,587	174,570
1925.....	451	1,749	181,892
1930.....	423	2,485	225,367
1935.....	417	2,884	252,360
	Total sales of societies	Purchased from S. O. K.	S. O. K. production
1920.....	\$30,000,000	\$11,070,500	\$512,200
1925.....	33,500,000	17,667,800	1,221,600
1930.....	43,764,000	24,720,900	3,110,700
1935.....	42,926,000	23,050,800	4,585,800

As the table shows, the split in the movement did not check the growth of S. O. K. The obvious alignment with the interests of the agricultural population and S. O. K.'s refusal to sell to unaffiliated societies brought it increased membership from rural areas to make up for the loss of the urban societies. In fact, the realignment between the two movements caused increased educational and propaganda activities in both rural and urban areas that resulted in an even more rapid spread of consumer cooperation.

The table also shows the tendency, observed in other European countries, of consolidating local societies for more efficient operation. Thus, while the membership and the number of shops increase, the number of societies becomes smaller.

The cooperative stores offer a great diversity of goods and services. Besides groceries and provisions, most stores sell cloth and knitting wools, shoes, household utensils, work clothes, dress goods, and in the rural areas generally also fertilizer, feed, seeds, oils, cement, rope, canvas, hardware, paints, brushes, explosives, poultry, appliances, bicycles, motorcycles, even automobiles and tractors. Farm machinery, dairy equipment, etc., the societies purchase largely through Hankkija.

The rural societies often function as general purpose societies, purchasing grain, eggs, butter, meat, garden produce, etc., from their members for sale in the store, to other societies, or on the open market. Some rural consumers' societies even have grain silos of their own. We were told that the S. O. K. societies include about 1,600 gasoline distribution points.

The variety of needs of the members of S. O. K. societies can be realized by considering the composition of membership. In 1927, about 68 percent of the total membership owned or occupied land, 19.5 percent were salaried persons, teachers, Government employees, professional workers, etc.; 12 percent were industrial workers.

The managing director of S. O. K. told us that there is a great advantage in having groups of producers and consumers in the same federation. This has made possible a rationalization of distribution impossible to



achieve in any other way. He said that the statistics of S. O. K. societies showed that approximately 35 percent of all their business is completely local.

All kinds of local and home-grown agricultural products, such as potatoes, other vegetables, meats, butter, milk, and eggs, go directly from the local producer society to the local consumer society, thus eliminating unnecessary transportation. Only the overproduction of an area needs to be marketed in other localities.

Patronage refunds are not considered of great importance among Finnish consumer societies. Much more stress is laid on keeping retail prices as low as possible. Most retail prices are established by the cooperatives, and private traders adjust their prices accordingly. Patronage refunds amount to only 1 percent or 2 percent of annual purchases.

There is very little credit trading done. In 1927 individual credit to members was only 2.1 percent of the annual turnover of all S. O. K. societies. When members require personal credit, they are generally able to procure it from a cooperative credit society or savings bank.

The capital requirements of consumers' cooperatives are met largely through loans from members. Since 1917 many S. O. K. societies have established savings departments where members are encouraged to deposit their savings, thus furnishing part of the capital needed for improvement and expansion of the societies' activities. Share capital is usually small.

The Central Cooperative Union, Y. O. L., works closely with the wholesale society, S. O. K. The boards of directors and the management are practically identical. Educational and propaganda work is carried on by the same advisory bureau for both organizations. This bureau audits the societies' books and supervises their savings departments. Its weekly journal, said to be the paper with the largest circulation in Finland, goes to 182,000 families.

Due to the standardized and extremely complete accounting procedure initiated by S. O. K., it is possible to obtain very detailed statistical information of the status of affiliated retail societies. Some information for the year 1935 is presented in the following column:

*Status of S. O. K. affiliated societies, 1935*

Affiliated societies.....	417
Membership.....	252, 360
Number of stores.....	2, 532
Other distribution centers.....	239
Cafes and restaurants.....	113
Productive works.....	121
Total employees.....	7, 088
Annual turn-over.....	\$42, 926, 231
Sales of cafes and restaurants.....	592, 429
Sales of productive works.....	1, 075, 206
Purchases from S. O. K.....	23, 050, 800
Cash on hand.....	1, 562, 183
Goods inventory.....	8, 185, 862

Total fixed assets.....	\$5, 391, 682
Total of balance sheets.....	17, 154, 041
Accounts and notes payable.....	1, 013, 143
Share capital.....	208, 593
Reserves.....	4, 260, 262
Loans from members (including deposits).....	5, 487, 154
Other loans (from credit banks, etc.)....	3, 754, 258
Net surplus.....	930, 746
Salaries and wages.....	1, 573, 670
Other operating expenses.....	1, 063, 415
Depreciation charges.....	442, 240
Loss on bad debts.....	25, 603
Transferred to reserves.....	500, 634
Interest paid on share capital.....	9, 375
Patronage refund.....	353, 813

The annual report also reveals that 399 societies carried fire insurance and 300 carried employee insurance against sickness and old age; 184 societies had savings departments with total deposits of \$4,001,550. Of the societies' total turn-over, 70 percent represented consumers' goods, and 30 percent agricultural requisites and products.

The Cooperative Wholesale Society, S. O. K., is said to be the largest wholesale business in its sphere in Finland. Since 1916 it has developed a number of production enterprises, including a hosiery mill, a tailor shop, chemical works, a machine shop, a packing house, match, margarine, sweetstuffs, paper bag, woodworking and brush factories, and two large flour mills.

The member societies are under no compulsion to purchase from S. O. K. Its large trade, we were told, is due to superior service, to the known quality of the goods it offers, and to effective membership education. More than 1,000 lectures, attended by about 200,000 persons, were given in 1935.

Hugo Vasarla, managing director of the S. O. K. wholesale society, in showing us through S. O. K.'s testing laboratories, pointed out that no goods are purchased by S. O. K. without testing. About 25 percent of all goods submitted for laboratory examination are rejected as of inferior quality. He estimated the consequent savings to the members at about \$1,000,000 a year. S. O. K. sends out weekly confidential bulletins to member societies, advising them which goods to buy or not to buy, on the basis of these laboratory tests.

The control of S. O. K. is vested in its affiliated societies, each of which has one vote. At the annual meeting, the delegates elect a supervisory council of 18. The council appoints the managing executive and important officials such as department heads and district managers.

S. O. K. and Y. O. L. jointly carry on training courses for employees in the field, and operate an all-year business college in Helsinki with 2-year courses in a wide range of subjects. S. O. K. employs more than 2,000 persons directly.

Of S. O. K.'s sales in 1935, about 44 percent represented foodstuffs, 30 percent industrial products, and 26

percent hardware. The status of S. O. K. at the end of 1935 can be seen from the following statistics:

*Status of S. O. K., 1935*

Total sales, 1935.....	\$23, 819, 180
Sales to member societies.....	23, 334, 640
Export and other sales.....	484, 540
Output of productive works.....	4, 585, 797
Cash and accounts receivable.....	978, 995
Finished goods inventory.....	1, 529, 710
Goods in production.....	1, 433, 170
Total fixed assets.....	2, 530, 710
Total of balance sheet.....	6, 538, 990
Accounts and notes payable.....	1, 161, 937
Share capital.....	22, 134
Reserves.....	3, 198, 019
Loans from member societies.....	544, 427
Other loans.....	546, 212
Net surplus.....	489, 054
Salaries and wages.....	238, 362
Other operating expenses.....	231, 669
Depreciation charges.....	181, 958
Educational expenses.....	54, 232
Transferred to reserves.....	148, 008
Patronage refund.....	272, 841

**HANKKIJÄ, THE FARM SUPPLY WHOLESALE SOCIETY**

In 1901 Pellervo established an agency to assist farmers' cooperatives in the purchasing of supplies and equipment. In 1905 this agency became the wholesale society Hankkija, with 47 affiliated societies. Hankkija's purpose was to supply its members with agricultural requisites not supplied by the consumer wholesale, S. O. K., to give advice and information to them in their buying and selling activities, to promote more farmers' cooperative societies, to manufacture needed articles that could not be obtained satisfactorily elsewhere, and to sell agricultural produce for its members.

The activities of Hankkija have been expanded to include its functioning as contractor for the erection of rural electrification lines, of cooperative creameries, sawmills, moss-litter works, flour mills, water systems, etc. It also carries on experimental work in grain culture and other plant improvement.

The importance of Hankkija to the agricultural population of Finland is best illustrated by the following statistics:

Year	Number of member societies			
	Total	Cooper- ative store societies	Cooper- ative dairies	Others
1905.....	67	2	30	35
1910.....	236	25	73	138
1915.....	694	179	160	355
1920.....	1, 014	385	195	435
1925.....	1, 006	357	197	452
1930.....	526	321	167	38
1935.....	528	324	169	35

Year	Hankkija sales	Hankkija share capital	Hankkija re- serves
1905.....	\$139, 439	\$1, 285	\$1, 386
1910.....	688, 370	7, 806	1, 340
1915.....	1, 749, 704	19, 149	60, 037
1920.....	4, 662, 076	13, 324	176, 506
1925.....	5, 525, 475	20, 932	142, 745
1930.....	6, 303, 222	33, 048	636, 801
1935.....	6, 140, 324	28, 676	795, 984

The fluctuation in membership is due mostly to the withdrawal in 1930 of 342 rural credit societies whose affiliation, entered into primarily to give moral and financial support, had become unnecessary.

Sales to cooperative dairies are confined largely to machinery and equipment. The main customers of Hankkija have always been the cooperative stores. Hankkija's banner year was 1928, when its total sales amounted to \$9,500,265; its poorest business since 1925 was in 1932, when sales dropped to a low of \$2,745,928.

The organizational set-up of Hankkija is similar to that of S. O. K. Its educational and propaganda work also follows similar lines.

About 15 percent of Hankkija's turn-over represents its own manufacture. Besides growing and sorting seeds, milling grain, and mixing cattle and poultry feed, it manufactures all sorts of agricultural machinery especially adapted to local condition. Hankkija's tested seeds are sold all over Finland. It handles about 40 percent of all fertilizer and cattle feed sold in Finland. Its machinery and construction department is said to be the largest of its kind in the country. It supplies about 45 percent of all agricultural machinery sold in Finland. About 75 percent of the Finnish dairies have been equipped by Hankkija.

By 1925, Hankkija had planned, erected, and equipped 300 creameries, 350 flour mills, 200 saw mills, 215 electricity works (including several power stations), 3,750 miles of high- and low-tension lines, and 750 transforming stations. Besides rural electrification lines, the society also constructs telephone lines and wireless installations and supplies electrical equipment to public institutions so that it is known as "the greatest electrifier of the countryside."

**VALIO, THE BUTTER EXPORT COOPERATIVE**

Next to forest products, dairy products are the most important in Finnish export trade. About half of the country's farm land is devoted to dairying.

Cooperative dairies are largely the result of Pellervo's propaganda. The cost of a farmer's membership is based on the number of milch cows he owns, but voting rights and participation benefits follow established cooperative practice. Members are heavily penalized for failure to deliver all except household milk to the dairy. The size of the dairy business is apparent from the fact that 684 cooperative dairies with a membership of 75,000 farmers

(450,000 cows) in 1934 did a business amounting to \$16,086,160.

About one-fifth of the dairy output is sold abroad in the form of butter and cheese. As with most export goods, the world market determines the price level at home. Despite the world crisis of recent years, the cooperative dairies, which manufacture about 95 percent of the country's butter supply, have been able to survive in relatively sound condition. In 1934 their own capital amounted to \$4,010,400, or 65 percent of their balance sheets. This soundness must be ascribed to their rationalized methods and to the effective functioning of Valio, their wholesale society. In 1935, for instance, farmers received 84 percent of the retail price paid for butter by consumers. Manufacture, shipping, and selling absorbed only 16 percent.

Valio was formed in 1905 with 17 cooperative dairies as members. Its purposes were to save the middlemen's commission for the farmer, to improve and standardize the quality of butter and thereby to develop the butter trade. Despite the importance of butter exports, the standard of Finnish butter sold in the European market was low until the cooperative dairies united to improve it.

In 1935, Valio handled 93 percent of the export trade in butter and 58 percent of that in cheese. Fine cheese making was practically an unknown art in Finnish dairies as late as 1912, and has been taught largely by Valio. Valio's turn-over of \$12,156,060 in 1935 included not only butter and cheese, but also milk sold through its own retail shops in the larger towns. This question of retailing has caused conflict with K. K. consumer societies and particularly with the Elanto Society in Helsinki.

The issues in this milk controversy were set forth for us by officials of Valio and Elanto. Valio officials say that Valio went into milk retailing in Helsinki in order to protect the farmers against the possibility of Elanto's gaining a virtual monopoly in milk distribution and thus being able to dictate prices to the milk producers. Elanto officials, on the other hand, say that such price dictation is entirely foreign to their policies, which aim to guarantee the agricultural producer a bigger return for his products. When the retail price of unparteurized, unbottled milk in Helsinki was 1.50 markkaa (a little over 3 cents) per liter, Elanto paid the farmers 1.35 markkaa. It cost the farmer about 0.05 markkaa to deliver his milk to Elanto, leaving him a net price of 1.30 markkaa per liter. From Valio, on the other hand, the farmer received only 1.10 markkaa per liter.

Elanto's margin of 0.15 markkaa (about three-tenths of a cent) is said by other distributors to be insufficient to cover its distribution costs; these other distributors say Elanto makes up these losses on other commodities—a charge that Elanto denies. Valio officials further say that Elanto restricts its purchases to the number of producers it requires for its needs, and thus leaves the surplus of the milk shed in the hands of farmers who must sell it

at lower prices for manufacturing purposes if they are to avoid demoralizing the fluid milk market. Therefore Valio, which accepts responsibility for marketing all the milk of all producers who choose its services, pays a blended price to producers in the Helsinki area which is averaged downward by the large proportion which it must convert into butter and cheese. The farmers who sell milk to Elanto are well satisfied.

In an effort to increase the percentage of its milk going into fluid use as compared with butter and cheese manufacture, Valio is aggressively seeking more customers for its milk stores. It has added groceries and bread to its stock, and built its own bakery. No patronage refund is paid to its customers. Elanto officials object to this invasion of what Elanto considers is the consumer cooperative field and thinks Valio should remain in the wholesale milk field.

Valio is organized very much like Hankkija. Besides its selling activities, it operates a testing and experimental laboratory, gathers trade statistics, conducts training courses in creamery management, issues books and two periodicals, and through its staff of 20 technical advisers gives extension service to dairies and their farmer members.

#### OTHER FINNISH SOCIETIES OF AGRICULTURAL PRODUCERS

There are eight cooperative livestock societies with about 5,000 members. These societies own abattoirs and packing houses. In 1918 they combined with a number of cooperative creameries to form S. K., the Central Livestock Federation, which operates packing plants and retail stores in some of the larger towns, and engages in some export. S. K.'s sales in 1935 amounted to about 180,000,000 pounds of meat products.

In 1921, farmers with timberland formed M. M., the forest products federation, organized as a joint-stock company. By 1928 it included 10 societies with 4,500 members, but in 1935 there were only 4 local societies. M. M.'s sales in 1935 amounted to \$1,254,540.

Muna, the central wholesale society of poultry and egg producers' societies, was formed in 1921. Its purpose was to rationalize the egg trade in Finland and to create an export market for Finnish eggs. By 1935 Muna comprised 205 cooperative societies with 13,000 members, and did a business of \$1,405,950. Muna's share in Finnish egg export amounted to 38 percent of the total.

The three central organizations just described are also members of Pellervo. However, there are a great many unaffiliated rural cooperative societies scattered over the country. Cooperative societies solely for the joint ownership of large agricultural machinery, or for the use of breeding bulls, stallions, and boars, are common. They are often financed by cooperative credit societies. Peculiar to Finland are the moss-litter societies, trading in moss-litter as a substitute for straw as animal bedding.

Most rural telephone systems are said to be cooperative, as are many rural electric lines. Of the latter, 190 existed in 1929 with a membership of 9,000 farmers.

Altogether, it is estimated that about 3,000 such minor cooperative societies exist in rural Finland. As many as 30 separate cooperative societies may be found in a single parish.

#### K. K., THE "PROGRESSIVE" CONSUMER MOVEMENT

Leaders of the "progressive" movement give a version of the split in the consumer movement in 1916-17 that agrees substantially with that of S. O. K. leaders. However, they insist that K. K. societies, too, are politically "neutral," even though the political affiliations of the majority of their individual members may be toward the left.

K. K. societies are by no means confined to membership among urban industrial workers. This is indicated by the following table:

*Members of K. K. Societies*

	1920	1925	1930	1935
Farmers.....	13,958	20,913	25,146	28,556
Percent of total.....	9.7	10.6	10.4	10.8
Cottagers.....	12,951	16,506	17,379	18,694
Percent of total.....	9.0	8.4	7.2	7.0
Agricultural workers.....	13,238	20,853	26,908	28,446
Percent of total.....	9.2	10.6	11.1	10.7
Government officials and wholesale merchants.....	5,900	6,157	6,686	7,035
Percent of total.....	4.1	3.1	2.8	2.7
Tradesmen and clerks.....	11,800	15,222	20,742	24,657
Percent of total.....	8.2	7.7	8.6	9.3
Industrial workers.....	63,602	88,361	112,420	123,547
Percent of total.....	44.2	44.8	46.5	46.6
Other workers.....	14,821	18,350	19,023	21,850
Percent of total.....	10.3	9.2	7.9	8.2
Professional class.....	3,022	3,588	4,410	4,753
Percent of total.....	2.1	1.8	1.9	1.8

It appears that the agricultural population now provides 28.5 percent of the membership, and in addition many other members are no doubt drawn from the rural areas. Another 14 percent is drawn from the white-collar class.

The complaint of the urban societies against insufficient representation in S. O. K. implied that the urban societies were being penalized for applying sound judgment. The relative density of population in town necessitated either the setting up of several average-size consumer cooperatives in a city or their organization in one city-wide society. For economy and effectiveness in operation the latter was usually done. On the basis of one-society, one-vote, the urban societies with trade-union and other liberal leanings constantly found themselves out-voted by groups totaling a smaller membership. In the "progressive" federation, K. K., this has been remedied by a system of proportional representation.

K. K. has about tripled its membership since 1918. Consumers' cooperatives in Finland sell to nonmembers

also, and since the cooperatives lay more stress on low retail prices than on patronage refunds, nonmember consumers are attracted to their stores. Cooperative leaders say that purchases by nonmembers amount to about one-fifth of the turn-over of all consumer cooperatives. This policy helps to bring in new members.

The "progressive" societies average a patronage refund of only 1 percent. About one-third of the societies make no savings returns at all, and few pay more than 2 percent. The societies generally operate on a gross margin of about 10 percent. This necessitates very efficient operation if any net surplus is to be obtained for building up reserves. This is accomplished despite the fact that K. K. societies generally pay union wages and permit trade-union organization among their employees, while most employers in private retail trade pay lower wages and ban union organization.

Cooperative leaders attribute part of their low operating costs to their insistence on the cash payment principle, as a result of which bad debts incurred by the retail societies average only about one-half of 1 percent of turn-over annually.

The progress of K. K. societies is shown in the following table:

*K. K. Societies*

	Number of societies	Number of members	Number of employees	Number of shops	Production enterprises
1918.....	87	95,000	-----	503	-----
1920.....	106	143,896	3,730	780	71
1925.....	113	197,315	6,082	1,202	144
1930.....	112	241,732	7,157	1,603	164
1935.....	115	265,169	8,015	2,281	156

	Retail sales	Own production	Own capital	Loans from members and saving deposits
1918.....	\$4,469,600	\$652,300	-----	-----
1920.....	17,298,000	2,479,500	\$1,067,000	\$365,900
1925.....	26,531,400	5,013,700	3,422,400	1,929,300
1930.....	31,412,200	6,909,200	5,456,900	7,445,300
1935.....	28,886,900	5,327,500	5,139,300	6,220,800

The table shows that building larger societies rather than more societies has been the policy. This is even more noticeable in the "progressive" than in the "neutral" movement. S. O. K. societies in 1935 averaged about 600 members while K. K. societies averaged about 2,300 members. This large average, however, partly reflects the great membership in a few cities. Elanto in Helsinki, the biggest distributive society in Finland, has about 50,000 members.

Direct participation by all members is impossible in the annual meetings of the larger societies. Many K. K. societies therefore have adopted a system similar to that of their federation. From 30 to 60 delegates are elected

by the members of a society, by a system of proportional representation, thus insuring a voice to minorities. While the members often group themselves along political lines in electing delegates, political differences rarely enter into the discussions of the annual meeting. This block voting system has been found very effective in keeping member interest alive. K. K. societies generally muster a much larger vote on a percentage basis than do most of the British societies, for example.

The Delegate Assembly elects a Supervisory Council which appoints an Executive Committee of three to five persons. In the medium-sized societies there is no delegate system, and the members themselves elect the Supervisory Council. The smallest societies usually follow Pellervo model rules which provide election of the Executive Committee directly by the rank and file membership.

The variety of goods handled by the larger K. K. societies runs into thousands of different items. These societies often have separate stores for groceries, bakery goods, meats, dairy products, and even textile goods and shoes. Since the larger K. K. societies generally extend far into the surrounding rural areas, they even furnish the same range of agricultural supplies and equipment as the S. O. K. societies. The stores are designed by K. K.'s architectural division and are noted for their modern attractiveness and efficient arrangement.

The cooperative restaurants in Finland are generally owned and operated by distributive societies. Attractively designed and equipped, and with a reputation for their good food, music, and flowers, these restaurants enjoy the patronage of workers and middle-class people.

A number of the retail societies operate productive enterprises such as bakeries, dairies, soft-drink works, shoe-repair shops, abattoirs, more rarely a flour mill, saw mill, lumberyard, pig farm or cabinet shop.

The education department of the K. K. federation audits all of the societies' books, and receives detailed monthly statements from every society. How comprehensive and uniformly complete this accounting is, can be seen in excerpts from K. K.'s 335-page annual report on all societies for the year 1935:

*"Progressive" Cooperative Union (K. K.), Finland Excerpts  
From Annual Report for 1935*

GENERAL STATEMENTS

Number of affiliated societies . . . . .	115
Members of affiliated societies . . . . .	265, 169
Societies with savings departments . . . . .	87
Subscribers to K. K.'s cooperative weekly . . . . .	154, 000
Subscribers to K. K.'s periodical for employees . . . . .	9, 000
Grocery stores . . . . .	1, 455
Other stores . . . . .	404
Warehouses . . . . .	300

Restaurants . . . . .	122
Societies with productive enterprises . . . . .	75
Bakeries . . . . .	68
Soft drink bottling works . . . . .	30
Other productive enterprises . . . . .	46
Value of retail societies' own production . . . . .	\$5, 328, 548
Number of employees in stores . . . . .	5, 621
Number of employees in restaurants . . . . .	1, 112
Number of employees in productive departments . . . . .	1, 282
Turn-over in stores . . . . .	\$26, 956, 544
Turn-over in restaurants . . . . .	\$1, 363, 701
Turn-over in other business . . . . .	\$566, 487
Purchases from wholesale O. T. K. . . . .	\$16, 293, 101

*Combined Balance Sheet of all K. K. Retail Societies*

ASSETS

Cash on hand . . . . .	\$290, 090
Bank deposits . . . . .	1, 149, 730
Goods inventory . . . . .	5, 117, 871
Inventory in percent of turn-over, 17.7.	
Accounts receivable from members . . . . .	94, 939
Percent of turn-over, 0.3.	
Accounts receivable from other societies . . . . .	116, 837
Percent of turn-over, 0.4.	
Value of equipment . . . . .	1, 419, 224
Real estate . . . . .	7, 147, 753
Securities . . . . .	817, 032
Losses . . . . .	100
<b>Total assets . . . . .</b>	<b>16, 153, 576</b>

LIABILITIES

Accounts payable . . . . .	\$2, 523, 428
Notes payable . . . . .	194, 779
Percent of turn-over, 9.4.	
Unpaid expenses and obligations . . . . .	28, 310
Loans from members (savings deposits) . . . . .	6, 220, 810
Mortgage loans . . . . .	1, 061, 410
Other loans . . . . .	985, 070
Share capital . . . . .	395, 014
Reserves . . . . .	3, 119, 055
Other own funds . . . . .	992, 035
Net surplus . . . . .	633, 668
Own capital as percent of total liabilities, 21.8.	
<b>Total liabilities . . . . .</b>	<b>16, 153, 579</b>

*Profit and loss statement*

INCOME

Gross earnings from stores . . . . .	\$3, 363, 400
Percent of turn-over, 12.5.	
Gross earnings from restaurants . . . . .	469, 903
Percent of turn-over, 34.5.	

Gross earnings from production.....	\$921, 998
Percent of turn-over, 17.7.	
Other income.....	184, 498
	<hr/>
Total gross earnings.....	4, 939, 799
	<hr/> <hr/>
Percent of total turn-over, 17.1.	

**EXPENSES**

Stores, offices, and warehouses.....	\$2, 551, 596
Percent of turn-over, 9.5.	
Restaurants.....	306, 131
Percent of turn-over, 22.4.	
Production.....	613, 246
Percent of turn-over, 11.8.	
Total operating expenses.....	3, 470, 973
Percent of total turn-over, 12.0.	
Interest paid.....	411, 849
Percent of total turn-over, 1.4.	
Taxes paid.....	128, 419
Depreciation of equipment.....	168, 727
Depreciation of real estate.....	134, 006
Net surplus.....	625, 829
	<hr/> <hr/>
Net surplus as percent of total turn-over, 2.2.	

**SALARIES AND WAGES**

Office.....	\$265, 609
Percent of total turn-over, 0.9.	
Warehousing.....	189, 634
Percent of total turn-over, 0.7.	
Stores.....	1, 093, 288
Percent of stores' turn-over, 4.1.	
Restaurants.....	201, 871
Percent of restaurants' turn-over, 14.8.	
Production.....	459, 843
Percent of production value, 8.9.	
Total salaries and wages.....	2, 210, 245
Percent of total turn-over, 7.7.	
Percent of total expenses, 55.1.	
Percent of total expenses and depreciation, 51.2.	

**DIVISION OF NET SURPLUS**

To reserves.....	\$289, 762
To profit and loss account.....	10, 652
Above 2 items as percent of net surplus,	
47.4.	
Interest on members' shares.....	20, 898
Patronage refund.....	303, 784
Patronage refund as percent of net surplus,	
47.9.	
For other purposes.....	8, 572

Such statements have been prepared annually since 1920. Similar detailed statements exist for the savings deposit departments operated by 87 K. K. societies. Deposits in these at the end of 1935 amounted to \$5,747,121; belonging to 139,171 depositors.

This careful analysis of all costs, submitted from month to month, makes it immediately possible for the central federation to note mismanagement or inefficiency and to send its auditors or technical experts to help the societies in question.

The local societies carry on little educational work directly, with the exception of Elanto and a few other large societies. This is the function of the central federation itself.

K. K. is supported by membership fees and by the income derived from its auditing, advisory, and publishing activities. K. K. officials told us that the societies contribute annually 3 markka (about 7 cents) per member and the wholesale O. T. K. matches the amount contributed by the retail societies. The following data on the central federation for the year 1935 indicate some of its activities:

Number of employees.....	179
Number of lectures given.....	4, 442
Total audiences.....	753, 758
Subscriptions to periodicals.....	163, 000

K. K. societies contributed \$34,506 in membership fees for the year. The value of K. K.'s productive output was \$164,214, and its entire turn-over was \$317,344.

K. K. operates a book and job printing plant, a book-binding, a paper-bag factory. Its departments include a propaganda department, a department for extension study, a cooperative training school, an audit and instruction department, an architectural and building department, and advertising, legal, employment, and sales departments.

K. K. is controlled by the Annual Congress which elects a Supervisory Council whose members are actually nominated by the District Associations. The Supervisory Council appoints an Executive Committee. For the Annual Congress each society elects 1 delegate for every 200 members up to 5,000. From 5,000 to 10,000 members an additional delegate is allowed for every 500. Beyond 10,000 there is one delegate for every 1,000 or part thereof.

The district organizations elect their own executive committees annually through the delegates within the districts. Their function is to develop local interest through cultural, recreational, and propaganda activities.

**O. T. K., THE "PROGRESSIVE" COOPERATIVE WHOLESALE SOCIETY**

O. T. K. was organized in 1917, when S. O. K. refused to continue selling to K. K. member societies. Actual wholesaling operations of O. T. K. began in 1918. The method of electing the administrative bodies is the same as in the K. K. federation, and the two organizations work in close collaboration.

O. T. K. has a number of branch offices and warehouses throughout the country, with its main office in Helsinki. Since 1923, O. T. K. has more and more gone

into production where membership demand seemed to justify it. Its productive enterprises now include a margarine factory, an underwear factory, men's and women's clothing factories, a coffee-roasting plant, a fruit-packing plant, a techno-chemical factory, a dairy, several flour mills, a fish-packing plant, and a match factory. A meat-packing plant is under construction.

O. T. K. has a central laboratory for the examination and testing of consumers' goods. In 1935 a total of 3,225 analyses was made, resulting in the rejection of 470 articles of consumers' goods, or 14.6 percent of those tested. In addition, several of the production plants have their own technical laboratories. We were told by the president of K. K. that the cooperatives' confidence in the goods handled by the wholesale has reached the point where people are ready to say: "If it is an O. T. K. product, we will buy it." With the approval of the state, O. T. K. also acts as auditor and controller of the savings departments of K. K. societies.

The following table indicates the growth of O. T. K.'s services to the "progressive" societies:

	1918	1920	1925
Turn-over.....	\$1,736,525	\$3,380,251	\$16,548,763
Own production.....			
Sold to K. K. societies.....		3,302,561	16,231,592
Share capital.....	77,304	39,926	44,067
Net surplus.....	31,307	106,223	222,929
Reserves.....	27,180	171,000	882,700

	1930	1935
Turn-over.....	\$16,888,563	\$16,801,010
Own production.....	1,653,670	2,247,360
Sold to K. K. societies.....	16,803,680	16,293,100
Share capital.....	58,759	54,243
Net surplus.....	206,280	333,200
Reserves.....	1,988,430	2,573,970

O. T. K. employed 994 persons at the end of 1935, and paid out \$344,651 in salaries and wages during the year. It has a pension fund for its employees amounting to \$245,276.

The agricultural supplies department of O. T. K. not only sells supplies for agricultural production (seeds, feed, fertilizer, farm equipment) but also purchases farm produce, such as butter, eggs, grain, from affiliated societies.

K. K. societies purchase from O. T. K. more than 50 percent of the goods sold in their stores. They usually report to O. T. K. monthly on purchases from other sources. O. T. K. analyzes these reports and utilizes the information in its own merchandising and in advising the purchasing departments of retail societies.

It is to be noted that O. T. K., as well as S. O. K., operates a match factory. Offhand, this would seem like an unnecessary duplication of effort and facilities, since either factory could probably supply the entire

cooperative demand. But cooperative leaders say that this excess of production capacity is directly responsible for breaking down the pegged prices of the Swedish match trust, which had dominated the Finnish match market. The trust finally agreed to permit S. O. K. and O. T. K. jointly to fix the price of matches in Finland on condition that any export would go through the trust's sales agencies.

#### COOPERATION AMONG THE SWEDISH LANGUAGE GROUP IN FINLAND

In 1897, Swedish-speaking farmers and landed proprietors formed a joint purchasing agency, Labor. This was converted into a cooperative wholesale in 1906, in conformity with the Cooperative Act. Labor carries on a business similar to Hankkija, but on a smaller scale. By 1929, Labor's membership consisted of 961 individual members and 131 societies, most of them consumers' societies. Its annual turn-over had risen to \$3,016,197, and its reserves amounted to \$87,400. Its activities are confined principally to south and west Finland. In addition to wholesaling farm supplies, Labor operates some feed mills and a flour mill, also a seed cleaning plant and a building department.

The cooperative creamery wholesale Enigheten was organized by creameries in the Swedish-speaking section of Finland in 1918. Its operations resemble those of Valio. In 1928 it handled 6 percent of the country's butter exports and 14.2 percent of the country's cheese exports. Its turn-over was \$1,080,300, most of which was for butter. Enigheten maintains Finland's only Swedish-speaking creamery managers' training school.

Finland's Swedish Cooperative Union was founded in 1919. It has functions similar to K. K., such as auditing the accounts of member societies, giving advice, conducting propaganda and educational work, publishing cooperative literature and representing the Swedish-speaking cooperatives in the joint undertakings and conferences of the central cooperative federations of Finland. The Swedish Cooperative Union publishes its own newspaper, Farmers and Cooperators, and assists Labor and Enigheten in the publication of their periodicals. The Union, it is estimated, represents about half of the Swedish-speaking population of Finland.

#### COOPERATIVE INSURANCE

Under the Cooperative Act of 1901, cooperative societies were not permitted to carry on the insurance business as one of their functions. However, the cooperative federations have set up separate insurance societies which are operated for cooperatives and according to cooperative principles.

About 25 years ago, S. O. K. organized the fire-insurance society Tulenvara as a mutual company to serve its affiliated societies and their members. This arrangement proved so satisfactory that after the split

in 1917 both the "neutral" and "progressive" movements set up additional insurance societies.

S. O. K. formed the society *Elonvara* in 1918 for the employees of S. O. K. and its affiliated societies, to provide insurance against accident, sickness, disability, and old age. This was followed in 1919 by *Oma*, for workmen's compensation insurance.

The life assurance society *Pohja*, though formed in 1923, has grown to be the largest and most important of these cooperative insurance enterprises of S. O. K. It introduced lower premiums than existing life insurance companies demanded; and the general reduction of the premium rate in Finland is attributed by cooperators to this step. From 7,600 policies issued during its first year of operation it had increased to 75,000 in 1929. At that time it had a premium reserve of \$770,800, while policies in force amounted to \$17,286,000. By 1935 the sum of policies amounted to \$22,906,200. The policyholders are mostly small farmers. Its agents are largely executives, managers, and other employees of the consumers' cooperatives, cooperative creameries, and credit societies affiliated with or friendly to S. O. K.

*S. O. K. Insurance Societies, 1935*

	Paid-up capital	Annual premiums	Real reserves	Mathematical reserves
<i>Tulonvara</i> .....	\$173,040	\$126,950	\$132,800	\$74,800
<i>Elonvara</i> .....	86,550	86,550	49,890	848,700
<i>Pohja</i> .....	86,520	585,760	172,130	2,182,800

The K. K. federation in 1920 established the *Kansa Mutual Fire Insurance Society*, which was at first operated by O. T. K.'s savings department control division. In 1923 followed the *Kansa Mutual Life Assurance Society*. They are separately conducted, but under the same administrative board and the same management.

In 1929 *Kansa Life* had 70,000 policies in force. The majority of the policyholders are of the working class. Group insurance is carried for the personnel of K. K. societies. Nearly one-half of the policies in force in 1929 were of this type.

*Kansa Life* also handles the burial funds of K. K. societies. Through this centralization the cost of burial insurance is greatly reduced. In order to keep necessary insurance in cooperative hands, *Kansa Life* in 1926 added accident insurance for the personnel of K. K. societies.

The shareholders of both *Kansa* companies are the K. K. societies, who control them as they do K. K. and O. T. K., on the basis of membership. Insured persons are not directly shareholders, but they are represented through the delegates of their societies. The articles of the *Kansa* companies specify that all net surplus or other property must be used solely for the benefit of the insured persons.

The following combined table indicates the growth of *Kansa* insurance:

(In thousands of dollars)

	1926	1930	1932	1934
Life-insurance policies.....	\$7,941.2	\$20,863.4	\$11,018.7	\$17,777.2
Fire-insurance policies.....	17,773.1	46,000.7	26,280.1	38,306.0
Accident-insurance policies.....	3,892.4	7,873.2	3,567.2	5,088.8
Annual income.....	335.3	911.2	510.0	811.0
Insurance reserves.....	184.0	1,334.0	1,180.3	2,283.7
Other reserves.....	158.8	347.3	297.0	557.0
Annual net surplus.....	37.8	62.9	48.2	82.4

In 1929, the two cooperative life-insurance companies, *Kansa* and *Pohja*, issued more than one-fourth of all new life-insurance policies for the entire country, although there are a number of much older private companies in existence.

Mutual fire insurance on a local scale is well known in Finland. Local fire aid societies have been customary for hundreds of years. Most of these mutuals now operate under model rules prepared by *Pellervo*. In 1917, *Pellervo* assisted such societies in forming a reinsurance company, *Vakava*. There are at present about 300 local mutual fire-insurance companies in Finland.

There are also a number of mutual livestock-insurance companies, for which *Pellervo* prepared model rules and a handbook. For these too, *Pellervo* helped establish a reinsurance society, *Kiekri*, in 1926.

*Valio* and *Hankkija* have their own pension-fund schemes for the employees of affiliated societies.

RELATIONS WITH THE STATE

Private retail trade in Finland seems to be the only group that actively opposes the cooperative movement. The growth of consumer cooperation has offered keen competition to private retail trade and forced down retail prices. Private retailers sometimes assert that the Government favors the cooperative movement at the expense of other distributive enterprises.

Cooperators, on the other hand, maintain that they enjoy no special advantages. Since 1925 the cooperative school operated by S. O. K. receives an annual subsidy amounting in 1931, for instance, to \$2,149. According to S. O. K. this is only one-fifth of the annual operating cost and is in fact very little when compared with the other educational State subsidies, such as \$95,520 for other commercial schools, \$35,820 for higher commercial education, and \$358,200 for technical instruction. The only other direct State subsidies to cooperatives seem to be for education and auditing of rural credit societies, for agricultural experimentation in seed improvement carried on by *Hankkija*, and \$11,940 annually for *Pellervo's* educational program.

The State does own \$570,000 of share capital in O. K. O., the Central Credit Societies' bank, as mentioned before. Furthermore, the State makes extensive loans



to credit societies through O. K. O. The Bank of Finland also makes loans to other cooperative associations. The Governor of the Bank of Finland stated that the two large consumer cooperative federations were among the preferred credit risks, who could obtain almost unlimited credit at a low discount rate because they always paid off their loans quickly. In fact, he said, "Any Finnish bank would be glad to get their business."

Private traders particularly complain about the partial exemption from income tax to which cooperative societies are entitled. According to law, domestic cooperative societies whose object is to supply their members with commodities or to promote their productive efforts in agriculture, fishing or other endeavor are permitted to omit half of their net earnings from income tax calculations, provided they pay no more than 6 percent interest on shares and provided that patrons of the society may become fully participating members.

Cooperators maintain that this provision is merely a recognition of the peculiar character of cooperative societies, which are organized not for profit but for service to their members. They further point out that private traders, if they consider this partial tax exemption of such great advantage, can organize into joint stock companies which are also allowed to deduct half of their profits up to 4 percent of their assets for purposes of tax calculation. If the taxable profit of a joint stock company, however, is more than 12 percent of the assets, the tax is proportionately increased.

Cooperators point to their freely distributed balance sheets, indicating low annual net earnings just sufficient for the societies' security; and they recommend that private businessmen also published their detailed audits and balance sheets so that the public may know what their profits are.

With regard to legislation, Finnish cooperative leaders by and large do not approve of Government restrictions and regulations in trade and commerce except as temporary measures, to be discontinued as soon as the national necessity has passed. They prefer free competition, and maintain that the low cost of living in Finland, as well as the general improvement in distributive methods, is largely the result of cooperative activities.

Many Government officials, high and low, are members of cooperative societies. A number of Finnish cooperative leaders hold high Government positions either simultaneously with their cooperative positions or alternately. The Delegate Assembly of the large consumers' society, Elanto, in Helsinki, counts among its 60 members 21 members of Parliament.

#### IMPORTANCE OF COOPERATION TO THE NATIONAL ECONOMY

The place of the Finnish cooperative movement in the national economy was strikingly summarized for the Inquiry by a high official of the Bank of Finland.

It is important to keep real competition alive, he said, to prevent any single group in the country from gaining a monopoly position. The cooperative movement has, in effect, reintroduced competition on a basis which is effective in terms of modern large scale business. It has made distribution more efficient and has materially reduced retail margins. The resulting almost automatic control of prices, preventing inequitable increases, has "rendered Government interference with private business enterprise unnecessary."

The effectiveness of cooperative competition at present is due, in his opinion, to the large percentage of the national retail trade handled by cooperatives. He estimated the cooperative retail trade at about 25 percent to 30 percent of the total national retail trade, and at about 40 percent of the national retail trade in the commodities distributed by consumers' cooperatives, specifically foodstuffs and household commodities.

Consumers' cooperatives on the whole tend to reduce the margin between the price the producer (particularly the agricultural producer) receives and the price the consumer pays. Thus it is of advantage to both.

Private retailers have, as a result of the competition of the cooperatives, improved their merchandising methods and set up their own central wholesale organization, which assists its member stores with accounting service and advice on business methods. Since private trade has "learned this lesson", he pointed out, it has grown at about the same rate as cooperative trade. As the savings in distribution costs are passed on to consumers, the increase of purchasing power is reflected in more business in both private and cooperative stores. One type is not growing at the expense of the other.

Cooperative competition, he thought, favorably affects the entire national retail price structure, even in lines of trade where the cooperatives have not yet been particularly active. The mere knowledge that the cooperatives would enter a particular field if prices were too high acts as a sufficient deterrent against price pegging. As a result, he thought, Finland had the lowest distribution costs and the lowest prices of any country in Europe.

He considered both major consumer movements politically neutral, although one is composed predominantly of Agrarian and Conservative elements while in the other, industrial workers and adherents of the Social-Democratic party predominate. The fact that the combined movement includes both liberal and conservative groups makes it of greater value to the national economy since it is thus not restricted to one class of society.

He saw more advantage than disadvantage in the two large consumer federations existing side by side. This condition "keeps each federation on its toes" and prevents either from becoming bureaucratic and static. Dr. Gebhard, the father of Finnish cooperation, just before his death a few years ago, had expressed grave concern over the bureaucratic tendencies becoming

apparent in one of the cooperative marketing federations that was unopposed in the field. On the whole, however, the farmers' supply and marketing cooperatives have been of great value in helping farmers to produce more efficiently and thus lower production costs, to create higher quality products and "to obtain prices in line with the quality of the goods."

It would be a mistake, said our informant, to attribute the increase in the standard of living entirely to the cooperatives. Improved agricultural production has been a big factor. Another important factor is the increased export of agricultural and of forest products. But here again "cooperative organization has been useful."

The cash policy of consumer cooperatives and the establishment of savings departments have proved "beneficial in teaching cooperative members the importance of thrift." The cooperatives have also done an excellent job in educating people in economics. The fact that members share in the local management of their societies is an important part of this education.

These statements very nearly express the general opinions of well-informed persons in Finland to whom we talked regarding the value of the cooperative movement. Labor leaders and leaders of K. K., the "progressive" consumers' federation, state in addition that the latter is making an effective contribution toward assuring better wages and better working conditions to labor. While S. O. K. also pays wages averaging better than in similar private trade, S. O. K. societies are definitely committed to an open-shop policy and will not permit unionization of employees. The K. K. federation on the other hand is sympathetic to organized labor. Most K. K. societies have collective agreements with their employees. Any employee is free to join or not to join a union. An official of the central federation of the Finnish labor union estimated that K. K. shops were about 40 percent unionized, which he considered satisfactory in relation to the state of development of the Finnish labor movement.

The Finnish Minister of Agriculture, in an interview with members of the Inquiry, stressed the advantages of a balanced economy with four forms of economic enterprise, State, communal (parish), cooperative, and private; supplementing and controlling each other. As a result "developments which would be bad for the country as a whole are eliminated." Such a balance of interests and enterprise was impossible in nondemocratic countries or countries completely controlled by one type of business enterprise.

The 100-percent systems, he thought, fail to utilize the great energy latent in free societies which can mobilize all classes of people to work for the good of society as a whole. A balanced economic system like that of Finland can use each to the best national advantage. A sufficient amount of cooperative and public enterprise as op-

posed to 100 percent private enterprise "makes possible a truly free society", in fact "serves to maintain a free society." Such a balance of forces leaves the Government only the job of assuring that the values resulting from all these competing interests are preserved and stabilized from the national point of view.

#### THE GROWTH OF COOPERATIVE ENTERPRISE IN FRANCE

French consumer cooperatives include more than two and a half million members and affect almost one-fourth of the population of the country. Their total retail sales during 1934 were \$233,000,000. The cooperatives estimate that they handle 12 percent of the retail sale of foodstuffs in France.

Despite this large membership and sizeable fraction of the national retail trade, the influence they have upon price levels and retail trading practices is local, and inconsiderable, we found.

In certain regions of France the cooperative movement is closely knit and of great local importance, as in the Charente country of the southwest and in Lorraine, where urban and rural consumers' societies and farmers' purchasing and marketing societies are intimately related.

Agricultural cooperation in France includes about a million farmers in 31,000 local associations—credit institutions, buying syndicates, insurance mutuals, and productive, processing, and marketing societies—chiefly in the dairy and wine industries. These, especially the credit societies, receive active Government support.

Workmen's productive cooperatives, relatively much more important during the nineteenth century than at present, number over 500. Their work is chiefly for the national Government and municipalities, in building and public works, the book and paper industry, instrument making, etc.

French cooperative enterprise has assumed forms and undergone developments which reflect much of the political and economic history of modern France. A country of small and medium peasant proprietors, to which modern capitalism came fairly late, and where small industry has been able to survive long, France is a nation which takes its political discussion seriously. Doctrinal differences are finely shaded and vigorously debated.

France is a "land of individualism", cooperators reiterated to us when explaining certain aspects of the cooperative movement. Broad historical tendencies, and manifestations of what is called the "national character", need not be final in determining the growth of any specific set of institutions. Yet it is clear that the history of French consumer cooperatives has been marked by schism flowing from political differences. The writings of French cooperators are full in theoretical discussion. France has been the "classic land" of workmen's productive cooperatives which have survived because large

economic units have developed more slowly in France than in England, Germany, or the United States. The small size of the average farm holding has given rise to large numbers of farmers cooperatives and "syndicates", with diverse purposes.

#### EARLY CONSUMER SOCIETIES

The French consumer cooperative movement has a history which reaches back to attempts at organization contemporary with the Rochdale Pioneers, in the period of French social struggle between the political upheavals of 1830 and 1848. Further attempts were made in 1865-67, especially in the great industrial center of Lyons. The societies then founded were wiped out by the war with Prussia in 1870 and the subsequent economic depression, which was also a time of political repression of all workers' organizations.

It was not until 1880 that consumer cooperation took permanent hold in France, 22 societies being started in that year, and 21 in the year following. The cooperative movement was at that time much influenced by the leaders in the city of Nîmes, middle-class intellectuals who were in turn influenced by their admiration for British cooperation of the Rochdale type. This represented a turning away from the distinctively French type of workmen's productive cooperatives (which will be described later). Chief of these cooperative leaders of "the school of Nîmes" was Charles Gide, then a young university professor, who became regarded even in his lifetime as the "patron saint" of French cooperation.

The influence of the Nîmes leaders had two effects. One was to give the consumer movement a vision of the achievement of a new economic order by cooperative means. The other was the creation of a national organization.

It was in 1885 that the Union of French Consumers' Societies was founded in Paris. Of the 85 local societies thus united, not all operated on Rochdale principles. The Rheims Society permitted voting in accordance with the number of shares held. (This society later transformed itself into a commercial chain store enterprise and became the property of a capitalist group.) Other societies were outgrowths of religious organizations, while still others were restricted to the employees of one industrial establishment, being more or less promoted by the company management.

During the remaining years of the century (1885-1900) there was much cooperative enthusiasm, repeated failure, continual growth, and internal dissension over politics.

The record of cooperative failures extends from that of a national warehouse in Paris to that of various regional wholesales, the plans being overambitious and the management inexperienced. Yet between 1886 and 1894 the number of societies increased from 600 to over 1,000; the membership increased from about 100,000 to about 300,000; and the annual business turnover from

about 50 million francs to about 100 million francs. The growth was so impressive as to arouse the hostility of small merchants, who then for the first time organized and began a long continued campaign for parliamentary legislation adverse to cooperatives.

More dangerous than any outside opposition was the internal discord in the cooperative movement. Socialism was growing in France, Socialists controlled most of the societies in the large cities and industrial centers, and they wished the cooperatives to ally themselves with and help subsidize the Socialist movement. They were impatient with fellow-cooperators who did not regard consumer cooperatives as instruments of the class struggle. They became alarmed by the Cooperative Union's endorsement of profit-sharing, and by its acceptance of a subsidy from a rich social reformer. After many bitter debates on this whole subject, the Socialists in 1895 set up a federation of their own within the Cooperative Union. In 1900 they left the Cooperative Union, and formed the National Bourse of Socialist Consumer Cooperative Societies.

This period of schism lasted for 12 years (1900-1912). Much cooperative energy went into factional dispute. However, within the Socialist Bourse itself a nonpolitical theory of consumer cooperation was being approached. Immediately after the split, at the 1906 convention, it was decided that contributions by Socialist cooperatives to the Socialist Party should be voluntary, not compulsory. The Socialist Party, moreover, under the moderate leadership of Jaurès, came to favor autonomy and Rochdale neutrality for the consumer cooperative movement. The breach was finally healed in 1912.

#### THE WHOLESALE SOCIETY

In the meantime the Socialist cooperatives made a great practical contribution to the French movement through the organization of their Wholesale Society (Magasin de Gros) in 1906. The neutral societies had set up a less effective wholesale in 1902; at the time of the amalgamation in 1912, the business of the neutral wholesale was only 2,000,000 francs a year, while that of the Magasin de Gros was 10,500,000 francs a year. The Magasin de Gros represented strong centralized organization on a national scale, rather than activity merely as a purchasing agency.

Consumer cooperation had already become much more important in France than workmen's productive cooperative enterprise, despite State aid to the latter. Workmen's productive societies demanded a high investment from members; industrial equipment was becoming much more costly; and there was necessarily a much smaller supporting membership than in the consumers' societies. On the other hand, consumers' cooperation required little investment and risk; while at the same time, as wages failed to keep up with the increasing cost of living, consumer cooperation was of immediate

benefit to both workers and professional people in their continued struggle to make ends meet. Workmen's productive societies, while still retaining much of their traditional prestige, were now of less significance than consumer cooperation in France.

Nevertheless, though many new consumer cooperatives were continually being formed, the mortality was very high. The average membership in surviving societies was declining, and so was the amount of business transacted from year to year. The movement was hit particularly hard in Paris, where private enterprise was developing new efficiencies, especially in chain stores.

Only a reunited cooperative movement could muster the resources necessary to meet this situation. There was still opposition to unity from the Syndicalists, but it was endorsed by the Socialist Party and the General Federation of Labor. A statement of cooperative aims satisfactory to Socialist and neutral cooperators was formulated by Gide. And at the Congress of Tours in 1912 attended by delegates representing 603 societies, the two associations were reunited, under the name National Federation of Consumer Cooperatives. Societies requiring political or religious beliefs of their members were banned by the National Federation, which, however, took as its descriptive motto the phrase "Organ of the Emancipation of the Workers."

#### CONSUMER COOPERATIVES AND THE WORLD WAR

It was 18 months before the World War broke out that the French consumer cooperative movement reformed its ranks. The new National Federation still included only a minority of cooperative societies. The movement felt the full effects of early wartime derangement, in loss of leaders sent to the front, difficulty of transportation, and scarcity of foodstuffs. But as war conditions became regularized, the societies revived. Cooperatives' business was recognized as of utmost social benefit in such times; the long-standing hostility of small merchants temporarily vanished; and the Government gave special financial assistance to cooperatives.

A permanent advisory body to the Government on cooperative matters, the Superior Council of Cooperation, was set up. The cooperatives acted as public agencies of food distribution; foodstuffs bought by the State or by cities were distributed at a fixed price, to prevent profiteering, along with the cooperatives' own foodstuffs.

The later war period thus brought a great acceleration to cooperative growth in France. The figures for new societies show:

August 1914–December 1915.....	15
January 1916–December 1916.....	68
January 1917–December 1917.....	219
January 1918–July 1918.....	273

Of these 575 new societies, 359 were foodshops and 49 were bakeries. A membership of 415,983 was reported by 526 of these "war-babies."

Through 1919 and 1920, while wartime factors still operated, the cooperatives were able to render services to the Government and continued to receive subsidies.

The 1920 figures revealed a 47 percent increase in the number of societies during the previous 6 years, and an increase of 183 percent in the number of members. There was a 472 percent increase in the money value of the business transacted, but this huge statistical increase was in part due to the rise in prices. (Purchases per member had actually doubled, but the cost of living had gone up 295 percent in Paris, 320 percent in the provinces.) But the post-war depression affected the Wholesale very seriously. It was necessary to close down some of the departments in deficit. A number of local warehouses were ceded to regional societies and others entirely given up. The banking department was separated from the Wholesale and made an independent institution (1922).

#### THE COOPERATIVE BANK

The Wholesale Society had set up a banking department in 1913, to get workers' savings for the use of the cooperative movement. On the small sums it received it paid a high interest rate. Its growth was nevertheless slow at first, until in 1920 deposit-receiving branches were opened in the chief retail societies affiliated with the Wholesale.

The interests of the banking department were so different from those of the Wholesale, and its business had grown to such an extent, that, especially in this post-war depression period, it was considered unsafe and unbusiness-like to continue it as a department. In 1922 an independent charter was obtained for the bank, which was to be controlled by the societies and the Wholesale. Its existence as the French Cooperative Bank dates from this time to 1934, when it failed as recounted later.

#### PRODUCTION BY CONSUMERS' SOCIETIES

Production by the Cooperative Wholesale has never reached great proportions in France. Three shoe factories were acquired from workmen's productive cooperatives, at their request (in 1906, 1911, and 1918). Sales were good immediately after the war, half a million pairs being sold in a year in the affiliated retail societies. But there followed a crisis in the industry, including a disastrous fall in prices, from which private manufacturers also suffered; the cooperatives had to meet the competition of more highly styled models and luxurious presentation by competitors, and there was a declining interest on the part of the societies, all of which put the cooperative shoe business in the red. A fourth shoe factory, opened in 1923, had to shut down in 1925. The Wholesale tried going into specialized shoe stores, and 30 outlets were opened between 1928 and 1935; but still the business lost money.

Recently the Wholesale has created and advertised a new line, the Uni-Coop, described as "a series of a few models, well styled, and of superior quality, at known prices." This is expected to allow the retail cooperatives, including even food stores, to resume the sale of shoes on a great scale, without much investment in fixtures or stock.

The total production of the Wholesale in 1935 was over \$3,000,000 in 10 factories. In addition to the three shoe plants, these included three canneries, a chocolate factory, and a salt mine (owned in conjunction with several local societies) which keeps its corporate identity and is merely managed by the Wholesale. The Wholesale owns 50 percent of the stock of a soap factory.

The whole labor force in production numbers only 1,140. This at least avoids most of the labor problems which have come up in the vast production enterprises of the British C. W. S.

The French Wholesale has not gone into production for the purpose of control and check of monopoly. The secretary-general of the Federation of Consumer Cooperatives told us that they "have not been particularly bothered by monopolies."

The retail spread is "excessively high", we were informed by a Bank of France official. It is to this condition, rather than to the threat of monopoly, that the consumer cooperatives in France have addressed themselves, according to French cooperators.

The director of the Wholesale felt that the "existence of a great number of competitive producers ordinarily makes it possible for the cooperatives to buy advantageously even though they do not manufacture extensively."

The salt mine enabled them, he said, to lower the price of salt in the north of France. Beyond that, shipping charges made it impossible for them to influence salt prices.

Officials of the Wholesale described their experience with electric light bulbs. They began selling these in 1926. All French producers, except a few small ones, belonged to a patent pool. At first the Wholesale got its supplies from members of the international cartel, with a rebate which enabled it to sell at retail below the market price. In 1927 the cartel suppressed the rebates.

The Wholesale then persuaded some dissatisfied French producers to put out a lamp with the Wholesale's own brand name. Most of the members of the pool started producing brands to compete with the Wholesale's brand, to sell for about 50 percent below that of the established brands. The Wholesale now sells almost a million lamps a year, 15 to 20 percent of French consumption.

The individual societies do more manufacturing than does the Wholesale. Bakeries and breweries are the most common enterprises. No figures on the amounts of this production are available. Leaders in production are the great regional societies.

#### REGIONAL SOCIETIES

The salvation of the Wholesale during the post-war depression, and of all French cooperatives, according to the official historian of the movement (Gaumont), was due to the regional societies. These should be distinguished from the regional federations, which are unions of autonomous societies in a region, loosely federated for educational purposes. The regional societies are each single organizations, with many stores, closely knit for merchandising efficiency.

Succeeding the small local societies which they absorbed, the regional societies "realized, in the cooperative scheme of things, an economic revolution", says one of the leaders of French cooperation. "In relation to the local cooperatives they have been what the great chain-store organizations are to petty independent merchants."

Before the war, in imitation of the small merchant, decentralization was the rule in retailing. Typically the cooperative was a small store which supplied a limited group of industrial workers of a particular neighborhood or corporation, and specialized in a single commodity, such as bread. Wholesale buying was rather haphazard, in some instances through joint buying agencies and in others through the Wholesale Society.

Since the war, the watchwords of cooperation have become "concentration" and "integration." The isolated neighborhood cooperative is being replaced by the society with a large membership, based on the chain-store idea. The control is central and employs up-to-date business methods. Each cooperative chain has its own wholesale warehouse supplying the branch stores. Business methods are standardized and stores are generally in charge of managers who work on a commission basis. Chief dealings of the regional societies are in foodstuffs and beverages, but the tendency is to go into general merchandise.

This development is definitely post-war. It is true that as early as 1910 some Parisian societies began opening branches; but, with the exception of one society, they had little success. It was only after the war that they had their phenomenal growth.

Because of their size and volume of trade, these regional societies can give additional service on a cooperative basis. For example, the Paris society operates a medical, surgical, and dental clinic for its members. It has a benefit fund which pays sickness, death, and maternity benefits to members. It owns and operates five vacation colonies or resorts, at which members may vacation at small expense to themselves.

The number of regional societies has remained almost stationary, varying from 47 in 1920 (the first year for which the figures are segregated), to a high of 52 societies in 1928. Then the number went steadily down, in accordance with the prevailing policy of "concentration", to 40 in 1934.

Growth has come chiefly through the absorption of scattered local societies. Some of the regional societies are restricted to a single department; others extend into several departments; some cover one city and the immediately outlying territory. Continuous growth of the regional societies is shown by the most recent figures.

	1934	1935
Number of stores.....	4, 937	5, 006
Number of members.....	1, 033, 051	1, 072, 813
Subscribed share capital, francs.....	119, 170, 779	122, 872, 930
Paid-in share capital, francs.....	100, 035, 828	102, 810, 218
Total sales, francs.....	1, 579, 000, 000	1, 491, 000, 000

(It should be noted that the fall in retail prices accounts for the apparent 5.5 percent decrease in volume of total sales. The fall in price is in fact considerably more than 5.5 percent.)

At Saintes, in southwestern France, we saw the leaders and visited the headquarters of one such regional society, the Regional Cooperative of the Charentes and Deux-Sèvres. This regional society was started in 1919 with the merger of 35 weak local societies. Now it has 150 stores, with 150,000 members. Its turn-over was about 56,000,000 francs in 1935 and is on the increase.

#### GROWTH OF THE NATIONAL FEDERATION

The reunion of the split movement into the National Federation of Consumer Cooperatives has proved permanent. The National Federation's strength has increased since the war. Previously, less than one-fifth of all French cooperatives were affiliated with the Federation. In 1935 there were 1,098 member societies, as against 1,810 not adhering to the Federation. The member societies had 7,006 stores, while the independent societies' stores numbered only 2,233.

In the post-war period, the Federation, though still embracing less than half of all the societies, outstripped the independent societies in membership and in amount of business transacted. These gains are shown by the following table:

1924		
	Societies affiliated with Federation	Unaffiliated societies
Number of societies.....	1, 483	2, 075
Total membership.....	1, 351, 457	801, 245
Average membership per society.....	911	386
Total business in francs.....	1, 402, 090, 682	1, 742, 423, 567
Average annual sales per society in francs.....	945, 442	357, 794
1934		
	Societies affiliated with Federation	Unaffiliated societies
Number of societies.....	1, 073	1, 767
Total membership.....	1, 691, 686	848, 604
Average membership per society.....	1, 576	480
Total business in francs.....	2, 505, 678, 000	1, 038, 968, 000
Total number of stores.....	7, 006	2, 233
Average annual sales per society in francs.....	2, 473, 514	761, 142

<sup>1</sup> For 1,470 reporting societies. <sup>2</sup> For 1,995 reporting societies.  
<sup>3</sup> Includes regional societies.

The number of societies inside the Federation would be larger but for the dissolution or merger of many societies. Mergers whenever feasible, "concentration", is the policy advocated by the Federation. The process of consolidation is illustrated by 1935 developments. During the year 47 societies dissolved, 16 merged, 9 resigned from the Federation and 13 joined.

At the present date over half the consumer societies are still outside the Federation. Scattered Catholic societies formed a federation in 1923, but it soon dissolved.

The Federation represents the consumer movement on official extraparliamentary bodies. Its representatives sit on the Superior Council of Cooperation, on the National Economic Council, the Committee on the High Cost of Living, the Railroad Council, and the Superior Council of Labor. Recent legislation (1936) reforming the control of the Bank of France gave the Federation one delegate to the administration of the bank.

#### FAILURE OF THE BANK

While French consumer cooperatives have come through the latest depression fairly well, the movement suffered one great disaster when in April 1934 the Cooperative Bank suspended payments. The Twenty-first Congress of the Federation, meeting in May 1934, accepted a plan to repay all depositors of the bank, with interest, in 15 years.

For the bank was substituted a society composed of all the consumer cooperatives of France, in collaboration with the Wholesale, called the Central Banking Society of French Cooperatives. Voluntary contributions were to be made by all cooperative societies, amounting to 0.3 percent on their total turn-over.

A primary cause for the bank's failure, we were told, was its overexpansion of credit, including commercial (noncooperative) enterprises. The new banking society bars all investments in or loans to noncooperative enterprise.

#### REORGANIZING THE MOVEMENT

A drastic reorganization within the cooperative movement followed the failure of the bank. A General Society of Control of French Cooperative Societies was formed to furnish technical auditing and control services to the National Federation and the Wholesale, and to retail societies.

The Control Society is a union of societies (all of whom must be members of the National Federation), with voting power in its general assembly based upon membership. Consumer cooperatives which receive Government loans must have their books audited by the Control Society. Other societies may do so, and the National Federation is encouraging local societies to make increasing use of its technical accounting and merchandising services, and to adopt its uniform bookkeeping methods. These services, which

are available at a slight fee to local consumer cooperatives, are now being used by about 25 percent of the societies, we were told.

Membership in the Wholesale is now a prerequisite of membership in the Federation, except for such specialized societies as butcher shops and breweries. Representation in the National Congress is on a basis of membership rather than turnover. A national committee of 50, chosen by the regional federations, is to exercise a general supervision of the whole movement.

Unity of action in the movement is achieved by interlocking directorates in the Federation, the Wholesale, the Control Society, the Society of Cooperatives which has replaced the bank and the Insurance Society. These national organizations, moreover, include the same local societies.

The reorganization is designed to achieve both greater centralization of responsibility and more democratic control. French cooperators now hope for the development of the movement as a whole.

#### THE WHOLESALE TODAY

The year 1935, bad for French business in general, saw the Cooperative Wholesale more than holding its own. Its total business for the year, 761,597,181 francs, was 5.47 percent less than the 1934 total. But this represented a greater volume of goods sold, since prices had been going down much faster (wholesale prices in food-stuffs declined 9.3 percent during the year). Meanwhile the Wholesale was repaying its loans and consolidating its financial position.

Its surplus for the year came to 6,187,180 francs, as compared with 3,619,751 for 1934. Of this surplus, however, 4,365,347 francs was turned over to repay depositors in the defunct Cooperative Bank. This left a net surplus of only 414,883 francs for the year.

#### CONSUMER COOPERATION AND GOVERNMENT

In contrast to the long record of subsidies and loans to workmen's productive and farmers' cooperatives, it was only during the war that the Republic began aiding consumer cooperatives financially, in order to have their aid in meeting the high cost of living. Between 1917 and 1926, loans were made to 180 consumer societies totaling 30,930,500 francs. All but 26,940 francs of the 21,255,774 francs due prior to 1927 had been repaid.

During 1935 a Government commission, including representatives charged with advising on applications for loans from the Ministry of Labor, approved loans of 1,840,000 francs (\$121,440).

This credit allocation "has been used very wisely and has served to broaden cooperative enterprise without any weakening of the financial structure", we were told by an executive of the Bank of France. "It has been operated on sound credit plans."

#### WORKMEN'S PRODUCTIVE SOCIETIES

It was in France that workmen's productive cooperatives began, under the stimulus of the great French economic and social theorists who were the prophets of producer cooperation; St. Simon, Fourier, Proudhon, Louis Blanc, and their disciples.

From the forties to the last decade of the nineteenth century, workmen's productive societies represented the most important form of cooperative endeavor among French workers. And although consumers' cooperation, as in other countries, became more important, workmen's productive cooperation had taken a sufficiently firm hold in various industries and services to maintain itself even against increasingly large capitalist production units.

About the middle of the century the movement had made considerable headway, especially in Lyons. From 1848 to 1865 it struggled against political repression; but in 1866 it benefited by a fund established by Napoleon III, to aid cooperation. Such workmen's productive societies, giving workers self-employment, seemed to offer a guaranty of stability and conservatism. Liberal economists regarded them as an antidote to socialism. Radical writers and many cooperators, however, regarded these organizations as a means of economic emancipation for the working class.

In 1868 the movement encountered a great reverse with the failure of the most popular and most active bank of credit. Societies failed, but the weakened movement continued. Like other workers' groups, it led a precarious existence after the Franco-Prussian War and the Paris Commune. In 1883 there were only 51 rather shaky societies, with no central organization; some tended to become closed corporations or copartnerships; and those that persisted in the original ideals of the movement were generally without adequate capital or markets.

In 1884, a national federation, the Chamber of Workmen's Productive Associations, was formed—a year earlier than the consumer cooperatives formed their national union. The chamber included 22 of the 51 known societies when it was formed, and has continued to include about half of the eligible associations.

Early in its life, the chamber and the whole movement which it represented might have gone under, except for Government subsidies and preference in Government contracts and purchases. Legislation in 1888 enabled public authorities to give preference to workmen's productive cooperatives in competition with private entrepreneurs for Government contracts. The extensive building and furnishing program for the great international exposition at Paris in 1889 afforded the movement an opportunity which it needed and which it utilized to the full.

Among the workmen's productive cooperatives of the period, the building trades claimed the largest number. Printers, coachmen, locksmiths, shoemakers, diamond

cutters, were other important groups. The figures for 1899 show a total of 134 professions in 246 societies. 110 societies, almost half of the total number, belonged to the chamber.

By 1892, the chamber had in its fold only 40 of the 81 recorded workmen's productive societies. The next year, however, it started a journal which still appears twice a month, and it founded a bank, controlled by the societies represented in the chamber. The bank was immediately given a Government deposit of 150,000 francs, to be loaned out to the societies. The Government extended the preference granted on national contracts, to purchases and contracts by municipalities and other local government agencies.

Workmen's productive societies increased in number before the World War, but the total membership did not gain correspondingly. (The 331 societies reporting in 1907 had a membership of 15,838; the 466 societies reporting in 1913 had a membership of 19,097).

A tendency exists in many workmen's productive cooperatives to restrict their membership, while employing what are termed "auxiliary workers", who receive wages but do not share in business gains. Some of the most powerful societies admittedly closed their books to new members and began operating on a partnership basis.

The chamber has enlarged its services to member societies. It set up an orphanage for children of cooperators and auxiliary workers, a legal bureau, an insurance office, and an accountants' department. A benefit society was founded to give technical instruction to members, maintain an employment office, and provide insurance against death, old age, and unemployment.

In 1900, membership in a trade-union affiliated with the French General Federation of Labor (C. G. T.) was required of all members of societies affiliated with the chamber. The present agreement between the chamber and the C. G. T. requires arbitration of disputes, and (like that between the consumer societies and the C. G. T.) engages the societies to grant retroactively any gains won by strikes—while protecting them from a walk-out of their own workers whose unions may go on strike.

The volume of business of 297 societies in 1907 amounted to 50,358,700 francs; that of 446 societies in 1913 amounted to 71,309,000 francs.

It was immediately after the war that the workmen's productive societies enjoyed their greatest prosperity. The government was repairing some of the war's devastation, and there was a boom in both public and private building.

Of the 199,524,800-franc volume of business reported by 379 societies in 1921, the public-works industry category showed a total volume of 62,707,100 francs, recorded by 131 societies. The public-works societies have continued to hold this predominance.

During 1935, the Cooperative Bank of French Workers' Productive Societies reported that its 329 participating societies were divided as follows:

	<i>Percent</i>
Building and Public Works.....	52
Book Industry.....	9
Metals.....	10
Clothing.....	6
Transport.....	8
Furniture.....	4
Food.....	3
Glass and Ceramics.....	3
Miscellaneous.....	5

The Government has continued to be a patron of workers' productive cooperatives, both as a customer and as a source of needed credit. The French State has shown much more interest in workmen's productive cooperatives than in consumers' cooperatives. Subsidies were given as early as 1848. In 1893, when the State reestablished grants to workmen's productive societies, the annual subsidy was set at 145,000 francs. Beginning in 1902, the money was appropriated for loans, not subsidies, but in ever-increasing amounts (165,000 francs in 1902; reaching 375,000 francs by 1913) until the war, when there was a reduction.

In 1919, the appropriation came to 1,190,000 francs. In the 30 years between 1893 and 1923, close to 10 million francs were made available to producer societies. The record of repayment of loans has been good.

The workmen's productive cooperatives have been able to count to some extent upon a noncompetitive market. Government agencies award a proportion of contracts to cooperative societies when their bids are the same as those of private contractors; and when the contract involves less than 40,000 francs, it may go to a workmen's productive cooperative without competitive bidding. (It is sometimes possible to divide larger jobs into parcels of 40,000 francs or less apiece.)

For contracts of 50,000 francs or less, the societies need not post bonds, though private contractors are required to do so. The latter must also await the usual Government routine for payment, whereas the cooperative societies are paid twice a month.

When a workmen's productive society dissolves, the law requires that its assets be turned over to another similar society. They cannot be divided up among the individual members of the disbanding cooperative.

We visited an important workers' productive society, the Association of Workers in Instruments of Precision, which manufactures telephonic equipment. Here all members get the same salary, 2,000 francs a year, except the engineers, who are paid the going salaries. Three years' apprenticeship is required for admission to membership, as well as the investment of 15,000 francs (about \$975). This sum may be given to the firm by deductions from a new member's annual share of profits,



In addition to salaries, 20 percent of the net profits are divided among all workers, members and nonmembers, on the basis of hours worked. The Association, founded in 1896, now has 650 workers, of whom 250 are members of the society.

In bidding for contracts, the Association is granted the right by the State (which owns the telephone and telegraph systems of France) to take up a fourth share of the contract even though it has submitted no bids or design of its own. It has access for this purpose to the accepted designs and specifications.

#### AGRICULTURAL COOPERATION

Among farmers, cooperation took hold in France during the great agricultural depression of the last quarter of the nineteenth century. Societies grew up spontaneously, but in isolation from one another. In response to local conditions, the forms of organization varied from special cooperatives for credit, purchasing of supplies, processing of products, and marketing, to societies embracing all these activities.

An 1884 statute gave legal sanction to the earliest societies, which were organized for the joint purchase of fertilizer and control of its quality. Seed, equipment, and household goods were the next objects of cooperative purchasing activity. Cooperative purchasing or renting of expensive equipment, such as tractors and grain sorters, has more recently grown to considerable proportions.

Processing cooperatives, developing in the last decade of the century, filled a great need, especially in the regions where small peasants lacked the necessary working capital. Cheese-making plants, creameries and dairies, wine societies and distilleries, were the most important of these.

A little later, insurance against agricultural risks on a cooperative or mutual basis came to occupy an important place in the economy of rural France.

These various farmers' societies are known as agricultural syndicates, mutuals, and cooperatives, with only minor functional distinctions to separate them. Most of the purchasing and marketing of these organizations has been on a pooled basis.

By 1908 there were about 4,000 agricultural syndicates and cooperatives, of which the largest number were cheese factories, dairies, wine cooperatives. There were then 8,000 mutuals for insurance against livestock mortality, with 430,000 members; 1,800 fire insurance mutuals, with 47,000 members. (Livestock slaughter and fluid milk distribution remained largely in private hands.)

Numerous federations of agricultural societies by regions or by departments grew up. In 1912 the Agricultural Cooperative Union was established. This organization, which has grown steadily, differed from preceding unions of a similar nature in its favorable attitude toward con-

sumer cooperatives. In 1923 it joined the International Cooperative Alliance.

State advances have gone to many of the farmers' societies. At the beginning of 1932, of the 5,509 production and processing societies, 2,166 had received such aid.

The Inquiry felt that in general, agricultural cooperation in France is not very well developed and contains few features that are important to America.

#### CREDIT COOPERATION

Credit societies in France go back to the period of social ferment between the revolutions of 1830 and 1848. The appearance of true credit cooperation on a successful basis, however, waited until farmers were organized economically. When in the eighties these had begun to form their rural syndicates there were available local groups with fairly homogeneous economic interests, whence agricultural credit societies on a voluntary basis might arise.

The principles of the successful Federated Centre of Popular Credit, founded at Marseilles in 1890, became generally accepted throughout France. They included cooperation between the credit society and other institutions of the same social group; local utilization of savings; decentralization; and political and religious neutrality. Variation in methods to correspond with local situations was encouraged.

In the cities there had earlier been an efflorescence of credit cooperatives about the middle of the century. But these had usually been subsidiary to workmen's productive cooperatives. In more recent times urban credit societies have not grown to the same proportions as rural institutions. Many of the urban societies, moreover, have not been veritable cooperatives, but rather semi-philanthropic foundations.

The rural credit organizations were still scattered and far from numerous when their progress was aided by a law of 1894 which limited members' liability. The societies were also granted wider latitude in framing their bylaws.

Legislation in 1897 placed capital at the societies' disposal. An advance of 40,000,000 francs (\$8,000,000 then) was placed at the disposal of the Government by the Bank of France, without interest, from which annual contributions were to be made to the credit societies. Two years later regional credit institutions were set up to receive and allocate this State aid.

In 1920, the Government created a National Bank for Rural Credit.

Corresponding to the growth of other farmers' cooperative agencies, and steadily aided by the Government, the progress of rural credit societies has been maintained since 1894, and at a more rapid rate since the World War.

By the end of 1929 there were 5,897 local credit societies, with 433,400 members. These had 82,838,000

francs in paid-up capital, and 28,000,000 francs reserve. The hundred regional banks had a joint capital stock of 117,716,000 francs and reserves of 100,832,000 francs.

Despite State aid, French peasants have been somewhat slow to trust their own savings to the agricultural credit institutions. Only recently did deposits begin to come in more liberally—1,295,000,000 francs being on deposit as of June 30, 1932.

In 1933 there were 98 regional Banks of Agricultural Credit, with 6,195 affiliated local banks, with 564,314 members. State advances to the regional banks then amounted to 2½ billion francs. Subscribed capital of the regional banks was 200 million francs. Deposits were 1,241,000,000 francs. (These figures are according to the *Annuaire Statistique* of the French Government for 1934.)

Reports to the 1935 Congress of the Federation of Agricultural Cooperation and Mutuality showed that the national agricultural credit institutions had outstanding almost 4 billion francs in loans. Short-term loans came to 1,200,000,000 francs; intermediate credits, 850,000,000 francs; and long-term loans, 1,450,000,000 francs. Five hundred million francs were outstanding in loans to rural electrification cooperatives.

The agricultural credit societies, during a period of 30 years (1902-32) have made it possible for nearly 80,000 agricultural workers (of whom 25,000 were disabled ex-service men) to acquire rural small-holdings.

#### INTER-COOPERATIVE RELATIONSHIPS

The three chief forms of cooperative enterprise—consumers', agricultural, and workers' productive societies—are today working together reasonably well. In many regions, farmers' marketing or processing societies have an assured market with consumer cooperatives. Workers' productive societies likewise find in consumer societies a steady market for certain types of goods.

There are no serious jurisdictional difficulties, since farmers' cooperatives have not gone in for retailing; nor consumers' societies for processing. Market prices usually govern these transactions.

Nationally, there is an informal working agreement between the various forms of cooperatives, by which they do not oppose each other's legislative proposals. While recognizing that their interests may not coincide at all points, they work together on such bodies as the National Economic Council and the Superior Council of Cooperation, on which consumers', farmers', and workers' productive societies are all represented.

A law passed in 1936 allows consumers' and farmers' societies to have interlocking directorates. We were told by one consumer cooperative official that "it is too soon to see how this law will work out", but that both groups had wanted it.

#### THE GROWTH OF COOPERATION IN GREAT BRITAIN AND IRELAND

The consumer-cooperative movement in Great Britain has almost 7½ million members out of a population of 46 millions. It has more than a thousand retail societies, through which it does an annual business of over 1 billion dollars, which is estimated to be between 12 percent and 15 percent of the total national retail trade. British cooperatives employ 300,000 people.

The following figures indicate the extent of consumer cooperation in Great Britain and Northern Ireland for the year 1935:

Number of retail societies . . . . .	1, 118
Number of members . . . . .	7, 483, 976
Cooperative retail trade . . . . .	£220, 429, 517
Share capital of members . . . . .	£135, 745, 524
Production by cooperatives . . . . .	£79, 276, 000
Persons employed by cooperatives:	
In retail distribution . . . . .	145, 463
In production and services . . . . .	117, 526
In transport . . . . .	38, 728
	<hr/>
Total . . . . .	301, 717

The wages and salaries to employees amounted to £38,606,296. In 1934 British cooperators received £4,749,000 interest on share capital and £19,003,000 in patronage refunds.

Of the total consumer cooperative membership of 7,483,976 for 1935, England and Wales accounted for 6,586,479, Scotland for 836,239, and Ireland for 61,258 members. Developments peculiar to Scotland and Ireland will be described separately following this general account.

The cooperative movement in Great Britain is the oldest in Europe, dating back to the early nineteenth century. Cooperation was one of the methods suggested as means of improving the conditions of the workers, who had been plunged into helpless misery by their unrestricted exploitation as factory hands. One of the social reformers of the period was Dr. William King, who in his newspaper, the *Cooperator*, advocated the establishment of cooperative communities and stores. Such stores were set up, and Dr. King in his paper gave advice on business management, emphasizing the principles of cash trading, accurate bookkeeping, and democratic control. Under the influence of the philanthropic manufacturer, Robert Owen, cooperative colonies were formed, one of them in the United States. Workmen's productive cooperative societies were also set up. But most of these early cooperative undertakings were short-lived.

The first continuingly and conspicuously successful consumer cooperative was that set up in Lancashire by the *Equitable Pioneers' Society* of Rochdale, in 1844. It originated the policy of patronage refunds, and adopted

<sup>1</sup> In 1935 the English pound was equivalent to \$4.90.

other principles already formulated, which together have become the basis of consumer cooperative enterprise throughout the world.

The original Rochdale Pioneers were 28 flannel weavers who, after the failure of a strike, resolved to try cooperation; they saved up and put in a pound apiece as share capital. Their first intention was to establish a complete cooperative colony, including production as well as distribution. They did later set up a manufacturing society; but it was upon consumer cooperation that they set their mark. Storekeeping was the field in which cooperation was to achieve its great success in Great Britain and throughout Europe.

By 1851 there were some 130 cooperative stores in the north of England and in Scotland, most of them having less than 50 members. The Rochdale Society was outstanding with its 670 members. It established its first branch in 1856; in 1863 it had eight branches in and near Rochdale, 3,500 members, and was assisting in the establishment of a central wholesale society, such as has become an important feature of consumer cooperative enterprise in all countries. Back in the early thirties there had been a United Cooperative Society in the northwest of England, but it had failed because cooperative stores were then too weak to maintain it.

Now, however, there were 300 retail societies in England. In 1862 the passage in Parliament of the Industrial and Provident Societies Act cleared the way by permitting one society to hold shares in another. The new wholesale was at first called the North of England Cooperative Wholesale Industrial and Provident Society, with offices temporarily in Liverpool and then permanently in Manchester.

The Scottish Cooperative Wholesale Society was organized in 1868, with headquarters in Glasgow.

A need was felt for a central organization for purposes of education, promotion, and statistical and legal information. A central board was set up in Manchester in 1873, supported by subscriptions from local societies. A national federation with these same purposes, at first informal in character, was given legal existence as the Cooperative Union in 1889. The Cooperative Union has ever since been the chief unifying force in the British cooperative movement.

A late development, the English and Scottish Joint Cooperative Wholesale Society, was set up in 1923 for the purpose of handling the production and packing of imports, particularly Indian and Ceylonese tea, cocoa and chocolate; it has packing centers in London, Luton, and Manchester. (Its share capital of £2,409,000 is owned three-fourths by the C. W. S. and the rest by the S. C. W. S. In 1935 its wholesale trade totaled £5,864,114; and in that year, besides its share capital, it had loan capital of £2,837,697.)

#### LOCAL DISTRIBUTIVE SOCIETIES

The total patronage refunds of British cooperative societies in 1934 amounted to £19,003,000, or an average of 9.6 percent on purchases. The average amount of purchases per member in 1934 was £28 14s. 9d. (\$143.70). The average patronage refunds, therefore, amounted to £2 15s. 2d. (\$13.80). The average share capital investment in the same year was £17 17s. 7d. (\$89.40) and the average interest on share capital about 4 percent or 1½s. 2d. (\$3.60). The average return per member, not counting interest on savings deposits, was therefore £3 9s. 4d. or \$17.40 for the year.

English cooperatives are registered under the Industrial and Provident Societies Act, which provides for auditing under Government supervision; and fixes maximum shareholding per member at £200, but requires each member to accept liability for his subscribed amount of share capital. (Within the terms of these provisions, a cooperative society fixes the value of the share and the amount purchasable by each member.)

Among the self-imposed rules of English cooperatives are these: The minimum membership permissible to a society is seven. Some societies limit membership to one person in a family. Each society sets its own rate of patronage refund; some maintain high retail prices in order to have a high refund, while others have a low refund because they maintain low prices, according to members' preference and local conditions.

Local societies do not usually maintain regular banking services for their members, because the Industrial and Provident Societies Act requires shares to be transferable. But, under the terms of this act, they may operate small savings or penny banks, each separate deposit not to exceed 10 shillings, and the aggregate for each depositor not to exceed £20. They are largely used by children for the accumulation of savings to be used later in buying cooperative membership shares. In 1935 there were 867 societies operating such small savings departments, with a total of £5,631,546 in deposits.

Reliable statistics for the British cooperative movement begin with the activities of the Cooperative Union in 1889. In 1881 the average number of members in local societies is said to have been 564; in 1900 it was 1,186; in 1935 it was 6,694.

In 1900, the largest of the retail societies had only 48,000 members; and this was still true in 1914. In 1935, the membership of the 6 biggest societies ranged from 115,000 to 575,000, the largest being the London Society with 575,000 members, the Royal Arsenal Society (also of London) with 319,000, and the Birmingham Society with 192,000. There are 22 societies which have each a membership of over 50,000; there are still 399 societies which have each a membership of less than 1,000.

The number of the societies has decreased while the total membership and volume of trade has increased, as is shown in the following table:

Year	Number of societies	Membership	Trade
1884.....	1, 128	696, 282	£19, 569, 940
1894.....	1, 421	1, 212, 945	32, 242, 394
1904.....	1, 454	2, 078, 178	59, 311, 885
1914.....	1, 385	3, 053, 770	87, 979, 898
1924.....	1, 314	4, 702, 868	175, 077, 825
1934.....	1, 135	7, 202, 721	207, 014, 809

The proportion of cooperative membership to population runs fairly high in some English counties. In 1931 it was 18 percent of the entire population of London, 20 percent or more of Cumberland, Derbyshire, Durham, Lancashire, Leicestershire, Northumberland, and Yorkshire, and 30.7 percent of Northamptonshire.

Originating among industrial workers, cooperation has continued to have its stronghold in the working class. Nevertheless, in pre-war days, London and many other large cities were "cooperative deserts." Since the war, the movement has taken hold and grown tremendously in London, Liverpool, Bristol, Birmingham. The four London societies have a total membership of about a million.

Before the war, cooperative membership had increased from 1,785,000 (4.3 percent of the population) in 1901, to 2,640,000 (5.8 percent of the population) in 1911. Between 1914 and 1919 the movement gained about 1,000,000 members, bringing the total membership to about 4,000,000 in 1919.

(Cooperative sales increased from 152 million pounds in 1914, to about 314 million pounds in 1919. But prices were then rising, and the actual increase in cooperative trade is smaller than these figures would indicate.)

Membership continued to increase after the war. By 1921, there were 4,549,000 cooperators in the United Kingdom (9.5 percent of the population). By 1931, the total was 6,590,000 (13.4 percent of the population). The present membership is 7,484,000.

Total share capital held by members of retail societies increased from £39,537,000 in 1914 to £112,958,000 in 1930. Average share capital per member grew from £12.96 in 1914 to £17.64 by the end of 1930.

These figures of average-share capital holdings, however, should not obscure the fact that a small proportion of the members hold a great percentage of the total share capital.

Membership in cooperative stores has, in increasing numbers, since the war, been taken out by young people and women in homes where formerly only the head of the house was a member. This is partly a result of the demand for open membership, as it is called; it is also a result of the enlarged participation of women in their own right in the cooperative movement. All this time, moreover, the number of separate families has been growing in Great Britain, though the average family is smaller.

It is important to examine the shifts in cooperative trade by volume, rather than by pounds sterling. Com-

paring the momentary trade figures with changes in the price level, we see that during the 1921-23 post-war slump, there was little change in the real volume of trade. Between 1924 and 1933 there was a gain of about 40 percent in cooperate retail trade by volume.

Purchases per member, which had fallen heavily during the war, recovered slowly, after the war. In 1924, average purchases (allowing for changes in the retail price level) were about 30 percent lower in 1924 than in 1913. Since then the changes have been slight. This decreased member loyalty has been one of the chief problems facing the British cooperative movement.

While the local societies were small, their trade was confined largely to foodstuffs. With larger membership and capital, they expanded their activities, selling a wider variety of goods, and operating a few factories. Even before the organization of the wholesale societies, some of the larger retail societies either carried on some production of their own, or bought from workmen's productive societies engaged in manufacturing clothing and household goods. As the English and Scottish wholesales developed, they increased the range of commodities and began to undertake production of goods which were in large demand. Today it is possible for a British cooperator to purchase nearly all of his requirements through a cooperative store.

The war greatly stimulated the growth of monopolies and concentration of control of production and price. To combat this growth and to avoid being forced to enter price-fixing agreements, the British cooperative movement enlarged its productive activities and increased the range and variety of its enterprises.

The production carried on by the local societies amounted in 1934 to £35,472,000. About 80 percent of this was in food and tobacco, about 6 percent in farming and dairying, 6 percent in clothing and another 6 percent in building and woodworking. Laundry service is extensive; it is often carried on directly by the local societies, but sometimes through special laundry societies owned jointly by a number of local societies. In 1934 the laundry services of consumer cooperatives amounted to £950,000, and resulted in a surplus of £100,000.

On the average the retail societies turned over their merchandise 12.35 times in 1935. The lowest frequency, 8.45, was in Ireland and the highest, 14.51, in Scotland.

The cash-trading policy is not as rigidly observed in Great Britain as in the Scandinavian countries and in Switzerland. In fact, credit trading is more prevalent now than it was in pre-war days, although it is usually subject to definite regulations established by the local societies. In 1935, cooperators owed their societies for goods of various sorts a total of £6,307,717. About one-half of this amount is accounted for by "hire purchases" and "mutuality clubs", systems of deferred-buying developed by English cooperators after the war.

Some form of credit selling by cooperatives, it is pointed out, is necessary, especially in commodities other than foodstuffs, such as furniture, dry goods, and clothing. Otherwise many families of low income will have to go where they can get credit—and perhaps pay higher prices.

Hire purchasing is confined to furniture and home furnishings and resembles our installment buying. Mutuality club trading is confined largely to shoes, dry goods, and clothing. Mutuality clubs are organized within a local cooperative, usually by a collector appointed by the local society. Club members pay over to the collector a regular amount per week (usually 1 s. per share) toward the purchase of a number of £1 shares, thereby establishing a special credit with the society. The collector is paid on a commission basis, generally 5 percent, and is responsible to the society for the collection of payments.

Local consumer societies in 1935 employed 210,953 persons who received £27,638,219 in wages and salaries. Employment in distribution accounted for 133,663, in production and service 39,595, and in transport 37,695 workers. The average annual wage per worker in these three fields was £126.05, £140.63, and £138.53, respectively. Labor relations and labor conditions in consumer cooperatives are discussed later in this chapter.

#### THE ENGLISH COOPERATIVE WHOLESALE SOCIETY (C. W. S.)

The English, Scottish, and Irish wholesale societies, in 1935, together distributed to their affiliated retail societies goods amounting to £117,490,000 or a little more than one-half of the value of total distributive trade of the retail societies.

The English Cooperative Wholesale Society (C. W. S.) was organized in 1863. Originally, the purpose of the C. W. S. was to carry on wholesale trading for affiliated societies and to aid the workmen's productive societies in finding outlets for their products in the cooperative movement. In 1873 it entered the field of production with the opening of a biscuit factory and has in time built up extensive production enterprises in various fields. In 1935 the total trade of the C. W. S. amounted to £98,284,000 and its own production to £34,589,000. The C. W. S. extends over the whole of England and Wales, with branches and depots in many large centers such as London, Newcastle, Leeds, Cardiff, Birmingham, and Bristol. Its growth is indicated by the following table:

Year	Share capital	Trade	Own production
1864		£51,857	
1870	£19,015	677,734	
1890	434,017	7,429,073	
1900	883,791	16,043,889	£2,626,516
1910	1,740,619	26,567,833	6,963,689
1920	4,270,408	105,439,628	38,532,164
1930	8,515,097	85,313,018	28,970,862
1935	13,017,445	98,283,975	34,588,624

The total capital of the C. W. S. at the end of 1935 amounted to £104,098,072. In addition to share capital, this included loans and deposits of £82,446,207, trade and bank reserves of £2,788,076, insurance funds of £2,582,943, and reserves of £3,263,401.

The value in pounds of both the trade and the production of the C. W. S. was largest in 1920. However, these figures do not take into consideration the war-time and post-war rise in the price level. The price index number based on 100 in 1914, was 214 in 1919 as compared with 164 in 1929 and 140 in 1935. Actually, the physical volume of trade and production has increased fairly regularly from year to year except during the war period.

The remarkable expansion of productive activities after 1910 resulted in part from the pressure upon the C. W. S. for a greater variety of goods brought by the retail societies during and immediately after the war years, and in part from a general policy of "getting back to the source of raw materials." The C. W. S. acquired productive plants by absorption from local consumers, societies or workmen's productive societies, others by purchase from private enterprise, and still others by building its own factories.

In 1934 the productive enterprises controlled by C. W. S. included two biscuit works, four jam plants, three soap works, nine flour mills, one tobacco factory, one lard refinery, one margarine factory, one vegetable oil plant, five printing plants, one rope mill, one colliery, two flannel mills, one hosiery factory, one corset factory, four shirt factories, two underwear factories, three woolen mills, three weaving sheds, six clothing factories, two tanneries and seven shoe factories, one cannery, five furniture factories, two brush works, one iron works, one bucket and fender works, one tin-plate works, one paint and varnish works, one pottery, a jewelry shop, two drug factories, two packing plants, an aluminum ware factory, a cutlery works, two glass works, a building and engineering department with several branches, several farms, and establishments for bacon curing, quilt making, cartwrighting, hat and cap manufacture, umbrella making, and butter manufacture. Together with the Scottish C. W. S. it farms over 30,000 acres of tea plantations in India and Ceylon.

In 1935, the C. W. S. employed 49,182 persons in distribution, production, and service activities, and paid out £6,609,398 in salaries and wages, an average of £134.39 per employee.

The capital of the C. W. S. is of two kinds: (1) Share transferable (not withdrawable, in order to allow the C. W. S. to engage in banking), and (2) loan capital. Member societies must hold one £5 share for every two members unless exempted by previous (1931) rulings under which they took membership. Loan capital is derived primarily from members' savings deposits. In addition, the Society has reserve funds and insurance funds.

Surpluses are returned to the member societies as patronage refunds on their wholesale trading—after deductions for depreciation, reserves, donations, etc., have been made. The C. W. S. paid a refund of 4 pence per pound (about 1½ percent) in 1913; during the slump of 1919 and following, the refund fell to nothing; but for 1934 it was 4 pence per pound; and an additional 2-pence refund per pound was made on purchases of C. W. S.'s own products.<sup>1</sup> These refunds are in turn passed on by the local societies to their members as part of the patronage refund on retail purchases.

According to statements published by the Cooperative Union, cooperative control extends to only about 2 percent of the total national volume of industrial production. But it is claimed that cooperative control extends over more than 10 percent of the grain milling industry, 8 percent of jam and preserve manufacture, 2 percent of tobacco manufacture, 5 percent of shoe manufacture, and 15 percent of bread and biscuit production.

The C. W. S. banking department was set up in 1872 in order to provide loan capital for cooperative development. Its early customers were not only distributive societies, but also private industries, including collieries, spinning mills, foundries and others. On account of the provisions of the Industrial and Provident Societies Act, already referred to, the bulk of cooperative banking has been done by the banking department of the C. W. S.

The banking department covers England and Wales thoroughly. In Scotland the Scottish Cooperative Wholesale Society acts as its agent, but cooperative banking is not well developed in Scotland. For a time the C. W. S. acted as a banking agent for all of its member societies. Then a system was evolved whereby the member societies may act as the agents of the banking department of the C. W. S.

The following table gives an indication of the development of the banking department:

*Growth of C. W. S. banking department, 1873-1935*

Year	Number of trading accounts	Total assets	Turn-over
1873.....	62	£188, 672	£1, 581, 495
1882.....	144	214, 256	13, 772, 551
1892.....	314	605, 623	30, 679, 914
1902.....	694	1, 629, 271	84, 644, 940
1912.....	987	5, 287, 227	158, 637, 300
1922.....	16, 209	16, 444, 347	496, 600, 174
1932.....	30, 966	68, 321, 681	657, 015, 517
1935.....	35, 514	95, 018, 684	668, 460, 381

The total number of accounts, including both savings and trading accounts, was 66,844, at the end of 1934. The assets of the bank are invested largely in Government, municipal, and public-utility securities.

The services offered by the banking department were expanded from time to time. In 1897 it began to offer

<sup>1</sup> 1933 was the first year of this practice.

financial assistance for cooperative and individual housing to members of retail societies and loaned as high as 75 percent of the cost of a project. Altogether, £600,000 has been advanced to societies for this purpose.

Since 1910 the bank has accepted individual depositors who make deposits through their local societies. By 1929, the bank had 22,420 such depositors, who had a total of £5,004,039 to their credit. In 1934 the number of individual depositors had grown to 45,179.

When, in 1912, during a coal strike, the Northumberland Miners' Association applied to its bank for an overdraft to raise strike funds, the request was refused although the union offered excellent security for the loan. The C. W. S. Bank supplied the needed funds immediately when approached. Since that time the British trade-union movement has been one of its depositors.

In 1934 a total of 9,932 trade-unions had their accounts with the C. W. S. Bank. This number is said to include nearly every national trade-union and its branches in England and Wales.

In 1934 the C. W. S. Bank carried 10,830 accounts of fraternal associations, thrift societies and clubs organized under the Friendly Societies Act. Farmers' cooperative dairying and marketing associations are also among the depositors.

The bank has for a number of years arranged for the financing of grain and other imports from Russia, of New Zealand cooperative dairies and of Australian wheat pools.

The C. W. S. Bank has successfully weathered several severe crises—during the war, the post-war depression, and the general strike of 1926, when within 3 weeks the trade-unions withdrew £2,500,000 and required additional overdrafts amounting to £1,500,000.

#### COOPERATIVE INSURANCE

A number of cooperative societies in Great Britain have built up insurance funds for covering specified risks and for benefit payments to members. The only cooperative organization in Great Britain doing business in all the main branches of insurance (except marine insurance) is the Cooperative Insurance Society, Ltd., (C. I. S.) at Manchester.

The C. I. S. was founded in 1867 under the (private) Companies Act by a number of cooperative societies, and was converted in 1899 into a cooperative society under the Industrial and Provident Societies Act. It was reorganized in 1913 as a joint insurance department of the C. W. S. and the S. C. W. S., these two societies taking over its entire share capital. In 1900 its insurance fund amounted to less than £100,000. By 1930 it had accumulated an insurance fund of £11,206,934 which had increased to £20,516,965 by the end of 1935. The growth of premium income from the main types of insurance written is shown in the following table:

*C. I. S. premium income*

	1915	1925	1935
Ordinary life.....	£185, 194	£1, 090, 185	£1, 713, 747
Industrial life.....	5, 118	1, 087, 752	3, 735, 354
Fire.....	64, 173	173, 737	348, 584
Employment liability.....	32, 864	90, 658	128, 719
Accident and general.....	20, 395	454, 135	1, 065, 885
Total premiums.....	307, 744	2, 896, 467	6, 992, 289

The total amount of the 362,104 claims during 1935 was £3,434,180, including annuities. From the surplus a dividend of 12½ percent was returned to cooperative societies on cash premiums paid by them during the year. Societies not members of the C. W. S. or the S. C. W. S., however, received only a 6¼ percent dividend.

The Cooperative Insurance Society's chief contribution to the British insurance field is its pioneer work in group insurance. This field is not nearly so completely developed in Great Britain as it is in the United States. Of its group insurance schemes the most prominent is a life assurance scheme which provides benefits to the wife (or husband) of a deceased member of a cooperative society in proportion to his average purchases from his retail society during the 3 years preceding his death. This type of insurance is financed at present by a premium charge of 1 pence per pound of retail purchases. In 1935 the premiums on this type of insurance (which is included under "ordinary life" in the table above) amounted to £476,253 and the claims paid to £449,498.

The C. I. S. has also developed endowment schemes, fire and theft schemes, accident policies, public liability, automobile insurance, and livestock insurance.

In 1933, the C. I. S. handled about 2 percent of the ordinary life insurance of Great Britain, 6 percent of the industrial life, 1 percent of the fire insurance, and 2½ percent of the employees' liability insurance.

At the end of 1935 the C. I. S. had the following number of policies in force:

*Types of C. I. S. policies*

Fire.....	580, 788
Accident.....	137, 324
Automobile.....	158, 235
Ordinary life.....	206, 772
Industrial life.....	4, 587, 296

The assets of the C. I. S. are held available for use in the cooperative movement whenever needed. Thus in 1921, when the wholesales' development of production plants strained their own resources, more than one-half of C. I. S. assets was invested in industrial and provident societies' securities. At present the resources of the distributive societies are more than sufficient and only £251,000 out of a total C. I. S. investment of £20,693,000 is used for that purpose. The bulk of C. I. S. assets are therefore invested in government securities, municipal and railway bonds, real estate mortgages, etc.

The personnel of the C. I. S. has grown from 200 in 1913 to 7,297 in 1935 and its pay roll in this latter year amounted to £390,394, not including commissions. In 1934, commissions alone amounted to £1,286,000 in addition to a pay roll of £379,000.

Mutual insurance of various kinds is provided by many organizations, such as fraternal orders organized under the Friendly Societies Act. These societies are not considered a part of the cooperative movement.

**WORKMEN'S PRODUCTIVE SOCIETIES**

The idea of cooperative self-employment as a means of escaping the wage slavery of the new industrial era was foremost in the minds of many of the early cooperative leaders in England. The Christian Socialists established a number of workmen's productive societies (or cooperative copartnerships, as they are generally known in England). The Rochdale Pioneers, who regarded cooperative shop-keeping as a first step toward cooperative production, in 1854 established the Rochdale Cooperative Manufacturing Society, which served as an example for a number of similar experiments. The movement continued to spread after the I. and P. Societies Act of 1862 made possible the formation of productive societies under a limited liability clause.

Capital for such enterprises came not only from the prospective workers themselves, but also from the surpluses of consumers' societies and from various working-class organizations. For many years, trade-union capital flowed into cooperative productive ventures, until repeated losses and a change in trade-union philosophy led to the discontinuance of the practice.

Many of the early experiments in cooperative self-employment were in reality joint-stock companies with worker shareholders and, if successful, soon lost every trace of cooperative character. In other cases, workers' participation consisted merely in a profit-sharing scheme in a privately owned business, with the workers entitled to invest capital in the firm.

Prior to 1880, most of the productive societies were formed in the textile, machine shop, and coal-mining industries. The mining societies failed without exception and their failure cost the cooperative movement, both retail and wholesale societies, a good deal of money. The machine-shop societies fared little better; the failure of one in 1876, after 7 years of operation, even caused a bank failure. Experiments in industries where the factory system was less developed or where most of the cost went into labor rather than into equipment, such as the light metal trades, flour milling, and certain types of textile manufacturing, were relatively more successful. But by 1880 there were only 15 productive societies left in existence.

In 1882 the Cooperative Productive Federation was formed for the purpose of coordinating the productive societies, for securing capital for their use and markets

for their goods. Model rules were drawn up for the guidance of new societies. A new growth ensued along more practical and effective lines, in light industries which were just developing, such as shoe, hosiery, and clothing manufacture, printing, baking, and in laundering.

Outlets through consumer societies, which often supplied part of the capital, were promoted systematically. Occasionally, one or more distributive societies were able to take the entire output of a productive society in which they had large investments; and they absorbed the enterprise, carrying it on as a subsidiary production enterprise.

Very few of these productive and service societies today are exclusively associations of workers. Their consumer membership (individual or through affiliation with distributive societies) in some cases far outweighs the producer membership, so that many are in effect associations of consumers. Generally referred to now as cooperative copartnership societies, they have in many cases only slight resemblance to workmen's productive cooperatives of the last century.

The relative share of these productive societies in the productive output of the British cooperative movement since 1900 can be seen from the following table:

*Value of production output by types of societies*

Year	Retail distributive societies	Wholesale societies (C. W. S. and S. C. W. S.)	Productive and service societies
1900.....	£4,293,000	£3,827,000	£2,854,000
1910.....	12,685,000	9,359,000	3,395,000
1920.....	38,377,000	48,073,000	8,746,000
1925.....	32,627,000	35,134,000	6,139,000
1930.....	39,156,000	36,138,000	6,730,000
1935.....	33,146,000	40,010,000	6,372,000

It is evident that the productive societies have not kept step with production by the retail and wholesale distributive societies. In 1900 there were 149 productive societies. By 1930 there were only 97 left, several having been taken over by the C. W. S.

By 1935 the number had dropped to 90. Their status for 1935 is shown as follows:

*Productive and service societies in 1935*

Number of societies.....	90
Number of members.....	33,264
Number of workers engaged.....	18,981
Share capital.....	£2,012,000
Loan capital.....	£2,670,000
Turn-over.....	£6,372,000
Surplus.....	£586,000
Wages.....	£1,991,000
Average wage per worker.....	£104.91
Value of output per worker.....	£336

## THE COOPERATIVE UNION

The national cooperative educational federation is the Cooperative Union. It was formally incorporated in 1889 to serve the entire cooperative movement in Great Britain and Ireland. It admits to membership all bona-fide cooperatives, whether of the distributive or productive type, but has so far been unsuccessful in enlisting agricultural societies. To the Cooperative Union is largely due whatever degree of unity the large British cooperative movement possesses today.

Of the 1,267 cooperatives reported in 1935, those affiliated with the Union numbered 1,156, of which 27 were in Ireland, 242 in Scotland, and the rest in England and Wales. Nearly all consumers' distributive societies and most of the workmen's productive cooperatives are members of the Cooperative Union, as may be seen from the table which follows:

*Members of Cooperative Union, 1935*

Type of society	Number of societies	Membership of societies
Distributive societies.....	1,037	7,326,342
Distributive federations.....	16	.....
Productive societies.....	82	31,514
Supply associations.....	1	512
Special societies.....	15	5,661
Wholesale societies.....	4	1,742
Cooperative insurance societies.....	1	.....
Total.....	1,156	7,365,886

Besides those listed above, there were among the societies not affiliated with the Cooperative Union 81 distributive societies with a membership of 157,634.

For many years the Cooperative Union has had a parliamentary committee to watch legislation, and just after the war it established the Cooperative Party. The purpose of the Cooperative Party is to secure the election of official representatives of the cooperative movement as members of Parliament and local governing bodies. At present it has nine representatives in Parliament. Ordinarily the Cooperative Party works rather closely with the Labor Party, though it claims to represent a "consumer interest", as distinct from any producer interest.

The work of the Cooperative Union is concerned with educational, legal, statistical, promotional, and protective activities. Its legal department gives assistance in contractual matters, legal advice in connection with local or national governmental regulations, and aid in the revision of bylaws.

The Publications Department issues books, pamphlets, periodicals, posters, and general propaganda material. It has a press service supplying cooperative news to daily papers. It assists local societies in their advertising campaigns.

The extent of the British cooperative press is shown in the following table.



## COOPERATIVE NEWSPAPERS AND JOURNALS

### I. Weekly periodicals

<i>Title</i>	<i>Circulation</i>
The Cooperative News . . . . .	75,000
The Scottish Co-operator . . . . .	21,000
Reynolds Illustrated News . . . . .	400,000

### II. Monthly periodicals and other journals

The Co-operative Review . . . . .	5,500
The Co-operative Official . . . . .	5,300
Co-operative Citizen Series . . . . .	1,100,000
The Wheatshaf . . . . .	1,072,500
The Producer . . . . .	18,500
The Co-operative Productive Review . . . . .	3,500
The Millgate Monthly . . . . .	7,500
Our Circle . . . . .	10,000
The Women's Outlook . . . . .	32,000
Sunshine Stories . . . . .	4,000
The Co-operative Guildman . . . . .	4,000
Ourselves . . . . .	25,600
Co-operative Youth . . . . .	2,250

### III. Quarterly periodicals

The Co-operative Educator . . . . .	3,800
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### IV. Annual publications

The Congress Report . . . . .	9,500
The People's Year Book . . . . .	13,000
The Co-operator's Year Book . . . . .	9,000
The Wheatshaf Holiday Guide . . . . .	51,000
Christmas Cracker . . . . .	67,300
Sunshine Annual . . . . .	14,508

The Cooperative Union's Labor Department assists in the making of collective agreements between member societies and unions of their employees, and tries to prevent or adjust labor disputes. It gives advice in connection with employee superannuation schemes and other labor problems. It appears before Government bodies in connection with labor questions, social insurance, etc.

The Agricultural Department concerns itself with the various governmentally controlled or sponsored agricultural marketing schemes and represents the Cooperative Union before Government committees in this connection.

The Statistical Department compiles the statistics of the British cooperative movement.

The Cooperative Union has set up a National Educational Council on which the various guilds, employees' associations, and cooperative federations are represented. This Council supervises the preparation of textbooks and the extensive program of general and technical education in cooperation throughout the country. Its report to the 1936 Congress describes 898 junior and adolescent classes attended by 27,785 students; 245 adult classes in cooperation and the social sciences, with 4,730 participants; 1,013 classes for employees, attended by 18,720 persons;

51,235 students were enrolled during the year in 2,156 classes. Two thousand six hundred and fifty-six students took courses by correspondence.

There are also 1-day, week-end, and summer schools. At the cooperative college at Manchester, courses are carried on throughout the year.

In 1935 the Cooperative Union received an income of £59,457 from the annual subscriptions of its 1,177 affiliated societies. Additional income from sales of publications, etc., brought the total for 1935 up to £74,233. A member society takes out one 5-shilling transferable share in the Cooperative Union and pays an annual subscription according to its membership.

The annual Cooperative Congress reviews the work of the Cooperative Union, publicizes cooperative activities, and brings together representatives of societies from all over Great Britain for discussion of problems and policies of the cooperative movement.

## GUILDS

The Women's Cooperative Guild (of England), which was organized in 1883, is the oldest and largest of the British cooperative guilds. Others are the Women's Cooperative Guild of Scotland, the National Cooperative Men's Guild, the Irish Women's Guild, and the National Guild of Cooperators.

At its Ten-Year-Festival in Manchester in 1893, the Women's Cooperative Guild celebrated the formation of its one hundredth branch. Many women came to the festival who had not been away from home for from 10 to 20 years. Thus began the first exchange of ideas among women cooperators of the Nation.

Since the formative 10 years the organization of the guild has remained more or less the same. Local branches of the guild are self-governing groups, although they follow certain model rules of the central office. District and sectional organizations lead up to a central committee, and an annual congress of the guild. All work of the guild is voluntary except for that of the general secretary and her staff. The guild is financed by member contributions, donations from the C. W. S. and the Cooperative Union, and the sale of publications.

The guild urges loyalty to the cooperative store, to the C. W. S. and to cooperative production. It has worked vigorously to increase both trade and membership in the cooperative movement. It has demonstrated how the poorest could be brought in, particularly through its experiments with the Sunderland Society and its Settlement House, set up in one of the worst sections of London.

The guild has always sponsored educational movements and helped to raise funds for cooperative education. Furthermore, it has urged political activity on the part of cooperators and affiliation with the Labor Party and trade-unions.

The guild has fought for shorter hours, union wages, and minimum wages for women employees of cooperative societies.

The guild has steadily worked for equality of opportunity for women. It objects to the almost exclusive control of the cooperative movement by men while women are its chief supporters through the stores. The fact that one woman now is a member of the board of directors of the C. W. S. is considered important not as a personal achievement but rather as a foot across a threshold long closed to women.

The guild has spoken for women cooperators and working-class women on national issues of special interest to women. It has supported public health and housing, divorce-law reforms, insurance and maternity benefits, national care of maternity, and enfranchisement of women. The guild is taking an active part in the world-peace movement.

#### COOPERATION AND LABOR

Cooperative societies claim that their employees receive wages and have conditions of work superior to those prevailing in similar occupations in private enterprise. The original purpose of the British cooperative movement was to raise the standard of living of low-paid industrial workers. However, cooperative employees did not in the past enjoy the best possible working conditions, or wages.

The most important factor in awakening the cooperatives to their labor problem was the establishment of trade-unions among their employees. During most of the nineteenth century, the controversy about profit-sharing kept the labor problem within the cooperative societies from coming to the fore, as it did later.

As the cooperative movement expanded and each employee could not longer be personally acquainted with every member of his own society, employees began to feel they had more in common with the employees of other societies than with the membership of their own society. Clubs were formed, at first for social reasons, which as early as 1891 turned into a district employees' union in Manchester, and by 1895 expanded into the Amalgamated Union of Cooperative Employees.

The A. U. C. E. at first attempted to obtain improvement of working conditions by persuasion, making representations before local society meetings as well as before national conferences. After about 1911 it became more militant and resorted to strikes and threats of strikes.

In 1920, after jurisdictional conflicts with other unions, the A. U. C. E. amalgamated with the National Warehouse and General Workers' Union, almost all of whose members were employed in private enterprise, to form the National Union of Distributive and Allied Workers (N. U. D. A. W.).

Meanwhile, beginning in 1916, the Cooperative Union began to establish machinery for dealing with and resisting the union on a wide front. District hours and wages

boards were set up in the nature of cooperative employees associations of a given area. From these, there has been developed a generally satisfactory machinery of collective bargaining and adjustment of labor disputes. District and sectional hours and wages boards, to which most of the societies belong, arrange uniform agreements with the representatives of N. U. D. A. W. and other unions. A National Conciliation Board with panels composed of an equal number of members from cooperative societies and trade-unions may arbitrate when local negotiations break down. Strikes and lockouts have been practically eliminated.

By 1933, N. U. D. A. W. had 127,600 members, of whom all but 6 percent were cooperative employees.

The National Amalgamated Union of Shop Assistants, Warehousemen, and Clerks has about 30,000 members among cooperative workers, we were told by one of its officials. Its membership is almost evenly divided between workers in private trade and in cooperatives. So far efforts to amalgamate these two chief organizations of cooperative employees have been unsuccessful.

The C. W. S. deals largely with national unions of the various crafts and transport workers. It does not take any part either in the National Conciliation Board or the Hours and Wages Boards.

By the end of 1933, according to the secretary of the Cooperative Union's Labor Department, between 85 and 95 percent of the total number of cooperative employees were trade-union members. The productive employees were almost all organized, and about 80 percent of the distributive employees were union members.

A National Union of Cooperative Officials, founded in 1917, had by the end of 1933 attained a membership of 5,159, chiefly among the employees of retail societies. This union combines professional objectives and the discussion of policy with a demand that the cooperative movement "pay more for brains."

Cooperative employees, particularly in distribution, work shorter hours than employees in comparable private trade. Cooperative societies are ahead of private business in employee insurance and retirement schemes. (These conditions are discussed in pt. I, ch. XII, *Cooperatives and Labor*.)

#### COOPERATION AND AGRICULTURE

Agricultural cooperatives have not developed strongly in the United Kingdom. During the early years of the cooperative movement, efforts were repeatedly made by cooperative leaders to interest farmers in cooperation. Yet by 1900, according to the Cooperative Union, Great Britain (with the exception of Ireland) had no more than a dozen agricultural cooperative societies, with a membership of about 500 and an annual trade of less than £10,000. In that year, the British Agricultural Organization Society was formed, patterned somewhat after the Irish Agricultural Organization Society. The Coop-

erative Union became a supporting member and a few years later the Government began making an annual money grant to the A. O. S.

The activities of the A. O. S. were largely directed toward the establishment of two kinds of societies, (a) for the joint purchase of requisites, including seeds, fertilizer, utensils, etc. (requirement societies); and (b) for the processing and marketing of agricultural produce (produce societies). The following table, based on governmental statistics, indicates their development from 1913 to 1932, the last year for which data are available. A number of these societies perform both functions and the table therefore contains some duplications.

*Requirement societies, 1913-32*

Year	Number of societies	Number of members	Annual turnover
1913.....	257	27, 204	£1, 583, 268
1920.....	667	115, 553	13, 260, 251
1925.....	478	95, 115	8, 995, 056
1930.....	355	85, 934	7, 375, 385
1932.....	324	84, 881	7, 458, 704

*Produce societies, 1913-32*

Year	Number of societies	Number of members	Annual turnover
1913.....	124	9, 732	£840, 849
1920.....	338	45, 688	8, 202, 694
1925.....	284	37, 094	3, 989, 136
1930.....	286	39, 147	5, 150, 036
1932.....	259	41, 040	3, 752, 206

Dairy products accounted for over half the sales of the produce societies; other large items were eggs, poultry, wool, and meat.

At the end of 1932, there were 812 "service" societies with 163,521 members, for cattle insurance, threshing, horse and cattle breeding, livestock auctions, etc.

In 1924 the Government withdrew its financial assistance from the Agricultural Organization Society, and the society was dissolved. Since then, the National Farmers' Union has to a certain extent concerned itself with agricultural cooperatives. The agricultural department of the cooperative union has also offered advisory service.

At the Annual Congress of the Cooperative Union in 1932, the agricultural committee's report, which was adopted as official policy, stated:

"The actual point of contact between organized producers and organized distributors is obviously marketing, and the first essential to general agricultural stabilization should be the organization of agricultural marketing \* \* \* the committee is also of the opinion that in view of the dearth of capital in the agricultural industry, and the growing difficulty experienced by consumers' societies in utilizing their surplus funds, no opportunity should be lost, consistent with the safety of the capital employed, of utilizing consumers' capital and the experience of agriculturists in joint undertakings for their mutual advantage."

According to a member of the Executive Committee of the Cooperative Union, the chief reason why the British Government has to take measures to help agriculture is that fully one-third of all agricultural product is absorbed by the landlord in the form of rent.

England is overwhelmingly an industrial country. There were only 672,000 agricultural workers employed in England and Wales in the year 1935. Despite the minor role of agriculture in the nation's economy, there seems to be little doubt that in the past the English cooperative movement could, by a different attitude, have fostered a more extensive development of agricultural cooperation. The fact that some of the retail societies and even the two wholesale societies operated farms of their own, with the repeatedly declared intention of establishing more and more consumer control over agricultural production, did not make for particularly cordial relations.

In no other country have consumer cooperatives gone into farming as extensively as in England, although almost continuous losses have tended of late to lessen their enthusiasm for engaging in this type of productive enterprise. Of the 103 retail societies operating farms in 1934, surpluses amounting to a total of £15,000 were returned by 45 societies; the others, as well as the Wholesale, lost money on their farming. The following tables give comparative statistics of these farm operations from 1924 to 1934:

*Farms operated by retail societies*

Year	Acreage	Capital invested	Value of production	Net losses
1924.....	53, 332½	£2, 254, 678	-----	£59, 979
1926.....	45, 879	2, 225, 895	£648, 117	113, 404
1928.....	45, 394½	2, 152, 177	688, 951	108, 764
1930.....	40, 519½	1, 831, 380	640, 490	60, 048
1932.....	40, 000	1, 712, 396	564, 934	81, 413
1934.....	38, 597	1, 636, 228	539, 105	32, 997

*Farms operated by wholesale societies*

Year	Acreage	Capital invested	Value of production	Net losses
1924.....	19, 464	£807, 812	-----	£11, 952
1926.....	19, 822	736, 599	£227, 527	46, 530
1928.....	20, 177	1, 229, 530	256, 791	27, 366
1930.....	21, 292	813, 457	313, 412	36, 380
1932.....	17, 917	767, 944	221, 939	42, 567
1934.....	18, 802	810, 955	266, 844	23, 531

The extent of the farming operations of retail and wholesale societies combined in 1935 are shown in the following statement:

*Farming operations, 1935: Retail and wholesale societies combined*

Acreage owned.....	51, 073
Acreage leased.....	2, 045
Acreage rented.....	3, 725
Investment in land and buildings.....	£1, 844, 089

Investment in implements, stocks, etc. . . .	£634, 676
Interest charged to farms. . . . .	£36, 000
Rent paid. . . . .	£18, 941
Value of farm production. . . . .	£918, 134
Net result before charging interest and depreciation (surplus). . . . .	£35, 373
Net result after charging interest and depreciation (loss). . . . .	£7, 770

While British consumer cooperative leaders differ on the wisdom of having undertaken this farm program, they point out that in connection with the losses incurred several factors must be taken into consideration. Many of the farms were purchased at a time when farm values were high. The construction of up-to-date buildings and installation of modern equipment have further increased capital costs above the customary amount. And the comparatively high wage rates paid to farm labor by the cooperatives result in higher direct operating costs than on large privately owned farms.

#### COOPERATION AND THE GOVERNMENT

The British cooperative movement is the only one that has considered it necessary to establish its own political party. The cooperative movement was politically neutral until 1914, but during the war cooperators began to feel a need for representation of their interests in Parliament.

They resented what they felt to be the Government's discrimination against them in its wartime demands and allotments for supplies and services, and in its large draft of men from among employees of the cooperative stores. It was felt that the cooperative movement should have been represented on the trade advisory and food-control committees, because it was the largest single distributive agency in Great Britain, dealing with about one-seventh of the entire food supply. The application of the "excess profits duty" to cooperatives was strongly resented. (In 1918, however, practically all cooperative societies were exempted from this tax.)

In 1917 a Cooperative Parliamentary Representation Committee was formed, which in 1919 was given the title of the Cooperative Party.

Membership in the Cooperative Party is not obligatory for societies affiliated with the Cooperative Union. In the past the Cooperative Party has worked closely with the Labor Party, and its present group of nine members of Parliament usually votes with the Labor Party on general matters. In elections, the two parties consult on candidates.

British consumer cooperators differ with recent governmental policies regarding tariffs, quotas, subsidies, and marketing schemes. They believe that many of these measures throw a heavier burden on the consumer without accomplishing the objective of strengthening the national economy or really helping the farmer. They are seeking to obtain representation of the move-

ment on the various boards set up to plan and regulate such matters.

Despite its political organization (and perhaps because of it, it has been said), the movement was not able to avert the imposition, in 1933, of an income tax upon that portion of cooperative societies' surpluses not employed in providing services for members nor distributed as patronage refunds. The Cooperative Union and the Cooperative Party are trying to effect an amendment to this act, with the object of "restoring the principle of mutuality in respect to cooperative trade." The outcome is as yet uncertain.

#### SCOTLAND

The Scottish cooperative movement, though it has its own wholesale society and productive plants, is closely linked with the English movement through the Cooperative Union, and more recently through the Cooperative Party, both of which extend over the United Kingdom. The English and Scottish Cooperative Wholesale Societies also carry on some joint trading activities and operate tea plantations in India and vegetable-oil purchasing stations in Africa, through a wholesale society set up specially for this purpose. The Scottish C. W. S. also acts as the agent of the English C. W. S. Bank. The general statistics of the Cooperative Union quoted for the British movement include figures for the Scottish movement.

#### PRESENT EXTENT OF MOVEMENT

An idea of the relative size of the Scottish consumer cooperative movement can be gained by comparing its membership of 759,962 in 1931 with the total population of Scotland, which was 4,842,554 at that time. Cooperative membership was thus held by 15.7 percent of the population. While Scottish population figures remained almost stationary, cooperative membership increased to 836,230 in 1935, an increase of roughly 2 percent of the population in 4 years. In one Scottish county, Clockmannan, direct cooperative membership in 1931 was held by 42 percent of the entire county population.

Cooperation in Scotland appeals to a wider group of people than in England; for example, to professional people, who in England have only recently begun to manifest an interest in the movement. In Edinburgh about 50 percent of the professional classes are cooperative members, according to S. C. W. S. directors.

Scotland claims to have the oldest consumer cooperative movement. There are several societies existing now in Scotland which claim continuous operation from a time earlier than that of any English society.

#### RETAIL DISTRIBUTIVE SOCIETIES

In 1935, there were in Scotland, according to Cooperative Union records, 236 cooperative societies, 10

productive societies, 2 distributive federations, and 224 retail distributive societies. The status of the latter for 1935 is shown by the following summarized statement:

Number of societies.....	224
Membership of societies.....	836, 200
Number of employees.....	37, 216
Share capital.....	£14, 476, 214
Loan capital.....	£2, 916, 533
Reserves.....	£3, 087, 551
Salaries and wages.....	£4, 490, 828
Turn-over.....	£36, 811, 557
Own production and services.....	£6, 000, 053
Net surplus for year.....	£5, 329, 141

The Scottish societies have on the whole received more patronage from their members than the English societies. This is obvious from the following table:

*Average sales per member*

Year	England		Scotland	
	£	s.	£	s.
1901.....	27	12	37	5
1911.....	26	7	37	10
1921.....	43	14	70	9
1931.....	29	8	47	5

Wages in Scottish retail cooperatives run slightly lower than the average for Great Britain.

The rate of patronage refunds is considerably higher in Scotland. In 1933 it averaged 12½ percent in Scotland, while for Great Britain as a whole it averaged 9 percent.

Credit sales amount to nearly 3 percent of retail sales in Scotland. Small-savings bank deposits amounted to £696,876 in 1935.

#### THE SCOTTISH COOPERATIVE WHOLESALE SOCIETY

The need for a wholesale society was felt perhaps even more greatly by Scottish than by English societies because of geographical conditions. In 1863, when the North of England Cooperative Wholesale Industrial and Provident Society (later the English Wholesale Society) was formed, the formation of a Scottish wholesale was advocated by "The Scottish Cooperator", founded in that same year. It was proposed that the English Wholesale establish a Scottish branch, but this was declined as too great a strain upon the infant English Wholesale. In 1868, 28 Scottish societies out of 134 joined in the formation of the Scottish Cooperative Wholesale Society.

In 1870 the wholesale trade of the S. C. W. S. amounted to £105,000. In 1875 it suffered a heavy blow through the failure of the Scottish Cooperative Ironworks Co., involving a loss of £10,000, which was more than its share capital at the time. Its membership agreed to reduce the patronage refund rate by 1 penny per pound of purchases, the sum to be applied to wiping out this loss.

At first distribution was confined to groceries and other foodstuffs, but in a short time commodities in wide variety were made available and trade increased greatly. The new depots outside of headquarters in Glasgow were opened at Leith and Kilmarnock during its first 10 years.

Production was begun as early as 1878, when home weavers were employed in the production of cloth. The first factory was started in 1881 for the making of wool shirts.

The S. C. W. S. paid higher wages than competitors in its shirt factory and maintained a 44-hour week, a tremendous step forward at that time.

By 1935 there were 50 factories in operation under the direction of the S. C. W. S., in addition to its six service departments—engineering, motor engineering, electrical, building, and two transport departments. In 1935 the value of S. C. W. S. production was £5,421,240, or 29.08 percent of the cooperative wholesale trade and 14.73 percent of cooperative retail sales in Scotland.

Its productive departments include a tweed mill; several clothing, shirt, underwear, and hosiery factories; a jute works; a linoleum factory; cabinet, brush, bedding, tinware, boot and shoe factories; a printing plant; preserve, confection, and chemical products plant; a tobacco factory; several flour mills; a soap works; a fish-curing plant; and several smaller productive units such as sausage, fodder, motor body, soda water, and paper plants.

Bakery goods are supplied to most of the Scottish local societies through a separate organization, the United Cooperative Baking Society of Glasgow, founded in 1869, which now has numerous branches in Scotland and a few in Northern Ireland. The U. C. B. S. is owned by local societies and the S. C. W. S. joined together for this special purpose. (This society is described in pt. III, ch. VIII.)

One of the outstanding accomplishments of S. C. W. S. service is its funeral furnishing department. This department, it was stated by a S. C. W. S. official, has succeeded in reducing the price of funeral furnishing from an average of £50 to £10:

Nearly all Scottish retail societies are members of the S. C. W. S. Two large societies, however, those of Aberdeen and Dundee, have no connection with the Wholesale.

A number of retail stores, in sparsely settled areas, are directly operated by the Scottish Wholesale Society. The S. C. W. S. secures staffs and equips stores in such areas and operates them as branches. Patrons are invited to join as purchasing members on payment of 1 shilling, and are encouraged to leave their patronage refunds in the society towards the purchase of shares. In theory these local groups, once they are strong enough, may take over the management of the store.

At the present time the value of the share capital of the S. C. W. S. is £2 per share (formerly £1). Each local society is required to take out one share per member. The strong financial position which the S. C. W. S. has attained is shown in the following table:

*Financial standing of the S. C. W. S.*

Year	Number shares societies	Subscribed employees	Capital shares and deposits	Reserves and insurance fund	Sales
1869			£5,545	£199	£81,094
1879	36,008		87,550	5,506	630,097
1889	107,004		437,073	45,964	2,273,782
1899	240,873	5,629	1,282,030	187,431	5,014,189
1909	400,618	15,159	2,778,890	584,914	7,457,136
1919	649,995	26,946	5,523,710	1,181,832	24,773,381
1922	721,305	30,371	6,151,587	1,132,824	16,976,056
1923	729,161	29,528	6,622,300	1,198,021	17,259,900
1924	739,683	29,033	7,313,233	1,267,661	17,307,707
1925	747,980	29,118	7,853,485	1,348,785	17,659,069
1926	751,283	29,266	7,543,395	1,464,826	16,717,923
1927	765,433	28,731	8,030,147	1,554,220	17,720,621
1928 <sup>1</sup>	775,547	28,831	8,366,642	1,621,116	15,713,348
1929	804,438	29,306	8,327,314	1,685,987	18,341,337
1930	811,621	30,221	8,739,100	1,694,780	17,682,450
1931	822,867	31,181	9,324,669	1,788,395	16,552,349
1932	835,873	32,091	9,186,526	1,808,679	16,141,553
1933	844,773	32,936	9,733,733	1,856,994	16,016,360
1934	860,526	33,896	10,320,758	1,923,642	17,664,855
1935	877,469	33,486	10,980,968	2,014,948	18,635,116

<sup>1</sup> 45 weeks.

When financial aid is necessary to the continuance of a weak, independently founded local society, the policy likewise is to operate it as a branch of the S. C. W. S.

Even in the management of its branches, however, the S. C. W. S. is subject to democratic control. It is managed by a board of directors of 12 full-time salaried persons elected by the Society. The provision that they may not accept salary additional to the S. C. W. S. salary precludes their holding political positions.

Retail societies have maintained a high price policy in order to pay high rates of patronage refunds, sometimes as high as 20 percent. But the S. C. W. S. favors a lower price and lower patronage refund rate and sometimes manages to influence the societies in this respect. For example, the Kinning Park Society of Glasgow reduced its prices when the Wholesale claimed that the slow turn-over of S. C. W. S. goods was due to the local society's high price policy.

The S. C. W. S. and the Scottish section of the Cooperative Union supply lecturers, arrange training courses, and publish books, magazines, and pamphlets. The educational work is further supported by the Scottish Women's Guild with 391 branches and 31,055 members (1933), and by the Men's Guild.

#### COOPERATIVE EMPLOYEES

In 1935 a total of 12,314 workers were employed by the S. C. W. S., in production and distribution. Their wages for the year amounted to £1,574,622.

In its relations with its employees the S. C. W. S. has always sought to maintain trade-union conditions. One

historian, writing in 1920, states that there is no case on record of any wages being paid below the trade-union standards and that no obstacle was ever put in the way of trade-union organization.

From 1893 to 1915 employees received bonuses in addition to their regular wages. This policy was abandoned by the S. C. W. S. as contrary to cooperative principles though some local societies continue to give their employees bonuses.

The S. C. W. S. permits its employees to become shareholders while most other wholesale societies limit shareholding to member societies. A worker who desires to become a shareholder must subscribe for not less than 5 shares valued at £1 each, while 50 shares is the maximum allowed to an employee. For every 150 employee-shareholders one delegate may be sent to the general meetings of the Society. Individuals, other than employees, are not permitted to become shareholders.

A joint committee formed by the Scottish section of the Cooperative Union and the Scottish Trades Union Congress recommended: (1) That cooperative societies in their own businesses employ only union labor; (2) that trade unions encourage their members to become purchasing members of cooperative societies; and (3) that in placing outside orders the cooperative societies make it a condition of acceptance that employees be under the terms of the fair wages clause.

#### OTHER TYPES OF COOPERATION

In 1935 there were 10 workmen's productive societies in Scotland. Their total membership was 15,688, their combined share and loan capital £1,994,628 and their production for the year amounted to £1,582,761. They employed 3,172 persons whose combined income was £424,987. Their net surplus (including share interest) for the year was £230,591. These productive enterprises were confined largely to the baking, laundry, textile, and printing industries.

Farmer cooperatives in Scotland are very few, practically the only ones being the Scottish Wool Growers' Society and a few small farm-supply societies.

#### IRELAND<sup>1</sup>

##### AGRICULTURAL COOPERATION

Northern Ireland has a few agricultural cooperatives which are represented by the Ulster Agricultural Organization Society.

Farmers' cooperatives in the Irish Free State are of much greater importance. There are, at present, two central societies, the Irish Agricultural Organization Society (I. A. O. S.) and the Irish Agricultural Wholesale Society (I. A. W. S.), serving several hundred farm-

<sup>1</sup> Including both Northern Ireland and the Irish Free State.

ers' cooperatives with a membership of well over 100,000 farm families.

The farmers of Ireland were formerly for the most part tenants whose farms were owned by absentee landlords. The rent collectors "rack rented" the farmers by a system of yearly leases. Despite comparatively rich natural resources, the rural population was poor and debt ridden. What was saved from the rent collector usually went to the "Gombeon man", the local money lender whose usurious practices kept the tenant farmers in constant debt. Around the turn of the century the British Government adopted the policy of aiding tenants to become proprietors of small farms.

This change of ownership, however, was not in itself enough to solve the difficulties occasioned by poor farming methods, inexperience in marketing, and inability to purchase needed requirements at reasonable cost, all of which were due to the persistence over many generations of the old system of exploitation. Meanwhile, Sir Horace Plunkett—to whom the greatest credit is due for the development of agricultural cooperation in Ireland—appealed in 1888 to the British Cooperative Union for assistance in organizing the Irish tenant-farmers cooperatively.

The Cooperative Union formed an Irish section and allocated funds to it for cooperative propaganda. But Plunkett soon realized that the cooperative store as found in England was not the type of cooperative most needed in Ireland. The Irish tenant-farmer's first need was an income; the problem of spending it advantageously did not arise until he had it. Plunkett proposed three ways to the farmers for conserving and utilizing their resources to better advantage—cooperative credit, cooperative purchasing of farm requisites, and cooperative processing and marketing.

From 1889, when Plunkett got the first cooperative creamery organized, to 1894, there were established 50 creamery societies, 10 farm purchasing societies, and 1 credit society. The creameries were owned by the farmers who furnished the milk, the purchasing societies by the farmers who bought through them. The credit society has furnished cheap seasonal credit to its members, who deposit their savings in it, and (under the Raiffeisen plan, generally used in Ireland) are jointly and individually liable for its debts.

#### THE IRISH AGRICULTURAL ORGANIZATION SOCIETY

The English C. W. S., looking for a reliable source of dairy products supply, had set up a number of creameries in Ireland which purchased milk from individual farmers without giving the suppliers any voice in the control of the creameries nor any share in the surplus earnings. Plunkett, who felt strongly that the Irish farmer should manage his own affairs cooperatively, objected to this policy. When the C. W. S. persisted in it, Plunkett and other members of the Irish sectional board of the Cooper-

ative Union resigned, and in 1894 founded the Irish Agricultural Organization Society as an advisory and promotional federation.

Since that time, the I. A. O. S. has helped farmers to organize; to obtain needed credits from banks or governmental agencies; to improve their methods of farming, processing, and marketing; and to adapt their societies in various ways to the needs of their members.

The purchasing or requisite societies, which started out by handling fertilizer and seeds, gradually added oil cakes and other fodder, coal, farm tools, and machinery to their list of goods. In time, on the insistence of farmers' wives, most of them also began to stock groceries and other household commodities. In the absence of organized marketing for minor farm crops, the supply store further assumed the function of marketing, by taking in the eggs, bacon, potatoes, honey, etc., which the members wished to dispose of. Thus these requisite societies often became "general purpose" societies.

A similar development took place in the case of some of the creameries, where no supply society had been set up by the members. Beginning with dairy products, the creamery societies marketed other agricultural products for their members, they purchased supplies of fodder and farm utensils, and eventually even commodities for the farm home, while their main function remained the processing and marketing of dairy products.

The I. A. O. S., however, does not confine itself to these three types of societies. Its helpful efforts are directed toward any developments in individual or cooperative enterprise that promise to improve the conditions of the rural population, such as poultry raising and lace making, cooperative meat packing, and turf cutting and marketing societies.

In 1926, all Irish creameries not operated by local cooperatives, among them 43 belonging to the English C. W. S., were taken over by the Free State Government; the less efficient ones were discontinued, and the others are gradually being turned over to responsible societies of milk producers.

The progress of agricultural cooperation in Ireland is indicated by the summarized statistics of the I. A. O. S. on its affiliated societies in 1934 shown on the following page.

In 1934 there were also 157 cooperative turf societies which are not included in the table, although most of them were organized by the I. A. O. S. These societies, composed of the owners of peat-bogs, sell turf for fuel purposes.

#### IRISH AGRICULTURAL WHOLESALE SOCIETY

The I. A. O. S. had not been set-up for trading activities. The Irish Cooperative Agency Society was organized in 1892 as a federation of cooperative creameries for the sale of butter. The agency set up an office

*Status of I. A. O. S. affiliated societies in 1934*

Type of cooperative society.	Number of societies	Number of members	Paid share capital	Loan capital	Annual turn-over	Reserves
Creameries.....	239	55, 231	£377, 371	£287, 648	£5, 138, 276	£688, 536
General-purpose.....	106	22, 288	80, 041	169, 272	560, 127	78, 326
Miscellaneous.....	29	18, 932	141, 292	62, 984	946, 769	74, 529
<b>Total of trading societies.....</b>	<b>374</b>	<b>96, 451</b>	<b>598, 704</b>	<b>519, 904</b>	<b>6, 645, 172</b>	<b>841, 391</b>
Credit societies.....	92	9, 580	.....	52, 361	19, 397	3, 269
Federations.....	1	.....	44, 705	152, 000	538, 665	.....
<b>Total, all societies.....</b>	<b>467</b>	<b>106, 031</b>	<b>643, 409</b>	<b>724, 265</b>	<b>7, 193, 234</b>	<b>844, 660</b>

<sup>1</sup> Loaned out during year, while total loans outstanding at end of year amounted to £25,325.

in Manchester, in order to sell directly to English distributors, including consumer cooperatives. This caused some friction with the English C. W. S., which at that time had its own creameries in Ireland. The agency for a while attempted to act as general purchasing as well as marketing agent for Irish cooperatives, but a separate purchasing agency seemed desirable. One was set up in Dublin in 1897, and reorganized a year later as the Irish Agricultural Wholesale Society (I. A. W. S.), with broad powers permitting it to undertake practically any service that its affiliated societies might require.

The I. A. W. S. started with farm supplies, but now also handles dairy equipment, groceries, and other household commodities. It serves primarily the general purpose societies. Since their members have little money, these societies are generally undercapitalized; and I. A. W. S. has to give extensive credit. For financial reasons it also had to accept individual shareholders. The C. W. S., through which it purchases much of its goods, gives it large trading credits.

The I. A. W. S. broke up a fertilizer cartel by importations from America, with the result that fertilizer prices dropped 50 percent. By selling only tested seeds, it has forced private merchants to do likewise, with consequent benefits to Irish farmers.

The following table shows the business done by the I. A. W. S. for selected years since 1913:

Year:	Turn-over
1913.....	£223, 785
1919.....	1, 318, 806
1921.....	1, 118, 718
1923.....	353, 350
1925.....	486, 968
1927.....	543, 896
1929.....	592, 178
1931.....	543, 417
1935.....	561, 721

In 1911, the I. A. W. S. established a banking department, which, however, never gained much importance and was discontinued after the World War.

The membership of the I. A. W. S. in 1935 was 469 including agricultural and consumers' distributive societies as well as individual shareholders. The following statement gives an indication of its status at the end of 1935:

Share capital.....	£43,897
Trade credit loans.....	167,554
Total assets.....	343,432
Turn-over.....	561,721

The greatest benefit from agricultural cooperation in Ireland is the education it has given the small farmer in farming methods, in standards and quality, in the keeping of records and accounts, and in becoming acquainted with his neighbor and learning to work with him, despite religious or political differences, for their mutual benefit.

The president of the I. A. O. S. said that the cooperative creamery, which is the heart of the Irish cooperative movement, tends to become a real agricultural community center. There are societies still engaged solely in the dairy business, as in Limerick, but many others transact a good deal of general community business; e. g. in Drinagh it amounts to 70 percent.

Political cross currents in Ireland have greatly retarded the growth of cooperation. However, the Free State Government is very friendly to the cooperative movement and gives it all possible assistance.

**CONSUMERS' COOPERATIVES**

There are hardly any consumers' cooperatives, as distinct from general-purpose societies, in the Irish Free State, and those in Northern Ireland are chiefly concentrated in Belfast. The British Cooperative Union lists 22 consumer cooperatives with a total membership of 61,258 for all Ireland in 1935, but 48,350 of these cooperative members are in the Belfast Society.

The Society's policy is to give 5 percent patronage refunds. Its turn-over in 1935 amounted to £1,425,307. The Belfast Society owns 39 grocery shops, 18 meatshops, 5 pastry shops, a fish and poultry shop, a restaurant, and 6 shoe repair shops. It has pharmacy and optical depart-



ments and a large clothing and home furnishings department. It provides funeral services and maintains a free life-insurance system.

The Belfast Society stays out of politics; although a member of both the Scottish and the English Cooperative Wholesale Societies, it does not approve of their political tendencies, nor does it make contributions to any political party.

The 1,422 employees of the Belfast Society are required to be trade-union members. It runs on a 45½-hour week, while competing private shops in Belfast are said to run on a 60-hour week.

#### THE GROWTH OF COOPERATION IN NORWAY

Consumer societies affiliated with the Cooperative Union of Norway (N. K. L.) included 138,500 members in 1935, or about one-fifth of Norway's total population of 2,900,000. The 795 stores operated by N. K. L. societies did a business of 129,700,000 kroner<sup>1</sup> (\$32,000,000) in 1935.

#### EARLY CONSUMER COOPERATION

Norway is split by mountains and fiords into a number of districts, each varying in character from the neighboring districts, and only recently and partially joined by modern means of communication and transport. This sectional isolation hindered the early development of a cooperative movement and has made difficult the organization of societies into a nation-wide movement.

The first cooperative societies were formed between 1860 and 1870. They had a central organization, the Thrift Societies Federation, which at its height included about 20,000 individual members and carried on a fairly large trade. The crisis of 1880 put an end to this movement, although a few of the societies survived and are still in operation today.

The first society on the Rochdale plan, the basis of the present movement, was organized in Oslo (then Christiania) in 1894. Its leader was Ole Dehli, a prominent attorney who had studied cooperation in Great Britain. He devoted much time to cooperative propaganda, helped to establish a number of societies, and in 1906 brought several societies together in the cooperative union (N. K. L.) of which he was president for a number of years.

#### GROWTH OF THE CONSUMER MOVEMENT

The present consumer movement can properly be said to have begun with the organization of N. K. L. 30 years ago. The federation was at first only an educational and propaganda organization, but the member societies almost immediately enlarged its functions to include

<sup>1</sup> The Norwegian krona is now about 4 to the dollar. Before the war it was equivalent, roughly, to 27 cents, and between 1916 and 1934 varied from 14 to 30 cents.

wholesaling services. To these were later added production, banking, and insurance.

The growth of the consumer cooperative movement is shown in the following table:

*Growth of N. K. L. societies*

Year	Societies	Members	Retail turn-over	
			Kroner	Dollars
1907-----	19	6,347	2,327,000	600,000
1911-----	77	19,000	5,934,000	1,500,000
1915-----	172	36,000	16,252,000	4,000,000
1920-----	401	88,000	112,874,000	18,600,000
1925-----	437	103,000	135,580,000	21,000,000
1930-----	455	110,000	110,385,000	29,500,000
1935-----	497	138,000	129,700,000	32,000,000

In connection with this table, it must be pointed out that during the war the cooperatives were hampered by an insufficient quota of imports, based on their consumption in 1913. The post-war crisis in 1920, which threw many private banks, insurance companies, industrial and commercial concerns into bankruptcy, also retarded the cooperative movement. On the whole, however, consumer cooperatives pulled through without serious losses, and have continued to build up capital resources. Share capital of the societies in 1935 was 17,300,000 kroner, and their reserves 13,800,000 kroner.

#### CENTRALIZED ECONOMIC ACTIVITIES

The central federation N. K. L. had difficulty at first in bringing enough societies together and collecting enough capital to carry on an efficient wholesale business. In 1911, however, N. K. L. moved into its own quarters in Oslo, and opened its first branch at Trondheim, and set up its first production enterprise, a margarine factory.

In the same year, N. K. L. started its own savings department, thereby taking a decisive step toward its eventual independence from private financial sources. Member savings deposits have now grown to about 10,000,000 kroner which have been invested in N. K. L.'s growing activities.

The production enterprises gradually acquired by N. K. L. include three coffee roasting plants, a flour mill, and factories for manufacture of tobacco, soap, margarine, chocolate, and shoes. It also has a branch factory of the Swedish Luma Bulb plant.

N. K. L.'s own production amounts to 44.4 percent of its total trade, having steadily increased from a volume of 2,100,000 kroner in 1920 to 18,200,000 kroner in 1935. In 1935 N. K. L. employed 847 persons.

The factories are for practical reasons organized separately as limited companies, but under N. K. L.'s control, and their net earnings provide patronage refunds to the local societies in proportion to purchases. The margarine and soap factories have lately made refunds of 10

percent and the tobacco factory 6 percent, while N. K. L. grants additional patronage refunds to local societies amounting to 1¼ percent on general purchases.

N. K. L. is a member of the Scandinavian Cooperative Wholesale Society, through which it handles some of its imports.

The growth of the central wholesale is shown in the following table:

*Growth of N. K. L.*

Year	Wholesale trade		Share capital and reserves	
	Kroner	Dollars	Kroner	Dollars
1907.....	182,471	49,000	18,600	5,000
1911.....	1,234,000	331,000	73,600	20,000
1915.....	4,458,000	1,172,000	213,400	56,000
1920.....	18,076,000	2,982,000	1,060,000	175,000
1925.....	31,926,000	5,709,000	2,085,000	373,000
1930.....	30,568,000	8,161,000	2,567,000	685,000
1935.....	41,393,000	10,183,000	4,455,284	1,096,000

N. K. L. also operates an architectural department, for itself and for local societies. It is credited with the introduction of many modern ideas in the planning and arrangement of retail stores.

**OTHER ACTIVITIES OF N. K. L.**

An audit department was set up by N. K. L. in 1928. Although not used widely at first, it now gives auditing service to 70 percent of the societies affiliated with N. K. L. Use of the audit department has improved the financial status of the societies.

N. K. L. has carried on an educational campaign against the extension of credit, and has succeeded in decreasing the percentage of credit trade among the societies. In 1935 credit extended amounted to 6.5 percent of the societies' turn-over.

The educational and propaganda work of N. K. L. include lectures, films, and courses for employees and officers. A summer school for managers and employees is conducted every year. Plans are being made to establish a permanent cooperative school, similar to those in Sweden and Denmark. The publishing department of N. K. L. has put out a number of books and pamphlets, and issues a fortnightly magazine with a circulation of 130,000.

**THE LOCAL SOCIETIES**

Norwegian consumer cooperatives include farmers and workers in all industries and professions. The largest group of members of societies affiliated with N. K. L. consists of laborers in industry, handicraft, fishing, shipping, and transportation. The following table shows the relative percentages:

*Membership of N. K. L. societies*

	Percent
Industrial and marine workers.....	49.2
Farmers.....	26.3

Farm and forestry workers.....	6.2
Independent craftsmen.....	3.2
White-collar workers.....	11.6
Business and professional people.....	3.5

Total..... 100.0

The Norwegian consumer movement has sometimes been criticized as a political movement alined with the Social Democratic Party. Cooperators, however, point out that its political neutrality has been affirmed time and again by the National Cooperative Congress. They also point to their large farmer membership as evidence of the movement's neutrality. But there is no doubt of the consumer movement's sympathy with the working classes from which most of its membership is derived.

The local societies in 1935 employed 575 persons in their productive enterprises and 3,228 persons in retail distribution. With the 847 people employed by N. K. L., the cooperative movement employs in all 4,650 workers. Total cooperative wages and salaries in 1935 were 8,835,000 kroner, or about \$2,200,000. Most cooperative employees are trade-union members. An agreement between the National Trade Union Federation and the Cooperative Union regulates conditions of cooperative employment. Its provisions have been summarized as follows:

"Collective agreements are to be based on the principle that conditions of employment in cooperative undertakings are to be at least as favorable as in private undertakings of the same kind and in the same locality. Wages shall as hitherto be somewhat higher than those in private undertakings in the same locality, provided that the position of the cooperative undertaking is such as to make this a reasonable demand.

"If agreement (in case of dispute) is not reached by direct negotiation, there shall be no giving of notice or stoppages of work, but the dispute is to be referred to a committee consisting of two representatives of each party. This committee may put forward proposals for a settlement. If it is unable to do so, or if the parties do not accept the proposal, the matter is to be referred to a board consisting of five members, the parties electing two each, who together choose the fifth. The decision of the board will be binding on the parties."

Geographical conditions in Norway make it difficult to follow out the policy of consolidating the small societies as has been done in other Scandinavian countries. In consequence, there are 393 out of a total of 497 societies with only one store each; and only 5 societies have more than 10 stores each. The total number of stores is only 795, many of which, however, are rather large and handle a complete line of merchandise.

The purchases of the local societies from N. K. L. in 1935 amounted to 27.4 percent of their retail trade. The retail societies obtain locally such commodities as meat,

pork, fish, milk, eggs, potatoes, fresh vegetables, and various handcraft products. Many local societies have productive enterprises of their own. There are 171 of these, of which 103 are bakeries and the rest largely sausage factories.

Individual members' purchases in cooperative stores averaged the comparatively high figure of 835 kroner (\$209) in 1935.

Cooperative leaders say that cooperative prices are considerably lower than prices in most private retail stores, and claim that they have influenced the price level to the benefit of the general consumer public. While there are apparently no figures available to prove this contention, the following incident related to a member of the Inquiry indicates that at least in certain localities this has been the case.

At Sandvika, N. K. L. had under consideration the setting up of a cooperative society in response to local request. N. K. L. shopped 12 items from the town's 18 private stores, recording the exact quality and price of the items purchased. Two months after the shopping test was made a cooperative society was set up. Two months after that a second test of the same 12 items was made. The result showed a 7½ percent decline in price. No exact figures were obtained as to the movement of national prices on those 12 items, but it was the general opinion that unquestionably the cooperative had been the cause of the decline.

#### OTHER TYPES OF COOPERATION

The agricultural cooperative movement includes numerous local supply societies which purchase flour, fodder, fertilizer, and machinery for their members. These are affiliated with seven regional wholesale societies. There are also marketing and processing societies, cooperative dairies, slaughter houses, and flour mills. A farmers' cooperative bank was organized in 1918.

In Bergen and along the coast north of Bergen the fishermen are just beginning a cooperative sales organization, into which, we were told, about seven or eight thousand out of forty or fifty thousand fishermen are organized. Four thousand of the fishermen are members of consumer cooperatives.

#### COOPERATIVE INSURANCE

In 1921, a mutual fire-insurance society was organized by N. K. L. This was followed in 1930 by a life-insurance society. In Norway, as in Sweden, the two types of insurance cannot be combined in one company. But both companies are controlled by the cooperative union N. K. L. In 1935 they employed 1,400 agents.

The fire-insurance society, at the end of 1934, had 23,875 policies in force, amounting to 144,938,000 kroner. Its paid up capital and reserves totaled 540,000 kroner and its annual premium income was 528,000 kroner.

The life-insurance society, at the end of 1935, had issued life-insurance policies totaling 23,557,000 kroner and collective pension policies amounting to 1,611,000 kroner. Its own capital and reserves were 2,134,000 kroner and its premium-income 893,700 kroner for the year.

There are also a fishermen's cooperative insurance society, and a Mutual Forest Fire Insurance Society. The latter, founded in 1911 by 50 forest proprietors, supplies insurance which in 1935 amounted to 365,270,000 kroner. It has been recognized as a public utility and as such has received a certain exemption from taxation, making possible lower premiums. As an encouragement to good risks, the premiums charged decreased over a period of years and are entirely remitted to policy holders of 22 years' standing.

#### COOPERATION AND THE STATE

The Norwegian law prohibits chain stores and multiple shops but does permit a consumers' cooperative to open branch stores within the municipality in which it operates, as long as it sells only to members. No cooperative, however, may establish branches in other municipalities.

The cooperatives have tried, so far in vain, to get the law broadened so that they may sell to nonmembers and apply their patronage refunds to the purchase of membership shares. Private traders, on the other hand, maintain that the cooperatives are already enjoying unfair advantages in being permitted to set up branch stores, though on a limited scale.

In taxation, the cooperatives of Norway receive some special consideration. They pay property taxes and taxes on the presumed income of their property. But unless a society trades with nonmembers, it does not have to pay an income tax on its earnings from its trading activities. This was the law in effect from 1917 until 1933, when Parliament by a small majority passed a law requiring cooperatives to pay State taxes on their entire surplus, including that part of the surplus returned to the members as patronage refunds. A campaign of protest resulted in the repeal of this law a year later, and the reestablishment of the provisions of the 1917 law.

Some Government credit was made available to consumer cooperatives during the early years of the movement when their own resources were meager and it was difficult to obtain credit with the private banks. As the movement gained strength and built up its own reserves and savings funds, it gradually became financially self-sufficient and had not further need of Government credit. Agricultural cooperatives have been aided by Government credit.

#### THE GROWTH OF COOPERATION IN SWEDEN

The Swedish cooperative movement is known in America chiefly for its effective check of monopolistic abuses in connection with several commodities, such as

electric light bulbs, galoshes, margarine, flour, and fertilizer. This, however, is only one phase of a very broad and well planned cooperative development which is generally recognized by Government officials and business leaders as having contributed materially to the building of a sound national economy. According to studies by the International Labor Office, the standard of living of Swedish workers is higher than anywhere else in Europe. Sweden has a higher per capita consumption of milk, creamery products, meat, and eggs than the United States.

#### PRESENT EXTENT OF COOPERATION

The strongest cooperative organization in Sweden is the Cooperative Union (K. F.), which serves the consumer movement. In 1935 it comprised 719 distributive societies with about 600,000 members and 4,144 stores. The business of these societies amounted to 412,000,000 kronor<sup>1</sup> (\$103,000,000) or about 10 percent of the total national retail trade. Their trade in foodstuffs is estimated at 15 percent of national retail food distribution. The production enterprises of K. F. have a turn-over of 104,000,000 kronor (\$26,000,000) annually.

In the agricultural field we find farm supply cooperatives with 100,000 members, cooperative dairy associations with 155,000 members, and livestock marketing associations with about 180,000 members, besides federations for the marketing of eggs, fruits, and forest products.

Other cooperative developments of importance have taken place in housing, in rural credit, and in the distribution of electricity.

The comparative extent of cooperative enterprise in Sweden becomes more apparent if one considers the size of the country. With its 6,200,000 population scattered over an area of 270,000 square miles, it corresponds roughly to the State of California both in size and population. Swedish consumer cooperative membership alone includes about one-third of the nation's families. Considering also the agricultural cooperatives and allowing for some duplication of membership, it can be fairly estimated that more than one-half of the population is served by cooperative enterprise.

#### EARLY EXPERIMENTS

The first reported attempt at organized cooperation in Sweden was made in 1850 by peasants in the village of Orsundsbro, who joined together to purchase certain household goods and agricultural requirements. Swedish law at that time prevented the members from running a store, but they were permitted to order the goods in advance and to "fetch them personally immediately upon their arrival." The notice to members to hand

<sup>1</sup> The Swedish krona was before the war, and is at present again, lightly less than 4 to the dollar; it reached a high of 33 cents in 1916, and fell to 18½ cents in 1932.

in their orders, which were sent in twice yearly, was given from the pulpit of the local church. There, too, announcement was made when the order was received. Share capital was subscribed equally by the members, but no surplus was budgeted, other than share interest not to exceed 6 percent; no thought was given to any other distribution of earnings. This society existed for some time. It grew to be an organization of fair proportions, having its own barges for bringing in its supplies and for transporting such agricultural produce as the members wished to ship. It continued for some years but finally dissolved, apparently without any influence on later developments.

General interest in the cooperative idea was first aroused by stories brought home by Swedish visitors to Great Britain in the sixties and seventies. The early advocates of consumer cooperation are reported to have thought of it primarily as a means for satisfying the needs of the artisan. Because the country was not sufficiently industrial at that time for such an approach, few of the societies resulting from their efforts were able to survive.

In the eighties there was considerable interest in a type of association called Workers' Rings. The program, one item of which was the reduction of the cost of living, was not very clear-cut. The plan of operation was through agreements between the rings and private merchants and manufacturers, the members to get a certain discount on their purchases. Although the idea was avidly embraced, and in the course of a few years several hundreds of the rings were in operation, it resulted in almost complete failure, and became another disillusionment creating a general distrust of cooperative ideas.

Up to the turn of the century, Swedish consumers' cooperation was characterized by a series of failures. Aside from the fact that special cooperative legislation was lacking until 1895, which was a decided disadvantage, several reasons are given for these failures. The ability of consumers to conduct their own business required time for development. At first, when the members in their regular meetings tried to handle the details of management themselves instead of employing people trained for the purpose, their knowledge of merchandise was often poor, and their purchases frequently showed bad judgment. Also, we were told, the leaders failed to realize the importance of buying and selling for cash. When hard times came, credit purchases increased, working capital was hard to get, and the financial position of the cooperatives was undermined.

#### THE COOPERATIVE UNION (K. F.)

By 1899 about 300 consumers' cooperatives were in existence, scattered all over the country, generally without any mutual contact. In that year a committee representing consumer societies in Stockholm, Gothenburg, and Malmo, the three largest towns in the kingdom, realizing that the fatal weakness of Swedish cooperation

had been the want of a coordinating agency, issued invitations to a "General Swedish Cooperative Congress", which was held in Stockholm on September 4, 1899. Only 41 societies with a combined membership of 8,875 were represented by the 44 delegates who gathered to launch K. F. into the world.

Despite its unobtrusive beginning, the organization of the Union marked a new era, and consumers' cooperation has made rapid progress since that time. The Union's activities during the years 1899 to 1904, referred to as the starting years, were limited to the field of propaganda and to serving as a center for information and guidance for the societies. It soon became apparent, however, that the service rendered by the central organization would be greatly increased if it could be made to serve as a central buying agency for the scattered groups.

The manager of one of the local societies was authorized to enter into negotiations with a number of firms and secured their permission to sell their goods on a commission basis. By 1904 the business had grown to demand the services of a manager of the business department on a full-time basis. The turn-over for the first year, 1904, was about 300,000 kronor (\$75,000), with a net surplus of 5,000 kronor (\$1,250). In 1906 the sales had amounted to 2,250,000 kronor (\$565,000), on which the net surplus was 37,500 kronor (\$9,350).

In 1906 a group of retailers succeeded in getting agreements of private manufacturers with K. F. canceled. Societies in the south of the country felt the effect of the repudiations more than elsewhere. The result was that K. F., which had heretofore acted largely as an agency, began making its own purchases, and established a warehouse in Malmö.

#### MARGARINE PRODUCTION

A national association of retailers, formed in 1908, attempted various boycotts against cooperative enterprise. Its first effective attack was on the cooperative margarine trade. When supplies of margarine was cut off, K. F. purchased a small independent margarine factory. Prices of margarine were immediately reduced upon the announcement of the purchase of the small factory by K. F., although the cartel had previously refused a price reduction.

At the same time, pressure was brought upon banks, to get them to refuse credit to consumers' societies. K. F. thereupon established its own savings department, and began collecting loan capital from among its own membership.

K. F.'s margarine was enlarged in 1910 to include the manufacture of soap. In 1921 a new factory was built at Norrköping. The K. F. factory is the largest in the country, doing about 30 percent of the total margarine business. Since that time the margarine cartel (now the international Unilever) has never been able to keep its prices at an unreasonable height.

Because of the continued monopolistic tendencies of the margarine industry in Europe, K. F. wished to avoid being dependent upon the international organization for the supply of raw material. It decided to build an oil factory to provide the needed supplies for the manufacture of margarine.

The K. F. oil factory is an example of a case in which the cooperative has had to enter the field of manufacturing a product not directly used by its members, but necessary to assure the supply of a commodity needed by them. A cooperative problem of a special nature has developed in this connection. Besides the oil needed in the manufacture of margarine, the K. F. factory produces a number of byproducts for which there is not a sufficient market at the present time within the cooperative movement. K. F. in this instance has had to go outside its usual sphere of activity to provide a sales agency for these byproducts.

#### BREAKING THE FLOUR MONOPOLY

When State regulation of the grain market came to an end in 1920, and until 1924, the Swedish Flour Mill Association (the monopoly) maintained a wide disproportion between grain and flour prices, thus keeping for itself the advantages which it was the intention of the Swedish grain duty to confer on farmers. Despite a tremendous fall in the price of home-grown grain, and despite rationalization of the industry which brought milling to a high level of efficiency and effected a great decrease in milling costs and freight costs, the price to the consumer remained the same.

In 1922 K. F. entered the flour milling industry, buying one of the largest mills in the country, Tre Kronor (Three Crowns), at the entrance of Stockholm harbor. In 1923 this was completely modernized and enlarged, and in the same year another large mill, Tre Lejon (Three Lions) was purchased and subsequently enlarged and modernized. K. F.'s intervention in this field brought materially reduced prices to the consumer, coupled with higher grain prices to the farmer. It also had a beneficial effect on the industry as a whole, through compelling the more powerful members of the flour milling cartel to relax the production quotas imposed on the less powerful, and to dispense with some of the fines formerly collected from those who either exceeded or fell short of their quotas.

The report of an official inquiry authorized by the Government gives two reasons for the reduction of the spread between the prices of grain and flour. One was the competition of foreign grain, and the other was the entrance of the Cooperative Union and wholesale society into the industry. This report spoke of the benefits received both by the consumer and the farmer.

A cooperative specialty mill for oatmeal has been in operation since 1929, and has had a strong influence as a price regulator in its market. K. F. has through propa-

ganda popularized this product, and the farmers in Sweden have been able to sell more oats, with benefits to the economy of the whole country.

#### REDUCING THE PRICE OF GALOSHES

In 1925 a shoe factory was purchased, which concentrates its production on the types of shoes that currently are selling in the largest quantities in the societies' shoe stores. K. F.'s requirements for other types of shoes are still supplied by private factories.

One important part of the cooperative shoe business consists of rubber shoes or galoshes, which are so commonly used in Sweden in the winter seasons as to be practically a necessity. The distribution and manufacture of galoshes were largely in the hands of one of the strongest monopolistic combinations in the country. The Cooperative Union Congress in 1926 decided unanimously that K. F. should, as soon as possible, break this monopoly control.

It had been formed by the four large rubber companies of Sweden under the shelter of an import duty on galoshes. By setting the highest possible prices for the home market, the cartel made enormous profits year after year, while the farmers in certain sections of the country, where rubber shoes are sorely needed, were forced to wear wooden shoes because they could not pay the high prices on galoshes.

K. F.'s activities in protecting consumers against unwarranted monopolistic price practices had already found favor with the general public. In June 1926, K. F. issued a general proclamation urging the public to subscribe to an industrial fund to be used in breaking the galoshes cartel. The response was immediate, and resulted in the subscription of 7,500,000 kronor (nearly \$2,000,000).

By July 30, the galoshes cartel had decided to reduce the price of galoshes about 50 cents, varying somewhat with the quality and pattern. This reduction did not bring the price to a reasonable level, and K. F. decided to enter manufacturing. It purchased the Gjalved Galosh Factory, which it enlarged and modernized. As a result the price of galoshes dropped to less than half the price charged the year before.

In its subsequent expansion, K. F.'s factory has begun the manufacture of automobile tires in increasing quantities. Importation of the latter product was formerly one of the heaviest import burdens on the nation.

In 1927 an additional rubber factory was purchased at Viskafors. The effect of lower prices and increased consumption in the galosh business has been to increase greatly the number of workers employed in private factories as well as in the cooperative rubber factories.

#### FERTILIZER

In a successful effort to take fertilizer out of the control of importers, K. F. purchased a superphosphate factory in 1928.

The factory produced half a million bags of superphosphate annually, equivalent to a quarter of the country's demand. Since the consumer societies could not dispose of the entire annual output, an agreement was worked out by which the Farmers' National Purchasing Association leases the plant, in turn re-leasing it to the private company which owns the country's remaining superphosphate plants. This collaboration with the private monopoly is justified economically by the fact that the freight costs are so high that nation-wide competition would increase the price or ruin the factories.

The lease to the private monopoly, however, contains a clause which enables the cooperative organizations to control the price. As a result the prices of superphosphate have fallen to such an extent as to save the farmers about \$500,000 in the first 2 years.

The joint action of the two cooperative organizations in this field also enabled them to exert considerable pressure on the German-French lime syndicate, with the result that Swedish farmers have obtained cheaper lime. Following the success of this collaboration, it has been extended in other fields.

#### THE STORY OF LUMA

The tremendous increase in active support received by the Swedish cooperative movement during and since the war also resulted in a continuous strengthening and building up of its resources. The management of K. F. pursues a cautious economic policy in the use of these accumulated funds, so as not to disturb the equilibrium of the national economy. Only when in its opinion private industry fails to give the consumer a square deal does K. F. enter the field of production. If necessary it will even tackle an international trust, as in the case of electric-light bulbs.

Research by K. F. indicated that the price of bulbs was at least 12 cents too high, and that Swedish consumers of the 12,000,000 bulbs sold each year were paying \$1,500,000 more than seemed reasonable. When the cartel refused to lower the price as requested by K. F., the latter decided to build its own light-bulb factory.

A very capable technical engineer, who had been technical director of the Osram Lamp Company's Stockholm factory, was commissioned by K. F. to start erection of a modern and efficient plant immediately.

From the first it was the intention to make this plant an international organization. Although the Swedes took the initiative in getting it started, and financed its construction, representatives from the five Scandinavian cooperative wholesale societies met frequently for consultation all during the time it was being built. When it was completed in 1931, the international organization was officially set up as the North European Luma Cooperative Society, and production was begun at once.

Luma, as it is generally called, is truly an international cooperative society. Two managers are responsible for

actually running the business. These are elected in a general meeting of representatives from the five Scandinavian wholesale societies, each member society having one vote. Between general meetings a supervisory council and a board of managers outline the duties and supervise the work of the management.

The success of this undertaking was immediate and far-reaching. Even before the factory was completed, prices of lamp bulbs in Sweden had dropped from 37 cents to 27 cents. Luma was able to price its lamp at 22 cents, a price the trust was compelled to meet. The plant is now able to supply about one-third of Sweden's demand for lamp bulbs. Part of the production was exchanged for products imported by K. F. from Argentine, Brazil, Iceland, Egypt, and Bulgaria in 1934.

#### OTHER K. F. PRODUCTION

In 1932, K. F. began the manufacture of cash registers, another product which had been a considerable burden on Swedish imports. In 1933, at Viskafors, it started a crisp-bread factory and a macaroni factory. In the same year, semolina and hulled barley as well as wheat and corn-flakes cereals were added to the list of own productions. It owns a plant in Malmö for the packaging of tea, spices, etc., where toilet articles on a small scale are also manufactured. It roasts coffee in several plants in different parts of the country.

A rayon factory, the first in the country, was started by K. F. at Norrköping in 1935. At the directors' meeting last May, it was decided to use a large percentage of the net surplus of this factory to expand research, and to offer engineers throughout the country an opportunity to come to the factory, where they might study the process and learn formulas and methods kept secret by cartel manufacturers.

This factory is now producing cellulose from wood pulp and selling it in the raw or as cellophane. It is carrying on experiments in the production of artificial silks, wool, etc., from this raw material.

#### K. F.'s BUSINESS AND PRODUCTION

The wholesale department of K. F. did a business amounting to 177,700,000 kronor (\$44,900,000) in 1935. Its own production amounted to 104,000,000 kronor or more than \$25,000,000. This does not include the output of the Luma factory, since the latter is owned jointly by all Scandinavian wholesale societies. K. F. itself employs some 6,000 persons in its various activities. In addition to its production and wholesaling enterprise, K. F. directly operates some retail stores. It recently purchased the second largest department store in the city of Stockholm and it has for some years directly operated about 30 shoe stores for reasons of greater efficiency of distribution. Purchasers of shoes in these stores receive their patronage refunds through the local society of which they are members.

Not the least important of K. F.'s achievements is its contribution in the architectural field. Cooperative leaders in Sweden recognized early that they would have to make provision for modern and attractive stores employing the highest degree of cleanliness and efficient arrangement if they were to serve their members effectively. In 1924 an architect's office in connection with K. F. was opened bringing together a group of the best trained architects in the country. K. F.'s factories and other buildings and those of the local societies have gained recognition as models, because of the excellent work of this department.

#### MEMBERSHIP OF CONSUMER COOPERATIVE ENTERPRISE

While the national cooperative union K. F. as the central organization is the planning, directing, and unifying force of the consumer movement, its basic strength lies in the local societies, which include in their membership a representative cross section of the population. Farmers as well as industrial and professional workers are united in the local consumers' cooperative for a common purpose, regardless of their individual political affiliations. The distribution of members in the different occupational groups in 1935 can be seen in the following table:

	<i>Percent</i>
Farmers.....	14.6
Farm workers.....	4.2
Artisans.....	2.3
Handcraft workers.....	5.6
Industrial workers.....	28.6
Other workers.....	14.7
Higher public officials.....	2.6
Lower public officials.....	9.6
Professional workers.....	2.4
Independent producers.....	4.1
Others.....	11.3
Total.....	100.0

#### LOCAL SOCIETIES

Membership in a local society is open to anyone desiring to use its services. Nonmember purchasers may become members by allowing their patronage refunds (usually 3 percent of purchases) to accumulate until they equal a share of stock. The minimum membership investment required is generally 100 kronor (\$25), and 5 percent interest is paid on this share capital; it can be withdrawn by giving notice.

Democratic control in the local society was comparatively simple while the societies were small. In 1908 the average membership was 157 and in 1920 it was 250 members. During the past 16 years the tendency has been to consolidate small societies for more efficient operation. Although during this period the total membership has more than doubled (it was 567,443 at the

end of 1934), the number of societies has decreased from 943 to 719, bringing the average membership to about 800. In the larger centers, membership often runs into several thousands. However, nearly 70 percent of the societies are located in rural areas.

Swedish cooperators, concerned about the preservation of democratic controls in the movement, recognized that "it is obviously no longer possible in the large societies to retain the old simple form of organization." A system of representation has therefore been introduced which is substantially the same in all large societies.

The area covered by the society's activities is divided into districts which elect representatives to the annual meeting; and the district meetings elect members' councils which act as links between the members and the management of the society. The annual meeting elects a central board, which in turn elects an executive committee and makes decisions on all the more important questions. In this central board the cooperative movement in Sweden has found an organ which admirably meets its need for a central body which is "alike efficient in operation and firmly anchored in democratic principles", both in the larger societies and in the Union (K. F.) itself.

#### MERCHANDISING

The 4,144 stores operated by Swedish consumer cooperatives distribute primarily foodstuffs (90 percent of total sales), but also textile goods, household appliances, glassware and chinaware, men's and women's clothing, shoes, galoshes, tires, and anything else in the retail line for which there is a sufficient member demand. In the rural areas cooperative stores also carry all sorts of tools and agricultural supplies such as seed, feed, and fertilizer for their farmer members, often acting as agent for farm-supply cooperatives.

While the total sales of the consumer societies have steadily increased until in 1935 they amounted to 412,000,000 kronor (\$103,000,000), the sales per member have decreased from 799 kronor in 1924 to 678 kronor in 1934. During this period, however, price levels have changed in such a way as to make the actual increase in volume of goods purchased appear a decrease when stated in terms of money. Taking the 1924 commodity index as 100, the Royal Social Board places the 1934 figure at 163. This means that the real value of turnover per member has actually increased considerably during the 10-year period.

Swedish cooperative stores are notable for their modern appearance, high standards of cleanliness, and effective arrangement and display of goods. They have led the way in the rationalization of retail trade, and through their low price policy have forced private retailers to greater efficiency, with resulting benefits to all consumers. Cooperative retail prices are generally set at levels which will yield a net surplus permitting a 3-percent patronage refund.

#### FINANCIAL POLICIES

The requirement that cooperative undertakings in Sweden shall be built up out of the capital and funds of their own members, which has almost become an unwritten principle of operation, is a further safeguard of democratic organization. This was accomplished through the building up of surplus, the establishment of savings departments within the societies, and insistence on the principle of cash trading.

The savings departments were started in the early days of the movement, when it was difficult to obtain credit from the banks. The building of capital resources has, however, progressed so rapidly, both in the local societies and in K. F., that savings-account deposits are not needed for current operations. Savings-bank activity is now carried on by K. F. and some 40 local societies. By the end of 1935 these funds amounted to 73,000,000 kronor (slightly over \$18,000,000) and 17,500,000 kronor (\$4,400,000), respectively.

From 1919 to 1933 the shares and funds of the Swedish distributive societies rose from 17 to 92 million kronor. During the same period, the debts of the societies were reduced from 21 to 9 million kronor. Even during the depression years the movement showed a constant growth.

The situation immediately following the war was disturbing to cooperators; net worth was small, real estate was heavily mortgaged, accounts receivable were large, merchandise was bought on credit to a considerable extent. Great parts of the movement's assets in reality were owned by its creditors. As one of the steps to remedy this situation, stricter rules regarding cash trading were applied. The change in the consumption credit situation of the local societies is indicated in the following table:

[In millions of kronor]

Year	A Sales	B Net worth	C Accounts receivable	C in per- cent of A	C in per- cent of B
				<i>Percent</i>	<i>Percent</i>
1908.....	22.0	1.6	0.8	3.6	50.0
1917.....	105.8	9.5	1.1	1.0	11.8
1926.....	265.0	45.0	2.1	.8	4.7
1935.....	412.2	105.7	2.2	.5	2.0

Accounts receivable, figured in kronor, increased slightly since 1926; but, as sales and net worth (capital and surplus) have risen considerably, the accounts receivable have decreased relatively.

The cash trading principle was strongly emphasized in the first model bylaws for consumers' societies, published by K. F. in 1908. At that time the accounts receivable amounted to 3.6 percent of sales and 50 percent of net worth. The corresponding figures for 1935 were 0.5 and 2 percent.

The development is, as a matter of fact, even more favorable than these figures show, since about half the



present accounts receivable are large orders placed by municipal institutions, while in early days they represented credit extended to individuals.

During the post-war depression years, 1922-23, a number of local cooperative societies got into financial difficulties. A supporting association, S. H. F., was organized by several local societies and K. F. to assist financially weak societies to get back on a sound financial basis. As soon as this is accomplished, the intervention of S. H. F. in the particular instance is ended, and the society carries on as a fully independent unit. There are at this time 37 societies operating under S. H. F.

#### COMBINED BALANCE SHEET OF CONSUMER SOCIETIES

The economic status of the Swedish consumer movement is shown by the following balance sheet, which is a combined statement of 700 consumer societies for the year 1935:

<i>Assets</i>		
	Kronor	Dollars
<b>Current assets:</b>		
Cash.....	15,400,000	3,850,000
K. F.'s bonds.....	5,400,000	1,350,000
Merchandise.....	36,700,000	9,175,000
Accounts receivable.....	2,200,000	550,000
<b>Long-term investments:</b>		
Capital shares in K. F.....	22,400,000	5,600,000
Others.....	500,000	125,000
<b>Property:</b>		
Real estate.....	98,300,000	24,575,000
Fixtures and equipment.....	4,100,000	1,025,000
<b>Total.....</b>	<b>185,000,000</b>	<b>46,250,000</b>
<i>Liabilities</i>		
<b>Current liabilities:</b>		
Accounts payable (merchandise).....	10,500,000	2,625,000
Accounts payable (others).....	1,900,000	475,000
<b>Long-term loans:</b>		
Mortgages payable.....	24,400,000	6,100,000
Other loans.....	1,600,000	400,000
Pension fund.....	4,600,000	1,150,000
Savings deposits.....	17,500,000	4,375,000
<b>Net worth:</b>		
Capital.....	46,100,000	11,525,000
Reserves.....	34,600,000	8,650,000
Other funds.....	25,000,000	6,250,000
Surplus.....	18,800,000	4,700,000
<b>Total.....</b>	<b>185,000,000</b>	<b>46,250,000</b>

It will be noted that the net worth amounts to about two-thirds of total assets. This very favorable condition has been brought about over a period of years, largely through crediting the members' capital accounts with their annual patronage refunds until the full minimum capital (usually 100 kronor) is paid up, and through a rapid building up of reserves.

#### K. F.'s ACCOUNTING

There is an Accounting Division in K. F. which not only attends to its own work of this kind, and to the management and operation of K. F.'s savings bank system, but

also examines the accounts of nearly all the local societies at their request. Highly trained auditors visit the local societies at least twice a year, at the annual closing of accounts and at mid-year stock-taking. In addition to examining accounts, they survey the whole field in which the society is operating and make any recommendations they consider necessary to the resident auditors, the store managers or the society's executive committee.

#### COOPERATIVE EMPLOYERS

As employers, consumer cooperatives have set standards in advance of those generally observed in the retail trade. The Swedish consumer movement employs about 14,000 persons in the retail societies, or 11 percent of the total number of persons employed in retail trade. Most cooperative employees are trade-union members. A high official of the Swedish Federation of Labor told members of the Inquiry that cooperative employees on the whole receive more consideration and enjoy better working conditions than do those in private employment. K. F. itself, as employer of some 6,000 persons, has set an example for the local societies.

The current collective agreements for the different occupational groups are accepted as a basis for wages and salaries, and in addition, we were told, cooperative employees receive certain other benefits. For example, the workers at the cooperative flour mill, Tre Kronor, have a 48-hour working week with a weekly wage of 68 kronor. They have a vacation of 12 days with pay and receive half pay during illness up to 120 days. In a comparable private flour mill the weekly wage for the same hours is said to be only 65 kronor, the vacation only 6 days, and during illness half pay is granted only up to 90 days.

In some instances, K. F. has helped its factory workers to solve their housing problems by constructing inexpensive but well built workmen's houses. The members of the Inquiry visited the colony at Kvarnholmen near Stockholm and were impressed not only by the sound construction of the buildings but by their attractive appearance and by the many modern conveniences they provided.

While in 1918 the wages paid to cooperative employees amounted to 3.4 percent of total cooperative retail sales, in 1935 they had risen to 6.7 percent. This increase was made possible through a thorough rationalization of retail methods after the war, with better service to consumer-patrons and higher requirements of the personnel. The sales volume in the average cooperative store is about 100 percent larger than in the average private store, and the sales per employee are about 50 percent larger.

#### COOPERATIVE INSURANCE

In 1908, K. F. organized the mutual fire insurance society "Samarbete." The private fire insurance companies were at that time forming a syndicate for regu-

lating insurance premiums, and K. F. wanted to forestall the setting of high rates for the small policyholders. K. F. subscribed the guaranteed capital which is required by Swedish law for mutual insurance societies. Later, "Samarbete" added accident, automobile, guarantee, burglary, and liability insurance. The life assurance society "Folket" was organized by K. F. in 1914 also as a mutual, with the guaranteed capital subscribed by K. F. because of the unsatisfactory state of working-class insurance in Sweden.

Both societies have the same management chosen by delegates of the policyholders who convene simultaneously with the K. F. annual congress. The president of the insurance societies is a member of the board of directors of K. F., and K. F.'s administrative council also supervises the insurance societies. In 1935 these two societies had 473,000 policyholders and paid claims amounting to \$1,300,000 during the year. Their growth is indicated in the following tables:

*Samarbete*

	Number of policies	Total of policies		Premium income	
		Kronor	Dollars	Kronor	Dollars
1908.	6,238	12,200,000	3,050,000	34,012	8,500
1935.	266,985	2,028,500,000	507,125,000	6,597,178	1,650,000

*Folket*

	Number of policies	Total of policies		Premium income	
		Kronor	Dollars	Kronor	Dollars
1914.	11,141	11,211,045	2,800,000	310,611	77,600
1935.	206,372	255,497,357	63,870,000	8,831,012	2,207,000

Special benefits to policyholders, besides a bonus allocation of approximately 25 percent of premiums, include premium exemption in case of illness and up to 1 year's grace for premium payments in case of unemployment or labor disputes. Despite such liberal policies the resources of the two societies have now grown to \$20,000,000.

Premiums are computed on an actuarial basis. In 1929 "Folket" took the lead in reducing premiums in consequence of a drop in the mortality rate. "Samarbete" has recently reduced insurance in certain classes by 20 percent and is constantly adjusting its rates whenever they are found higher than necessary.

Cooperative insurance funds have been used extensively in the past for financing consumer cooperative activities. Lately, however, the consumer movement has built up sufficient reserves of its own, and the two mutuals now invest their funds more and more in municipal housing enterprises. They also make annual grants of 25,000 kronor (\$6,200) to K. F.'s cooperative college Var Gard.

COOPERATIVE HOUSING

The Tenants' Savings Bank and Building Society of Stockholm (H. S. B.) grew out of the Housing Society which had unsuccessfully attempted to improve unsatisfactory housing conditions through appeal to landlords and by trying to interest the authorities in a large housing program. H. S. B. was organized in 1923 as a limited liability society to provide housing for its members. Its immediate success led other cities to follow the example. In 1926, all H. S. B. societies federated into a national union which by 1935 comprised 59 societies with more than 16,000 members. About 60 percent of the membership is drawn from the working class. The following table indicates H. S. B.'s development:

Year	Number of units	Real-estate value
1924	149	Kronor 1,782,900
1925	519	6,754,000
1926	1,155	15,043,585
1927	1,237	16,475,000
1928	923	10,618,000
1929	1,238	15,326,000
1930	1,002	14,460,600
1931	1,207	16,244,800
1932	1,512	20,644,200
1933	1,010	13,006,000
1934	951	11,117,000
1935	1,591	19,188,000
	12,494	160,658,085 (\$40,000,000)

The H. S. B. Union organizes everything relating to the construction of the proposed housing, constructs the buildings, and assists in the financing. When construction is completed, each development is turned over to a Housing Society consisting of the tenant-owners of the particular development. Each unit has its own managing board elected by and from its members, but H. S. B. operates the building, keeps the accounts, attends to the sale of apartments, and buys any necessities, such as coal, etc.

Four types of housing are constructed by H. S. B. Types A and B are the ones to be owned and managed cooperatively. Type C housing consists of tenements, ownership of which remains with H. S. B. These are partially financed by municipalities. Type D housing receives a State subvention and is intended exclusively for low-income families with three or more children. The State also contributes from 30 to 50 percent of the rent of these families, according to their size.

Financing of the cooperative projects is generally done without direct State or municipal loans. About 60 percent of estimated construction costs is obtained through bank credit. Additional costs up to 90 or 95 percent are covered by savings-bank deposits (H. S. B. operates a savings bank for this purpose) as well as by the working capital of the National Union and of the local H. S. B. societies. The remaining 10 or 5 percent is covered

by the basic deposits of the members. After completion a first mortgage is taken for about 60 percent of construction cost and a second mortgage for from 12 to 15 percent. The balance, up to 90 or 95 percent, is loaned by the National Union and the local parent society. Members' down payments make up the rest. Amortization is usually arranged over a period of 20 years.

H. S. B. has established a special division to negotiate exchange and resale of individual apartments in these cooperative projects. A purchase fund has been set up to make it possible for any member wishing to dispose of his equity for reasons of unemployment, illness, or death.

The living quarters built under the H. S. B. program are modern in every way and their high standards have had a beneficial influence on private building construction. In addition, the projects provide day nurseries and facilities for adult recreation.

The National Union operates a furniture factory to supply members with solid, practical, but low-priced furniture; has a central purchasing department for building materials; and has even gone into manufacturing of certain materials such as stairs, plaster, and stucco, with resultant savings in building costs.

Cooperative housing in Sweden is not confined to H. S. B. societies. There are a number of independent projects as well. The Cooperative Union reports a total of 31,000 cooperatively owned apartments, about 4 percent of all city apartments, for 1934. (See also appendix B, Cooperative Housing in Europe.)

#### COOPERATIVE DISTRIBUTION OF ELECTRICITY

Sweden has made excellent use of its abundant water power in electrifying the country. It is said that the first town in the world to light its streets with electricity was Harnosand in Sweden. It is also stated that a larger proportion of pipens in Sweden are electrically lighted than are farm houses in America. While both the state and private industry have worked together in this power development, much of the distribution of electricity, particularly in rural areas, is done on a co-operative basis.

The cooperatives receive their power largely from governmental generating plants. The state also assists them with consulting services, both of a technical and accounting nature and in connection with their budgets.

Electric cooperatives serve approximately one-third of the farm area. The average society has from 50 to 100 members and covers an area of about 4,000 acres. Up to the present, 85 percent of the capital invested in cooperative distribution systems has been amortized.

#### AGRICULTURAL COOPERATIVES

The various agricultural cooperative federations are joined together in a central union, S. A. L., which was founded in 1917 and reorganized in 1929. This is not a

wholesale organization but serves mainly as the organ for collaboration between the various kinds of agricultural societies, gives legal and technical advice, and also has educational and auditing activities.

The wholesale purchasing society for the agricultural cooperative organizations is the Swedish National Farmers' Union (S. L. R.), which was founded in 1905. It buys fodder, fertilizer, and other products for the members and markets their grain. The society's present turnover is about 85,000,000 kronor (\$21,000,000). It has some 100,000 members and represents more than 25 percent of the total number of farmers in the country.

There are some 730 cooperative creameries with 155,000 members responsible for close to 90 percent of the total milk volume weighed in at dairies. In 1932, the Swedish Cooperative Dairies Federation (S. M. R.), was founded.

The farmers have created a chain of livestock marketing associations, which are federated into a central organization (S. S.). These associations have about 180,000 members, and they handle 80 percent of the nation's total slaughter of cattle and swine.

A Central Egg Marketing Society (S. A.) is operating in close harmony with K. F. distributive societies.

The year 1932 brought the organization of a federation of fruit marketing societies. There is also a federation of forestry cooperative societies.

During the last few years rural credit societies have acquired considerable importance in Sweden. By 1933 a central organization (S. J.) had been formed. During 1934, loans were granted up to a total of 43,500,000 kronor (\$10,900,000).

The farmers have no need for separate consumer cooperatives since K. F. societies are well distributed over the rural areas. More than 100,000 farmers and farm laborers are members of local consumer societies affiliated with K. F.

#### CONSUMER COOPERATIVES AND AGRICULTURE

The fact that many Swedish farmers are members of consumer cooperatives has been helpful in working out satisfactory relationships between agricultural producer groups and the consumers' distributive societies. Both groups have realized more and more in recent years that their interests are not necessarily antagonistic and that both can gain through friendly collaboration. Consumers as well as agricultural producers have this interest in common, to eliminate unnecessary distribution costs.

K. F. has helped the farmers in obtaining fertilizer at reasonable prices through the purchase of the superphosphate plant described previously.

The Stockholm consumers' society has made an agreement to purchase all the produce from an egg marketing cooperative in a province in western Sweden. Prior to the agreement, the marketing society main-

tained storage facilities and a sales agency in the city.

A different solution was worked out in Malmö with regard to milk. A milk distributing organization was formed jointly by the consumers' society in that city and the producers of milk in the vicinity. On its board of directors are an equal number of representatives from the consumers' society and from the milk producers, together with the general manager. One-third of the net surplus goes to the consumers, one-third to the producers, and one-third is left in the organization.

Friction has at times been caused by the question of defining clearly the field of activity for consumers' and agricultural producers' cooperatives.

At the K. F. congress in 1924 the consumers' societies took the stand that farmers' cooperatives should take care of the production of raw materials and the processing closest to these, while consumers' cooperatives should take care of the manufacture of the finished product and the retail distribution.

However, K. F. itself deviated from this rule by setting up several slaughterhouses and dairies. The reason given by K. F. is that the farmers appealed to K. F. for help and that K. F. wanted to get practical experience in this field. K. F. leaders insist that as soon as the capital resources of these enterprises are satisfactorily strengthened they will be turned back into cooperative producer control. On the other hand, the livestock marketing association (S. S.) has gone beyond the processing stage and has opened a number of retail meat shops in the south of Sweden. Also, in Stockholm, the dairy marketing association operates a number of retail milk stores.

To avoid a serious situation K. F. and the federation of farmers' cooperatives entered into direct negotiation and came to a tentative understanding under which K. F. is not to extend its operations in slaughtering and dairying, while the livestock cooperatives are not to set up additional retail units.

An agreement offered by the 1936 K. F. congress and now under consideration by the National Federation of Farm Cooperatives proposes a committee of delegates from the two central cooperative organizations. The purpose of this committee would be "to effect understanding and cooperation both from an economic and ideal point of view between the consumers' societies and the farmers' associations and to prevent and alleviate conflicting purposes between them." Within this larger committee a committee of arbitration would be appointed and given the task of solving conflicts between consumers' cooperatives and farmers' cooperative enterprises. Any disagreement that might lead to conflict would, before any steps are taken, be brought before the arbitration committee. It is furthermore proposed that the consumers' cooperatives, as a rule, shall limit their activities to retail distribution and such meat packing as is more directly connected with the retail distribution,

while the producers' cooperatives are to take care of the product of the raw materials and the processing closest to the production.

#### COOPERATIVES AND GOVERNMENT

Although the Swedish Government recognizes the importance of the cooperative movement to the national economy, cooperatives maintain that they have neither asked nor received special favors from the Government. In fact, high Government officials as well as leaders in industry told members of the Inquiry that the cooperatives, through their effective check on monopolistic price tendencies in private business, have made it unnecessary for the Government to establish and enforce anti-monopoly legislation.

There is close cooperation between the Government and cooperative development in the fields of rural electrification and of housing. Agricultural cooperatives assist the Government in carrying out its control and protective measures with regard to certain agricultural products.

In the matter of taxation, both the cooperatives and the Government feel that the present laws are not entirely satisfactory. Until 1910 there were no laws applying to taxation of cooperatives. The taxation laws of 1910 were intended to recognize the principle "that the surplus which arose on the members' purchases and which was afterwards distributed among the members in proportion to the extent of their purchases was of a different character than an ordinary commercial profit." However, as the law was drafted it was found unsatisfactory in its application to cooperatives and from 1920 to 1928 new regulations were therefore evolved which are still in force.

There are at present two tax laws which apply to cooperatives as well as to other business enterprises and to individuals. One is the Municipal Tax Law and the other is the Ordinance for State Income and Capital Tax, both finally revised in 1928.

Under the Municipal Tax Law, cooperatives pay property taxes like any other business. In the payment of municipal income taxes cooperatives are not required to pay taxes on that part of their income which is distributed back to member or nonmember customers in proportion to purchases made by them in the society during the preceding year of business. The same applies to refunds made to farmers in proportion to their deliveries of milk or other farm products. However, it was stipulated that a society must be cooperative in character in order to qualify for such deductions. Such patronage refunds are also exempted from taxation as a part of the personal income of the individual. The Municipal Taxation Law states expressly that such refunds are "free of tax in instances where they only imply a decrease in the cost of living." However, surplus used for interest payments on shares of stock are taxable.

Under State Income and Capital Tax laws, with regard to income from business the rules are the same as those of the Municipal Taxation Law. With regard to income from capital, Swedish cooperatives are at a disadvantage, being now subject to a graduated progressive tax the same as natural persons or foreign companies, while domestic joint stock companies are taxed on a different basis in which the basic amount is calculated by placing the income in relation to the share capital plus the reserve fund. It is for this reason that the Swedish Cooperative Wholesale Society and a few of the larger local societies such as the one in Stockholm are using the joint stock company form for their productive units, thus securing certain relief from what they consider an abnormal pressure of taxation to which they would otherwise be subjected.

The Government has recognized this situation as inequitable and a special committee has been studying the problem for future revision of the tax laws. The recommendations of this committee are to apply the same method of taxation to cooperatives which is now applied to joint stock companies as far as State income and capital tax is concerned.

#### COOPERATIVES AND PRIVATE TRADE

It is a general rule with Swedish consumers' cooperatives not to start any new activity unless it can be more efficiently managed than competing firms are capable of doing. Thus, the retail societies are advised not to introduce specialty goods unless they can expect a sales volume large enough to compete with the best local specialty stores. And K. F. does not start wholesaling a commodity until the demand from local societies is large enough to place K. F. in a favorable competitive position with private wholesalers. The tendency is therefore to limit the number of lines carried rather than to extend it.

With regard to production the same reasoning is applied. Cooperative self-production is considered desirable only where it becomes necessary for K. F. to influence the price-level and the quality of goods. Where the objective can be reached through direct cooperation between K. F. and private manufacturers, K. F. does not itself undertake production. To do so would be considered by Swedish cooperative leaders as a sign of social irresponsibility.

Certain fields of economic life, such as farming, fishing, forestry, mining, and heavy industries, are not considered within the scope of consumer cooperation, according to Swedish cooperators. They also recognize that there are many other fields in private enterprise, at present at least, which consumer cooperatives have no reason to enter as long as existing private enterprise gives satisfactory service and charges reasonable prices. Particular fields where consumer desires vary considerably (fashions) or are of very specialized character (art

objects) Swedish consumer cooperatives consider outside their scope of activity.

It is no doubt due to this attitude and to the obvious accomplishments of the cooperatives in increasing the purchasing power of low-income groups and in establishing higher standards of retail trade that the leading business men in Sweden have expressed themselves in favor of the Swedish cooperative movement.

#### MEMBER EDUCATION

Swedish cooperators have given much attention to the need of educating the members of local consumer societies in the theory and practice of cooperation, and have succeeded in developing a most effective system. Various organizations in Sweden had for some time made good use of a study-circle system of adult education, which has come to be known as the group system. Cooperative leaders have adapted this plan to their needs in such an effective manner that the system itself is frequently associated in the minds of the people with cooperation. The results of this program of education have been so satisfactory that cooperatives in many other nations, particularly Switzerland, France, and the United States, are adopting it.

These groups are study circles organized in connection with the Konsums, the local cooperative societies, by the people in the community. Often cooperative employees take the initiative in starting them. But just as frequently the initial steps are taken by cooperative members, quite often by women. K. F. lends its assistance by furnishing guide books which contain, besides suggestions on the technique of organization, an outline of subjects for discussion, bibliography of books and other available resource material, and comprehensive questions to be considered by the group. In 1935 there were some 3,000 active study groups, with about 40,000 participants.

The group work is based on three main principles: (1) The group should be composed of members of approximately equal capacities for learning. (2) The discussions should take place under such conditions as will put the group at its ease and encourage each and all to take an active part. (3) The groups should maintain relations with and receive information and advice from a central bureau.

Question papers are supplied, and local study circles are urged to write their answers and forward them to K. F.'s education department, where they will be corrected and returned to the group with constructive comments.

The work of these study circles, however, is not confined to cooperation, nor to economic subjects. Many of them pursue general cultural interests, according to the wishes of the members.

Another educational influence is provided by the cooperative women's guilds. These have some 11,000

members and their work is similar to that of the women's guilds in England, already described.

The organization division of K. F. is the educational center of the consumers' cooperative movement. K. F. not only issues the study courses used in the local societies, and a weekly magazine with a circulation of more than 500,000, but is also the largest publisher of books and other literature on economic subjects in the country. In addition, it publishes special bulletins for store clerks, managers, supervisory boards, etc.

The cooperative college at Var Gard has the primary function of training cooperative employees for the entire movement. Before students are admitted to the college, they must have satisfactorily completed a preliminary correspondence course. Even then the students are carefully selected with the assistance of the local cooperative management committee and the K. F. district auditor. After a week's schooling, employees return to their jobs and to additional correspondence work for a year. They may then apply for a second week's course, after which they return as before. By the next year they may apply for acceptance for a month's course. When they have completed this, they are considered properly trained as cooperative managers. The college also offers special training courses for study-group leaders. Many more applications for entrance to the college classes are received than can be accommodated under present conditions.

Some cultural activities are provided the students of Var Gard, which is beautifully located on the Baltic Sea. Buildings and grounds are attractive, and the place appears to the visitor a quiet retreat for concentration on cooperative problems and methods.

#### IN CONCLUSION

The major social economic effects of Swedish cooperation can be summarized briefly as follows: Its production policy has broken up several monopolies and has reestablished competition; it has resulted in lower retail prices, in increased sales, and consequent increased employment to the benefit of the national economy. Its merchandising policy and methods has been a leading factor in the rationalization of retail trade and in the wider distribution of purchasing power, particularly in low-income groups. Its educational efforts have resulted in a greater understanding of economic problems and in a wider practice of democratic methods, as well as in bringing the individual family economy more nearly to a cash basis by discouraging credit buying and stressing the benefits of thrift.

In the words of Albin Johansson, K. F.'s outstanding leader for many years, the Swedish cooperative movement is "a form of good neighbor enterprise guided by the self-help principle" in which families cooperate for their mutual benefit, thus creating more self-reliance and less self-sufficiency among the citizens of the Nation.

## THE GROWTH OF COOPERATION IN SWITZERLAND

### EXTENT OF THE MOVEMENT

The Swiss people can look back on more than 400 years of democratic government. Their spirit of cooperation asserted itself in the economic field by the organization of forest and grazing societies as long ago as the fifteenth and sixteenth centuries. Today the cooperative movement in Switzerland includes about 12,000 societies of all types, with a total membership estimated to represent about one-half of the 4,066,000 population.

The three largest consumers' federations, in 1933, with 879 societies, had a membership of 418,300, representing over a million people. (This includes a rural federation which also engages in marketing.) Retail business of consumers' cooperatives amounted to 310,834,000 francs (\$77,198,732),<sup>1</sup> which is estimated to be from 10 percent to 12 percent of the total national retail trade in consumers' goods. In addition there were—

- 2,866 dairy and cheese making societies,
- 709 agricultural purchasing societies,
- 1,436 cattle raising societies,
- 426 water supply societies,
- 323 electrification societies,
- 206 agricultural processing societies,
- 87 soil improvement societies,
- 83 grazing societies,
- 787 loan and savings societies,
- 783 cooperative insurance societies of all sorts,
- 263 building and housing societies,
- 140 cooperative restaurants,

and a miscellany of other cooperatives. The various rural societies are estimated to have several hundred thousand members; however, no detailed statistics are available for most of the agricultural cooperative societies and federations.

The beginning of the present Swiss cooperative movement was the organization of the consumers' society of Zurich in 1851. Within 2 years, 33 other consumers' societies had sprung up, but most of them were very short-lived. The first society on the Rochdale pattern was founded in 1863 in the town of Schwanden. In 1865 followed the organization of the Basle Society, and in 1868 that of the Consumers' Society of Geneva. These two societies, by their success, served as the greatest stimulus to the movement; and in 1890 they took the lead in organizing 27 societies into the federation of Swiss Consumers' Societies (V. S. K.).

Consumer cooperation among the rural population began in 1874 near Winterthur with the organization of a society that engaged at first only in the joint purchase

<sup>1</sup> The Swiss franc is now a little more than 3 to a dollar of our currency; in 1933 it was about 4 to the dollar, and from 1925 to 1932 it was about 5 to the dollar.

of artificial fertilizer, but later added other farm supplies and consumers' goods. This example was quickly followed by other groups of farmers, and led to the organization of the Federation of Agricultural Societies of Eastern Switzerland (V. O. L. G.) in 1886, 4 years before the urban consumers federated.

The following statistics indicate the comparative growth of these two consumers' federations and the trade in consumers' goods by their wholesale societies:

Year	Federation	Member societies	Total members	Wholesale turn-over in consumers' goods	
				Francs	Dollars
1891	V. S. K. ....	49	35,000	-----	-----
1891	V. O. L. G. ....	56	3,428	-----	-----
1920	V. S. K. ....	493	363,400	172,028,000	29,078,000
1920	V. O. L. G. ....	226	20,015	25,285,000	4,274,000
1934	V. S. K. ....	534	390,000	168,422,000	54,511,500
1934	V. O. L. G. ....	310	23,505	18,533,000	5,998,500

There are several reasons for the differences in development between these two federations. V. O. L. G. extends regionally, while V. S. K. covers the entire nation; and V. O. L. G. is confined to people engaged in agriculture, while V. S. K. membership is open to all consumers regardless of occupation. Also, in the V. O. L. G. federation, each member is individually liable for claims against his society, and this fact deters many people from joining. V. S. K.'s large membership is in part due to its extensive program of member education and its efficient wholesale service at prices which permit retail societies to return large patronage refunds to their members.

#### V. S. K., THE LARGEST CONSUMER FEDERATION

The federation of Swiss Consumers' Societies (V. S. K.) serves about one-third of the population of Switzerland. In 1933, its 533 affiliated societies did a total business of 284,787,000 francs (\$70,000,000) in 2,404 stores. They employed 8,946 persons. Savings returns to members totaled 17,650,000 francs (\$4,383,500) for the year. Of these societies, 175 had productive units. These included 156 bakeries, besides small abattoirs, dairies, flour mills, wineries, etc.

Nearly every Swiss town and village has its cooperative store, and about 80 percent of the cooperative stores belong to V. S. K. societies, according to its officials. V. S. K. membership varies according to the community—in the farm areas the members are mostly farmers, and in the cities they are mostly workers. It is on the whole a city organization, since only 30 percent of the Swiss population are farm people, many of whom have their own cooperative stores under another central organization.

In Basle it is estimated that the cooperative stores handle about 50 percent of all food consumed, including about 40 percent of the bakery goods and about 40 percent of the milk. The consumer societies are sufficiently

large to serve as price regulators. V. S. K. societies pay their employees somewhat better wages than most private employers (with smaller executive salaries). Their operating costs are lower because of effective rationalizing of merchandising. Few private stores, except the chain stores, have as high sales per employee as the cooperatives. The one chain that competes most seriously with the cooperatives is the Migros chain, which handles only about 250 articles in which there is the quickest turn-over and the largest profit. Many cooperative stores, on the other hand, handle as many as 1,200 commodities.

The general policy of Swiss cooperatives is to charge what they consider a fair market price and distribute further savings to their members in patronage refunds. These patronage refunds vary with individual societies, ranging from 2 percent to 15 percent on purchases; the average is estimated to be about 8 percent. Retail sales are generally made only for cash, but in the case of unemployed workers, or of small farmers whose crops are in the growing stage, exceptions may be made. Most cooperative-store managers are allowed to give credit up to 2 percent of their gross business. Sometimes the store manager is held personally responsible for credit extended.

V. S. K. is friendly to organized labor, and its affiliated societies permit their employees to belong to any organization they wish, but do not compel membership in unions. The larger societies generally have collective agreements with the unions. Most trade-unionists are members of consumers' cooperatives.

V. S. K. itself is governed by a council of delegates from the local societies (1 delegate for each 135 individual members), who in turn elect a supervisory council of 21 and an executive board of 5. There is also a separate auditing committee. Individual members vote by ballot at their local stores. V. S. K. leaders told us that votes are cast by about 50 percent of the membership. V. S. K. headquarters are in Basle, where the largest retail society in Switzerland is located.

A chemical testing laboratory for food products was established by V. S. K. more than 25 years ago, before the State had enacted protective food legislation. An account of the work of this laboratory will be found on a later page under the heading, "Cooperative testing of goods for quality."

The direct functions of V. S. K. include both wholesaling and member education in cooperation. For the latter purpose it publishes a number of pamphlets and periodicals. The most popular periodical appears in three languages in a total weekly edition of 335,000 copies, printed in V. S. K.'s own print shop in Basle.

Wholesale service includes groceries, fresh fruits and vegetables, wines, meat products, dairy and poultry products, coal, wood, and fuel oil, drugs and chemicals, tobacco, soap, feed and fertilizer, household goods, and clothing. V. S. K. operates few production projects

directly. It has a few farms, a coffee roasting plant, a gristmill, the chemical laboratory and the print shop mentioned above, and an architectural bureau that gives excellent service.

V. S. K., however, has organized and financed a number of separate production and service enterprises which are under its control, notably a milk-purchasing society, a cigar factory, a garden truck society, a wholesale furniture company, a shoe factory, a milling society, with one large and several smaller flour mills, a cooperative bank, and a cooperative insurance society. V. S. K. has also a controlling interest in a large meat-packing plant in Basle. In addition, it holds membership in the National Union of Cheese Manufacturers in Berne, the National Poultry Federation, and various other enterprises. V. S. K. has established a number of foundations (including the cooperative colony of Freidorf), a fund for the study and promotion of cooperative colonies, an institute for education in cooperation, an insurance fund for employees of V. S. K. and its affiliated societies, and two vacation homes for employees. V. S. K. employs directly about 700 persons.

#### PREVENTION OF MONOPOLIES

Several of V. S. K.'s enterprises were started as the result of a boycott by private business interests. When the flour mill industry refused to sell flour to the cooperatives, because the bakeries of the latter refused to be bound by the bread price increase set by the Master Bakers' Association, V. S. K. in 1912 negotiated the purchase of the municipal mill of Zurich. This is the largest mill in the country, with a yearly capacity of 25,000 tons of grain. As a result of this competition, the flour cartel was broken up, and the price of flour decreased immediately by about 3 francs (58 cents) per 100 kilograms. In 1935 the Milling Society had a turn-over of 8,528,923 francs (\$2,771,650). The organization has built up an amortization fund of more than 2,000,000 francs (\$650,000) from which it can finance any desired expansion.

The Cooperative Shoe Factory in Basle has a similar history. The cooperatives had been in conflict with the Swiss Shoe Manufacturers' Association over prices since 1895, and were forced to obtain their stocks of shoes in roundabout ways and through purchases from foreign countries. In 1911 V. S. K. decided that the cooperative demand for shoes and the status of the financial resources of V. S. K. justified its going into shoe production. Immediately several of the larger shoe manufacturers broke away from the cartel in order to sell to V. S. K. Before the cooperative factory was completed, the boycott had entirely broken down. The factory specialized in the types of shoes in greatest demand, leaving the supply of other shoes to the private factories.

V. S. K.'s shoe business, however, encountered difficulties during the war and post-war period. In 1925 a

complete reorganization was undertaken, production methods were modernized, and the ownership of the factory was transferred to the Shoe-Co-op Society, the members of which are the interested retail societies. Since then Shoe-Co-op has been doing well. In 1935 its turn over was 8,841,000 francs (\$2,873,000). Its reserves amount to 1,150,000 francs (\$373,715). In that year the 220 employees received bonuses amounting to 5 percent of their wages, and the retail societies received a patronage refund of 1.5 francs (48.7 cents) for each pair of shoes purchased from Shoe-Co-op during the year.

A venture that created a stir throughout the country, and that was at first severely criticized by many cooperators, was undertaken by V. S. K. in 1914 in connection with the manufacture and distribution of meat products. A few scattered butcheries and small abattoirs operated by consumers' cooperatives could supply only a small fraction of the societies' needs. To set up a new large packing plant seemed too much of a risk. V. S. K. solved the problem by purchasing a majority interest in the Bell Corporation at Basle, the largest meat packer in Switzerland.

It was agreed that the Bell Corporation was to operate its production and distribution facilities throughout the country in the interest of the consumer, and to work with and through V. S. K. and its affiliated societies as far as feasible; while V. S. K. was to discourage further expansion of meat production by consumer cooperatives, and to use its influence to obtain them as customers for the Bell Corporation.

The results of this combination of private and cooperative enterprise, despite the economic difficulties of the period, have justified V. S. K.'s venture. By 1934 the Bell Corporation's trade had increased 50 percent to 32,500,000 francs (\$10,519,000) annually. Its amortization fund amounted to 9,500,000 francs (\$3,074,800) in 1934, and had increased in 1935 to 10,000,000 francs (\$3,249,700). V. S. K., as majority stockholder, has limited the dividends on investment to 6 percent (in 1911 the corporation paid 12 percent dividends), thus making possible a liberal policy and better and cheaper service to the consumer.

An interesting chapter in V. S. K. history is the so-called chocolate war that lasted from 1913 to 1916. A cartel of the largest Swiss chocolate manufacturers raised the wholesale price of chocolate but refused to permit the raising of the retail price. They offered to increase the smaller margin by paying a quantity discount at the end of the year to those retailers who had refrained from handling cocoa products of independent manufacturers. If the independents were squeezed out, the cartel would have a complete monopoly. The private retailers objected to the wholesale price increase, but finally agreed to accept it if they were allowed to increase retail prices accordingly. V. S. K., however, feared the growth of a monopoly and the danger of consequent price dictation.



After fruitless efforts to get the cartel to change its policy, V. S. K., in a special meeting of delegates from its affiliated societies, decided to boycott the cartel and to deal exclusively with the independents. All but 11 of its 390 societies took part in the boycott. V. S. K. arranged for a special "Co-op" labeling. V. O. L. G., the federation of agricultural consumers' societies, took the same steps.

The cartel in turn boycotted V. S. K. and its retail societies, but later offered to sell directly to the retail societies. That offer was not accepted, and early in 1915 the cartel dropped its boycott against V. S. K. The latter, however, held out until the clause limiting quantity discounts to exclusive purchasers was also dropped, early in 1916.

#### OTHER ACTIVITIES OF V. S. K.

The cigar factory in Menziken was organized in 1929, primarily in an effort to relieve unemployment. It is financed jointly by V. S. K., local societies of V. S. K., and a few other consumers' societies. It employs 50 workers and did a business of 272,557 francs (\$88,215) in 1934; it is not yet on a paying basis.

The Central Cooperative Bank in Basle grew out of the needs of the federated consumers' societies. Prior to 1911 many societies had already utilized V. S. K.'s banking services. In that year a banking division was established for the purpose of providing from among the membership any financing necessary for V. S. K.'s activities and funds needed to assist weaker societies through loans, credit, or investment on a reasonable basis.

The banking division was instructed, in order to encourage deposits by individual members and member societies, to invest the deposits on good security and at reasonable interest rates, but only in enterprises whose activities would not be harmful to the organized consumers. The purchase of the municipal flour mill of Zurich was made possible largely through financing by this banking division.

By 1927 the functions of this division had grown so large that it was considered advisable to separate it from V. S. K., whose principal function was wholesaling of commodities. Since the Swiss Trade Union Federation was also considering the establishment of a bank, the two organizations jointly set up the Central Cooperative Bank with a capital of 3,500,000 francs (\$674,200), most of which was subscribed by V. S. K.

In 1935 the bank statement showed:

	Francs	Dollars
Turn-over.....	1,233,000,000	400,688,000
Deposits.....	53,734,000	17,462,000
Paid-up capital.....	10,500,000	3,412,200
Reserves.....	1,150,000	373,700

Of the paid-up capital, about 8,000,000 francs (\$2,600,000) was supplied by V. S. K. and its affiliated societies.

The cooperative colony Freidorf near Basle was founded by V. S. K. in 1919 as an experiment and demonstration in cooperative living. It is an integrated garden village with 150 houses and a large community center with a store and with educational and recreational facilities. In Freidorf is also located a training school for cooperative employees.

#### KONKORDIA, A CATHOLIC CONSUMERS' FEDERATION

While more than 90 percent of the Swiss consumers' cooperative movement is included in the V. S. K. federation, mention must be made of two other federations of consumers' distributive societies.

Konkordia, a federation of Catholic consumers, in 1932 had 52 societies with 138 stores and a total membership of 5,500. The turn-over of these societies was 7,346,000 francs (\$1,425,490) and the turn-over of their wholesale 3,534,000 francs (\$685,775).

#### V. O. L. G., A FARMERS' FEDERATION

The other is the Federation of Agricultural Societies of Eastern Switzerland (V. O. L. G.), which has already been mentioned briefly. It combines the three functions of distributing consumers' goods, distributing farm supplies, and marketing farm products (except milk and dairy products, which are marketed by a separate federation for the entire country).

Until 1891 V. O. L. G. dealt only in feed, seed, and fertilizer. At that time the delegates of its 63 affiliated societies decided to set up stores that should handle anything needed by the rural population in the home and on the farm. It is the only agricultural federation in Switzerland giving this comprehensive service to its members.

In 1934, as shown in the table on a previous page of this article, V. O. L. G. comprised 310 societies with 23,505 members; it had also about 25,000 nonmember customers. Its business in consumers' goods amounted to 18,533,000 francs (\$5,998,400); in farm supplies, 14,890,000 francs (\$4,819,300); and in the marketing of agricultural products for its members, 4,188,000 francs (\$1,355,500). Dr. Durtschi, the secretary of V. O. L. G., said that V. O. L. G. handles about 50 percent of the Swiss fertilizer business and is therefore able to protect farmers against inequitable price increases.

Among the 275 societies belonging to V. O. L. G. in 1930, there were 220 societies with 416 stores dealing in consumers' goods and farm supplies. The other societies confined their business largely to farm supplies. Sixty-one societies owned agricultural machinery and equipment for the use of their members. Forty-eight societies operated feed mills, 15 had cider presses, 4 operated distilleries, 8 had flour mills, 7 operated bakeries.

All V. O. L. G. societies have joint and individual liability of their members. This has the advantage of enabling them to operate with practically no capital investment, and relieves V. O. L. G. of financing problems with regard to local societies. It has the disadvantage of preventing over-cautious persons from joining as members. However, that disadvantage is reduced by the fact that V. O. L. G. societies are permitted to sell also to nonmembers. Patronage refunds to members vary among V. O. L. G. societies from 5 to 11 percent, but nonmember patrons receive less, if any, refund.

In contrast to V. S. K. with its separate enterprises, V. O. L. G. includes all central activities under one management. Since 1891 all auditing of the local societies has been done by the central office, which also gives legal and tax advice and has charge of education and promotion.

All societies are obliged to purchase only through V. O. L. G. except in the case of goods produced locally or not carried by the wholesale division. The latter owns large properties in Winterthur and has established several branch warehouses. It engages in a certain amount of processing and production. Thus it has its own winery, several flour and grist and feed mills, a seed-cleaning establishment, also a large machine shop for the general repair of agricultural equipment and for the manufacture of light machinery, a large dehydrating plant for cherries, apples, pears, and string beans, and several cold-storage plants for fruits and vegetables. V. O. L. G. employs directly about 300 persons.

#### RELATIONS BETWEEN CONSUMERS' AND AGRICULTURAL SOCIETIES

There has been a very satisfactory settlement of friction arising between agricultural producers' and consumers' cooperatives. According to Dr. Jaeggi, for many years president of V. S. K., the consumers' cooperatives realize that in a country of small farmers like Switzerland, agricultural production must be done on an individual basis and that extensive production enterprises by consumers' cooperatives in this field are out of the question. On the whole, the Swiss consumer movement welcomes cooperative organization of agricultural producers and prefers to purchase agricultural products from them rather than from private jobbers.

In 1932 an agreement was reached between V. S. K. and V. O. L. G., specifying that V. S. K. was to purchase agricultural products as far as possible from V. O. L. G.'s marketing division, and that V. O. L. G. was to give preference to V. S. K.'s wholesaling and production plants in the purchase of consumers' goods, such as coffee, sugar, etc. Both federations were to purchase jointly whenever possible. Both also agreed not to enter into competition with each other in the same territory.

In 1934, as a result of the retail store restriction law which will be discussed later, a Committee for Inter-

Cooperative Relations was formed by the following: V. S. K.; V. O. L. G.; the National Union of Agricultural Cooperative Federations; the Central Union of Swiss Milk Producers; the Catholic Consumers' Federation, Konkordia; and the Union of Swiss Egg and Poultry Societies. This committee unanimously backed the following program:

#### I

Protection of the important interests common to the societies and federations represented on the committee, with regard to the authorities and the general public, by:

1. United action whenever State or local governments should contemplate or enact measures likely to hamper unjustifiably or otherwise unduly harm the cooperative movement in its self-help efforts;
2. Joint consideration of defensive measures against systematic attacks of the self-help idea that are intended to misinform the public regarding the purposes and activities of cooperatives and to destroy their effectiveness.

#### II

1. The fostering of direct business relations between cooperative producer and consumer organizations;
2. Support of the movement to give preference to and to increase the consumption of Swiss products;
3. All possible mutual consideration in the business activities of the individual societies, especially where they operate in the same economic area;
4. The fostering of complete understanding between producer and consumer in the spirit and on the basis of cooperative endeavor.

In the past there was a particular conflict of interests in connection with the processing and marketing of milk and dairy products. The Central Union of Swiss Milk Producers, consisting of several federations, with about 3,000 local societies, and (according to the Union's secretary) 114,000 members with 600,000 milch cows, controls through its societies about 90 percent of the country's milk production. Some of the Union's affiliated federations, in addition to their own processing plants, have their own retail-outlet stores. On the other hand, some of the larger consumers' societies not only sold dairy products in their retail stores but also operated their own processing plants.

Since the Swiss Government for some time has controlled the price of milk, friction between consumers' and milk producers' groups existed only in those areas where both groups duplicated the same services. The solution of these difficulties, as worked out in the Geneva area, forms an interesting chapter in Swiss cooperative history.

The Geneva Consumers' Cooperative Society, which is a member of V. S. K., is the third largest in Switzerland. It was founded in 1868 and has a membership of about 21,500 families in an area with a total population of 160,000. Its membership therefore includes

approximately half of the population. It operates about 50 stores, of which 47 are food stores, and does an annual business of 16,000,000 francs (\$5,200,000). Since 1907 the Geneva Consumer Society has processed and handled milk and dairy products. In 1933 these were distributed through 12 dairy stores owned by the Society and 48 milk wagons for house delivery; and butter and cheese were sold through its other food stores.

The United Dairies of Geneva, organized in 1911 and affiliated with the Central Union of Swiss Milk Producers, is a federation of 111 village societies representing 2,150 members with 12,600 milch cows. This organization also had a central plant in Geneva with 64 dairy stores and 39 milk delivery wagons. The two organizations competed with each other for years.

Since 1919 repeated attempts had been made on both sides to reach a mutual understanding. At last in 1933 the two organizations formed the Geneva Dairy Union in which they pooled their joint milk processing and outlet facilities. Each is paid 5 percent on the appraised value of its investment. In addition, each supplied 50,000 francs (\$12,418) cash capital. All 76 stores and 84 milk wagons are now operated by the new Dairy Union, which also retained all employees. The United Dairies furnishes all milk, milk products, and eggs under its trade name while the Consumers' Society supplies other commodities handled under its trade name.

Within the limits allowed by the Government, prices are set by each organization for the products supplied by it. The net earnings are computed and distributed monthly to the two organizations in proportion to their net earnings from 1930 to 1932. It is stated that the elimination of costly competition and of duplication of efforts is resulting in considerable savings to both organizations.

The management of the Dairy Union is in the hands of the United Dairies under an operating agreement. However, the executive committee is composed of an equal number of representatives from each organization. The president and vice president are alternately chosen from one or the other organization. In case of a tie, the president has the deciding vote. In addition, there is an arbitration committee composed of one representative from V. S. K., one from the Central Union of Swiss Milk Producers and a third member chosen by the two other members. This body has final jurisdiction in case of disagreement between the two local organizations.

#### THE COOPERATIVES AND THE GOVERNMENT

The Swiss Consumers' Cooperative Movement is non-political. It is largely for this reason that the movement has succeeded in including in its membership as much as 85 percent of the population in a city like Basle. However, consumer cooperative leaders frequently serve on various governmental commissions and councils affecting consumers, such as the food commission, the import

control commission, the housing commission, and the tariff commission. V. S. K. successfully fought a proposed law that would have prevented Government officials from serving in executive positions in consumers' cooperatives.

In the fall of 1933 a law was passed prohibiting for several years the establishment or expansion of multiple retail shops except on special permit. This law was applied not only to private chain stores, which so far handle less than 5 percent of the Nation's retail trade, but also to all cooperatives.

Some 567,000 voters signed a protest petition, insisting that the law could not fairly be applied to cooperatives. The agricultural societies sided with the organized consumers. The Committee for Inter-Cooperative Relations, representing both producer and consumer cooperatives, reached an understanding with the National Chamber of Commerce, which had been largely responsible for this law, in accordance with which the Government was urged to rescind or modify the law so as to permit new private and cooperative retail enterprises of one or two stores, and exempt from the restrictions all consumers, producer and marketing cooperatives organized prior to May 1935. It was further agreed, should the Federal Congress deny these requests, to urge that decisions with regard to expansion or establishment of cooperative shops be left to a joint commission composed of representatives from the cooperative federations and from the National Chamber of Commerce.

By a majority of one vote the Federal Congress decided in 1935 to continue the law until December 1937, and to refuse special consideration to cooperatives. However, the Bundesrat (the highest Federal body), was empowered to exempt large enterprises from these restrictions, and from having to apply to the authorities for special dispensation if they had previously obtained the approval of the affected organized retailers. The government of Basle immediately requested and received permission from the Bundesrat to exempt the Basle area from these restrictions.

Exemption was further granted in December 1935 to V. S. K., V. O. L. G., Konkordia, the National Union of Agricultural Cooperative Federations, and the Central Union of Swiss Milk Producers; and an agreement was made with the National Chamber of Commerce (representing private retailers) concerning the expansion or opening of new cooperative sales outlets.

The agreement provides an arbitration commission composed of two representatives from the National Chamber of Commerce and two from the cooperative federations, and of a neutral chairman elected by the commission. If a society wishes to expand or open a new store, it transmits a detailed statement and justification through its federation to the National Chamber of Commerce, which notifies the respective retailers' association. If no protest is voiced within 2 weeks, the

society is entitled to proceed with its plans. If a protest is submitted with detailed reasons, the arbitration commission must meet within 10 days to decide the matter by majority vote. Unless serious economic consequences are apparent, the commission is expected to grant the request. The two cooperative commissioners are from V. S. K. and V. O. L. G., but represent the other federations as well. Thus, the need of governmental control in the matter has been obviated.

#### IN CONCLUSION

The Swiss cooperative movement is fortunate in having a number of very capable leaders who have grown up with the movement and therefore are thoroughly familiar with the practical problems as well as with theoretical considerations. The one who has exerted the greatest influence on the form and direction of Swiss consumer cooperation is undoubtedly Dr. Bernhard Jaeggi, for many years President of the Swiss Cooperative Union. Some years ago he submitted to the Cooperative Union, as a result of his 25 years' cooperative experience, some "guiding thoughts for the further development of the cooperative movement" which were accepted as a program for the movement. It seems appropriate to close this chapter with a summary of that programmatic statement.

"1. It is the constant task of cooperative leadership to discover where and in what way cooperative services can be improved and expanded so that a maximum of consumer needs may be covered through cooperative endeavor.

"2. The large consumer societies have a tendency to lose contact with the individual members and to grow away from democratic control and administration thereby losing one of the greatest advantages of cooperative organization—active identification of the individual consumer member with the ownership of the cooperative enterprise.

"3. To regain this consciousness of identity and to enlist the constructive energies and loyalties of the members, it is necessary to revive and carry through consistently the federational idea which leaves to each working unit a maximum of self-determination and responsibility.

"4. Such decentralization will recreate more local interest and individual loyalty. It will also make possible a more effective member education and training in cooperation by enlisting the energies of small group leadership and by making the local unit the recognized cultural and economic center for the local membership. It is important that women be encouraged more to function not only as patrons but to participate in the administrative and other activities of the cooperative. Organization in comparatively small local units will also make possible more direct consumer management on a voluntary basis, thus keeping down the operating expenses.

"5. The central wholesale should be fully utilized for all services and purchasing which it can perform more effectively than the local society or the district federation. Large production enterprise should not be carried on directly by the wholesale, but by special purpose societies in which the wholesale, the district federation, and particularly interested local societies should have joint ownership and control. Small production enterprise, such as bakeries, may be carried on directly by a group of local societies. Efforts should be made to obtain all necessary operating capital from among the membership served by the particular activity.

"6. Cooperatives should always be politically neutral."

While this program has not been realized completely, its influence on the character of the Swiss cooperative movement is very decided. It is typical of the thoroughness and purposefulness that have guided the Swiss cooperative movement in its effective growth.

## Appendix B

### COOPERATIVE HOUSING IN EUROPE

THERE is a great diversity in objective, in form of organization, and in method of operation among the various housing cooperatives in the European countries visited by the Inquiry. In some cases, as in Denmark, the housing cooperatives take the form of savings organizations which bear a very close relationship to the earlier forms of building and loan associations. In Denmark there is at least one organization which operates on the plan of drawing lots from time to time to determine which member is to build his house with the funds assembled by the savings of the cooperative members. When houses have been built for all members, the society is terminated. This was the original form of the building and loan association, and is characteristic of the manner in which a number of European housing societies in the late 1920's operated.

Any analysis of the cooperative housing movement in Europe is handicapped by a lack of adequate comparable statistics. In many cases the records give only total construction of dwellings by the several agencies over a period of years, which can prove very misleading in an endeavor to determine the success or failure of the projects. The great variety of forms taken by cooperative housing enterprises also complicates the situation and limits the usefulness of such few statistical data as do exist. It is, for instance, difficult to distinguish between the bare form of cooperative enterprise, and the public utility or limited dividend society, which has many of the same characteristics. As will appear later, most of the forms of government aid to housing societies make no distinction between the different types of cooperative and quasi-public housing societies.

While it is true that many organizations in the various countries employ the savings of members for financing construction, it is probable that the majority secure most of the necessary capital by means of advances either from private credit sources, or from the state or municipality. In some cases the capital is secured from private sources by first and second mortgages, with the state or municipality guaranteeing the second or third mortgage. In most societies the equity capital beyond the borrowings of the first, second, and even third mortgages, is provided from the individual savings of the cooperators. An out-

standing exception to this practice is found in Stockholm, where a parent society, the H. S. B., under certain conditions assists in financing the equity through loans to the daughter societies, which in turn advance a portion of the equity payment of the individual members in return for notes. These notes are transferred to the parent society as security for its advances. Under this plan only a small cash payment is required of the individual cooperators and the balance of the equity is payable in monthly installments.

The necessity of forming federations of cooperative housing societies for the purpose of providing leadership and technical assistance is becoming more paramount. In some cases these federations are nation-wide; in other cases the principal societies are located in only one city, or in a few large cities. It is a frequent practice for some of the strong cooperative societies to build a number of projects with a separate subsidiary organization for each project. This type of organization has the advantage of providing financial support to individual societies and of providing technical assistance to all. It also permits the large scale purchase of materials and equipment, and has other advantages which lead to more efficient management. At the same time, it provides for a greater measure of self-government in the individual projects and creates a more positive sense of responsibility on the part of tenant-owners.

Where the dwelling units provided from cooperative action are sold to individual members, this occasionally gives rise to difficulties, in case the member finds it necessary to move away or relinquish his dwelling.

Many of the societies only rent the dwelling units to the members. This method, of course, permits the free movement of tenants, but has the objection that in times of a declining market the competition of privately owned property may rebound to the detriment of the cooperative.

In some cases the dwelling units produced by cooperatives are sold not only to the members of the cooperative, but to nonmembers as well.

In most countries the cooperatives are subject to various degrees of government control. In Stockholm, for instance, it is customary for a representative of the municipality to sit on the board of directors. In England

the few cooperatives which exist are under the general supervision of the Chief Registrar of Friendly Societies and are required to submit periodic reports.

It is difficult to compare the relative cost to the occupants, as between cooperative housing and that provided by private enterprise. It appears, however, that for units of equivalent size and rent, the tenants in cooperatives generally receive greater conveniences and a higher standard of housing. There is some evidence that the actual charge for units of equivalent size is lower in cooperatives.

One of the most important factors in the development of the cooperative housing movement in Europe has been the aid given by the State and municipalities. In some countries this aid takes the form of assistance in promoting and organizing housing societies and in other cases technical assistance is granted. Long-term, low-cost leases on State or municipal building sites and low-cost building credit are the most usual forms of aid.

Outright subsidies and grants are no longer a regular form of public aid to cooperative housing societies. In the early post-war period, when heroic efforts were being made to overcome the housing shortage, this type of assistance was employed in most of the countries. In England, public utility societies were eligible for subsidy under the same terms as local authorities, but cooperatives made relatively little use of this provision.

Another form of financial assistance to cooperatives has been the exemption from taxation and, in certain cases, exemption from the payment of interest over stated periods. Often documents and contracts are stamp-duty free, and bond issues for financing construction bear no capital and no income tax. Often the municipal transportation taxes on building materials are not levied.

One of the most significant and appropriate types of assistance in common use is the guarantee by the State or municipality of loans to cooperatives. In some cases, guarantees are used for all financing below the equity, and in some cases, where private funds at low interest rates are available on first mortgage, it is customary for the municipalities to guarantee the junior liens. The advantage of public guarantee of advances to cooperatives is that it serves to provide money at a lower interest rate than could otherwise be obtained. Furthermore, from the standpoint of the public authority, only a contingent liability is created.

At the present, direct loans to cooperative societies by State or municipalities are less commonly employed than the device of guarantee.

There are a number of conclusions which may be drawn from European experience in cooperative housing which should prove of value in any development of policy with respect to cooperative housing in this country.

(1) Cooperative housing in Europe has not reached the lowest-income group. There is no evidence even

where subsidies have been available that the unskilled workers and other low-income groups have been served to any appreciable degree through cooperative-housing organizations. It must be remembered that usually deposits are required of the occupant in a cooperative project to supply equity money. As a result of this and other factors, the occupants of cooperatives are, in the main, skilled artisans and white-collar workers.

(2) An important contribution of the cooperative movement lies in its actual and potential accomplishments of improvement in planning and designing. In some countries cooperatives have led the way for private initiative with respect to modernization of housing design and construction.

(3) It is unquestionable that in the early post-war period cooperatives served an important function in a number of countries in helping to overcome serious housing shortages. Their activities were naturally stimulated by means of subsidies and other financial aids, and, as a result, a firm foundation should have been laid for the future expansion of a general cooperative movement in housing.

(4) Cooperation in housing has attained its highest development in those countries where the social philosophy of the people provided fertile soil. In some countries cooperation in housing has been but one division of an extensive cooperative movement embracing many other aspects of economic activity. As a result, it has received both moral and financial support from the cooperatives of other fields and has had the approbation of a large portion of the citizenry.

(5) There is little doubt that cooperative housing projects have succeeded in providing dwellings at a lower cost over a period of years than private initiative. In many cases a cooperator may in the beginning have to make monthly payments approximating current rent for equivalent facilities, but his payments go in part toward building up an equity and are eventually reduced to the mere cost of upkeep.

(6) It is significant that a substantial proportion of housing cooperatives were organized by persons engaged in the same occupation, as for instance, building workers and railway employees.

(7) Financial assistance to housing cooperatives has been of major importance. The growth of the movement would undoubtedly have proceeded at a much lower pace except for the provision of mortgage money at low interest rates. The provision of land at low cost has also been highly important. The fact that advances could be secured up to a higher proportion of the value of a project has meant that the equity to be subscribed for by the cooperators has been relatively small, thus broadening the basis of participation.

(8) There is no evidence that private initiative has received any permanent injury by the development of cooperative housing. On the contrary, it is probably true that in some countries it has been benefited by

virtue of the fact that much of the technical pioneering in the field of large scale housing has been done by the cooperatives. Housing needs generally are so great that the relatively small cooperative development must be considered more as a stimulus for better housing than as a narrowing down of private initiative.

(9) One of the most outstanding phenomena of the cooperative housing movement in Europe, is the fact that in most cases, regardless of the assistance granted by governments and municipalities, in recent years the number of dwellings constructed by cooperatives has declined rapidly, with a corresponding increase noted in private construction.

(10) In addition, where the cooperative housing has been in terms of building and loan association activities, the movement has been more persistent in character and today is flourishing. Great Britain is a notable example of this.

(11) The cooperative housing movement on the whole has not tended to supply the lower paid wage earners with proper housing. Mr. K. Bjerregaard, head of the City Real Estate Department of Copenhagen, in his publication of 1930 *Building Activities of the Copenhagen Municipality*, states that the question "whether comprehensive activity during the past 15 years has provided satisfactory housing conditions in Copenhagen" can be answered in the negative, pointing to the existing surplus of vacant apartments and to the large number of old and unhealthful living quarters that are still occupied. He states that it will be necessary to provide living quarters sufficient to end the problem of the homeless families now temporarily taken care of; and that satisfactory quarters must be provided for persons living in unhealthful apartments in the center of the city, and in shacks in suburban districts, before housing conditions can be characterized as normal.

(12) There seems to have been an utter disregard in Europe, as in this country, of provision of sanitary dwellings for the lowest-paid wage earner. Such apartments and dwellings as have been constructed have been of a character requiring (even with low interest and amortization and other grants) a rate for rent which such a workman is unable to pay. Attention is called to the slum-clearing projects in at least one large American city where tenements have been torn down, new apartments constructed with steam heat, elevator service, and most modern conveniences, the rate for such apartments, even upon a nonprofit basis, being such as only skilled artisans or the better class of office workers can afford to pay, the net result of which has been greater crowding in many of the tenements left standing.

#### NORWAY

In Norway the cooperative housing movement has been less significant than in other Scandinavian countries. Its development has occurred mainly since the

war, and up to 1928 had resulted in the construction of only 791 dwelling units in 56 communes.

The State formerly subsidized up to 20 percent of the building in some areas, but is granting no subsidies now, although some municipalities are still granting concessions. Originally a number of the municipalities of the State guaranteed 80 percent of the total mortgage. It was later found that equally useful was a guarantee of 30 percent of a second mortgage of 50 percent, leaving a first mortgage of 50 percent to be placed locally and privately.

#### SWEDEN

Due to the extremely unsatisfactory housing conditions in Sweden during and following the war, especially in Stockholm, considerable encouragement has been given to cooperative building societies. Cooperation in housing is characterized by its close relation with cooperation in other fields of activity. The movement is strongly organized, and to a considerable extent the success of the movement arises from the existence of parent societies which provide financial and technical assistance to numerous daughter societies.

The objective of cooperative housing is to provide in time 25 percent of the houses in Sweden. At the present it is building or has provided about 10 percent. This 10 percent has had a very important effect on rents; and also an equally important effect in setting good standards for housing, and in providing many facilities for workingmen not previously available.

In Stockholm the Tenants' Savings Bank and Building Society, termed the H. S. B., has had a rapid growth. The society was founded in 1923. It soon became evident, from the rush for membership in the new society and the accompanying demand for housing, that a further building program should be proceeded with.

During the past years the organization has rapidly developed, and its early success in Stockholm stimulated other towns to follow the same example. Gothenburg and Vasteras came next to Stockholm, and H. S. B. societies were founded in these towns in 1924. By the middle of 1936 the total value of H. S. B. real estate amounted to the equivalent of \$35,000,000, of which the main part, or \$27,000,000, is the property of the Stockholm society.

In 1926 all of the H. S. B. societies were federated into a national body, which at the end of 1935 had more than 16,000 members.

The organization is politically neutral and open to everyone who intends by means of cooperation to solve the housing problem in a rational way. When a building is constructed it does not pass into the possession of the parent society, but is transferred to a housing society, of which there is one for each housing development. At present the H. S. B. constructs four types of houses:

TYPE A.—To this category belongs the majority of H. S. B. housing, old buildings as well as new. The

deposit required of occupants amounts to 10 percent of the real estate value.

**TYPE B.**—The deposit required amounts to only 5 percent of the real estate value. The sale of apartments in these buildings is subject to certain regulations of the city of Stockholm.

**TYPE C.**—These buildings consist mainly of benevolent institutions. The apartments are intended for tenants not paying any deposit. In respect to these buildings the city of Stockholm has issued certain regulations having a bearing on the letting of apartments.

**TYPE D.**—These are buildings erected in conjunction with the city of Stockholm. The State subsidizes the building of this type of house, which is intended for big families. To secure an apartment in one of these buildings one has to belong to the lower-income group and have at least three children. The State contributes toward the rent 30 percent for families of three children, 40 percent for families of four children, and 50 percent for families of five children.

The H. S. B. has also created a building materials purchase center, and has taken over the manufacture of certain building materials, such as plaster, stucco, cabinet work, etc.

About 60 percent of the membership of the Stockholm Society are workmen, and about 40 percent represent other professions.

In Stockholm, construction activity has heretofore been financed through loans granted by the city and State, and by insurance companies. Priority over such loans is enjoyed by loans secured from private banking institutions, insurance offices, and land mortgage societies.

The general financial plan aims at repaying membership deposits after 20 to 25 years. The parent society lends to the subsidiary society an amount corresponding to the deposits of the membership as soon as the building has been completed, and the subsidiary society is obligated to amortize this loan within 20, and in the case of certain buildings, 25 years. The subsidiary society collects the money required for such amortization from the tenants in the form of annuities included in the monthly payments. In addition, a fee of 2½ percent of the assessed value of the real estate is payable in the course of 20 years for administration costs.

In other H. S. B. societies in Sweden, due to the lower general rent level, the creation of capital is arranged in a somewhat different manner, and for this reason the administration costs are assessed at 0.125 percent of the estimated cost of the real estate, to be paid annually during the period of 20 years.

The H. S. B. offers its members the facilities of a savings bank, and in addition sells H. S. B. Union building bonds bearing interest at 4½ percent, payable every 6 months and issued in denominations of 50, 100, 500, and 1,000 Swedish kronor.

The general method for financing building construc-

tion is as follows: The building credit is obtained at a bank for about 60 percent of the estimated cost of construction. From 30 to 35 percent of the estimated cost of construction is covered by savings bank deposits, as well as by the working capital of the subsidiary and parent societies. The remaining 10 or 15 percent of the costs of construction must be covered by the basic deposit of the members.

Noncooperatively owned houses are those containing apartments for rent, intended for large families. They are financed partly by State loans, to which H. S. B. adds the 5 percent which is repaid to the Union in 10 years. During the time of construction these buildings are financed by bank credit.

For the purpose of controlling or facilitating the disposition of an apartment, due to unemployment, illness, death, or reasons which may be connected with poverty, the H. S. B. has established a special central body to protect both the interests of the members and the Society. This body operates a so-called repurchase fund, which by means of annual contributions makes such purchases possible.

One of the important contributions of the Swedish cooperative-housing movement has been its establishment of higher standards in design and equipment, and the reduction in costs of housing to its membership. Both of these aspects have served as a competitive stimulant to private initiative and have resulted in a general improvement in housing standards in new construction by all agencies. Even the smallest apartments are equipped with hot and cold water, a tub or shower bath, and toilet facilities.

## DENMARK

In Denmark various laws have been enacted to encourage the construction of dwellings. Beginning with Law No. 204 of July 1916, which grants to municipalities the right to remit taxes on new apartment houses, other laws have been enacted and extensions granted which include cash grants and permission for the remission of taxes and interest for certain periods.

Government-aided dwellings are principally built for the less well-to-do people. However, the economic conditions of the lessees are not made subject to investigation in the case of apartment buildings, although in the case of small houses an investigation is made to insure that the building is constructed on an economically sound basis.

The building companies and societies in Denmark are private organizations, although a number of these have had to accept municipal or other Government representation within the management in order to obtain Government loans and other assistance. This representative has certain privileges, such as the right to demand the remortgaging of the properties, the distribution of profits, etc.



The organization works out the plan for construction, directs the building, and administers the property. The rules and regulations of the society must be approved by the Ministry of Interior Affairs, which decides the Government aid; or by the municipality, which decides municipal aid.<sup>2</sup> The regulations must contain the conditions necessary to obtain the aid, rules regarding the selection of management, auditing and accounting, limitation of dividend payments, possible liquidation, etc. The regulation of joint-stock companies under the joint-stock company law also gives further supervision.

Practically all properties of housing companies and building societies belong to the category of "high buildings" (apartment buildings). The few exceptions are of societies of adjoining small houses, which follow generally the regulations of the apartment houses. The chief points of these are that the dwellings must not be sold to the occupants, but are turned over to them for their use, in accordance with varying rules, the most important of which are:

(1) The societies or companies let the dwellings on the basis generally established for lease forms, giving the dwellers the right to give notice in the same manner in which they may be given notice.

(2) Dwellers become shareholders of the society or company, are secured against arbitrary discontinuance of lease, and have some voice in the management, etc.

(3) They may sell their shares and still remain in the dwellings, or they may move and keep their shares.

(4) The dwellers may become the owners of bonds issued against a loan on the property, or become owners of deposit receipts without any lien, which insures them against being given notice, but does not give them any part in the actual management.

(5) A building society is able to give its members a fairly well secured right to live in apartments at rental values corresponding to the capital deposited by them and against a payment proportionate to the expenses of the property. Transfer of deposit for the right to a dwelling can as a rule only be made with the approval of the management of the association.

(6) Members, as soon as they have registered as such, have the right to a dwelling as soon as one becomes vacant. A society may own several buildings, and in such event the dwellers administer through a committee the building in which they live, but the administrative board of the society is elected by the various committees as well as by the nondwelling members.

Of the 9,139 apartments built in Copenhagen in 1934, 81.3 percent were equipped with baths, 97.2 percent had their own toilets, and 81.9 percent central heating, according to the Copenhagen Municipal Bureau of Housing. Built-in garbage drops have become quite common during recent years. Refrigerating equipment is found only in the more expensive apartments.

The total cost of housing under present conditions, as

reported by the Copenhagen Municipal Bureau of Housing under date of May 9, 1936, approximates the following:

	Land	Labor	Charges	Total
Per square foot of floor space in high or apartment buildings.....	\$0.41	\$2.45	\$0.37	\$3.23
Parcelhus (small house of 1 apartment).....	770.00	3,080.00	550.00	4,400.00
Parcelhus (small house of 2 apartments).....	770.00	3,960.00	770.00	5,500.00

The maximum limits set by law for labor costs cause the two-apartment houses to be of somewhat inferior get-up than the one-apartment house.

The heading "Charges" is the cost of architectural and legal services, financing expense, documents, etc., which may be estimated at 15 percent of the labor expense for high buildings and 20 percent for small ones.

The average price per two-room apartment of 646 square feet of floor space with kitchen, toilet, and shower in Government aided buildings approximates from \$1,980 to \$2,200.

Governmental financing of housing is controlled by a number of laws. Laws No. 178 and 179 of March 1917, state that Government loans are subject to a charge of 5 percent to cover interest on the amount owed at any one time and 1 percent for amortization to be made in 82 semiannual instalments. Loans granted in accordance with Law No. 178, however, were exempt from amortization charges during the first 5 years.

Laws No. 479 of September 1920, and No. 150 of April 1931, stipulate that the loans are to carry an annual charge of 6 percent, of which 5 percent is to cover interest on the amount owing at any one time, and the balance of 1 percent to cover amortization payments, which are to be made in 73 semiannual instalments.

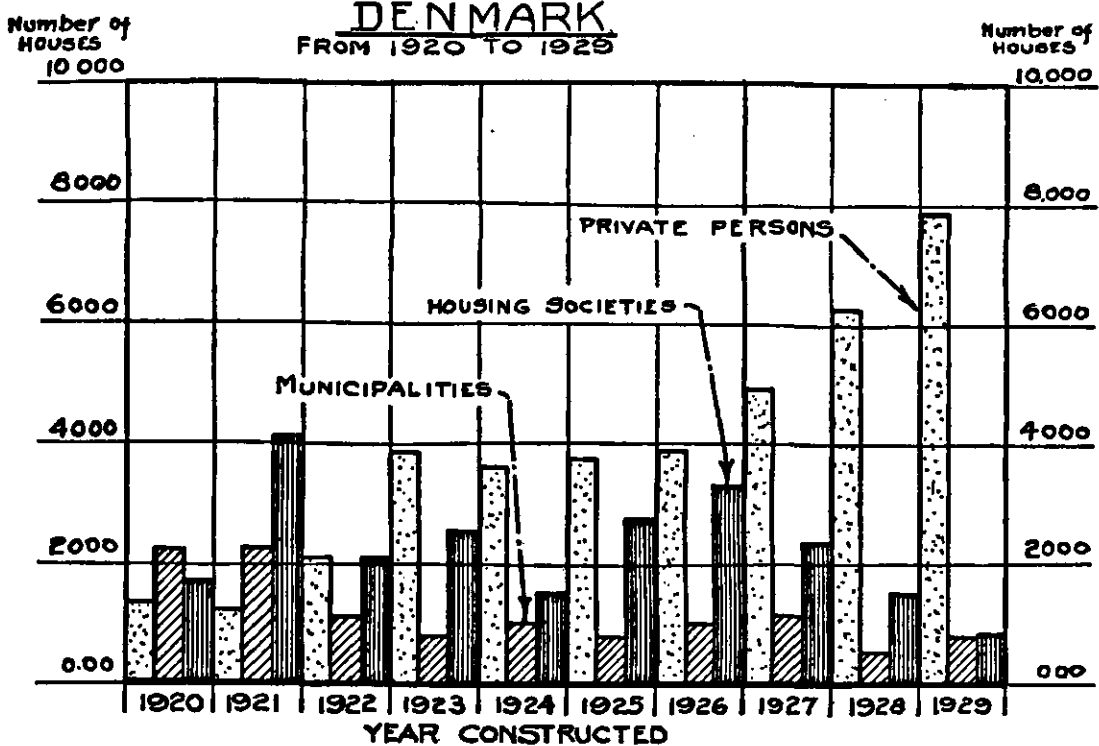
Law No. 551 of December 1922, sets forth that the State Housing Fund loans were to carry an annual interest and amortization charge of 6.2 percent, 5 percent to cover interest on the amount due at any one time; 0.2 percent is for administration charges and the remainder of 1 percent covers amortization payments which are to be made in 73 annual instalments.

Law No. 128 of April 1933, carries a charge for loans of 5½ percent, of which 4½ percent is for interest, and the balance for amortization to be paid in 77 semiannual instalments.

Instalment loans granted under Law No. 279 of October 1934, carry a charge of 8 percent, of which 4½ percent covers interest, and the balance is for amortization, which is to be paid in 37 semiannual instalments.

The interest charge for municipal loans and ground mortgages may be said to vary greatly. As an illustration: A report from Copenhagen shows that the municipality's mortgage claims as of March 31, 1935, vary

## HOUSES CONSTRUCTED BY VARIOUS BUILDING AGENCIES



from 3 to 6 percent, with a portion interest exempt. The same report shows conditions applying to amortization vary greatly, but as a rule it can be said that the loans have been granted on long terms of from about 30 to 40 years.

The first mortgage, as a rule, covers from about 40 to 45 percent of the value of the property, and the second mortgage from 10 to 15 percent.

The following table showing the trend of dwelling construction in Denmark by agencies for the years 1920 to 1929, inclusive, is based upon *Housing Policies in Europe*, page 147, International Labor Office, Geneva, 1930.

This tabulation shows that during the period 1920 to 1929, inclusive, the trend of dwelling construction by municipalities and housing societies decreased greatly, with a corresponding increase in dwelling construction by private persons.

Government aid to housing projects can hardly be considered as a cooperative movement. The loans granted have been principally to private organizations of building companies and societies, and the cooperation of the individual applies only to the extent of his membership, which is not necessary to secure housing through such organization. It should also be noted that the laws contain clauses requiring municipal guarantees for at

least a portion of the loan; and, as reported by the Copenhagen Municipal Bureau of Housing, recent laws presuppose that the applicant should be in a position to pay from 10 to 20 percent of the acquisition price himself.

A number of the apartment houses were visited on the outskirts of Copenhagen, a city with a population of 680,000 people. These apartments are within 20 minutes of the center of the city by tram and bus. They are remarkably attractive in design. The individual apartments are comfortable, and all contain two to two and one-half to three rooms and kitchen and toilet, which invariably have a shower. The apartment buildings are three, four, and five stories high, all without elevators. They have ample neighboring ground for central grass and flower plots. The cleanliness and general appearance of the neighborhood are beyond criticism. In fact, it is what one would expect to find in the neighborhood of the more expensive apartments in Washington, D. C. All the apartments are centrally heated, and from the central heating plants hot water is supplied. Gas is available for cooking and electricity for lighting. One staircase takes care of two apartments to the side of each floor, regardless of the height of the building. A modestly well-to-do American would find these apartments in every way satisfactory.

## SWITZERLAND

The Ministry of Public Health reported in 1933 that there does not exist in Switzerland what may be termed a housing crisis.

No cooperative activity of any importance occurred prior to 1900. In 1932 the total number of societies was 130; to these should be added some 100 others of the same nature, which are classed as a public utility. The development of this small number has been facilitated by the considerable rise in construction costs, which made it necessary for the State to intervene in order to provide working class apartments at a price which the working man could afford to pay.

These cooperatives, with the aid of the State and the communes, have been able to lower rents from 200 to 300 francs, and in a number of cases as much as 400 francs, at the time the report was written in 1932.

Regardless of cooperative activity, the rent for homes for workers is high. The average for a two-room apartment is approximately 1,110 francs, and for a three-room apartment 1,380 francs; and it must be remembered that the Swiss franc has not been devalued. Money spent for rent represents more than a sixth of a worker's income, and it is not uncommon to discover him paying as much as 25 to 30 percent of his wages for housing.

At Basle the cooperative building enterprises have been aided in their work by the Basle Cooperative Society which frequently gives assistance when an organization is unable to secure sufficient bank loans. Since 1925 the aid of the State has been limited to groups of houses built for large families.

In Bienne 285 houses have been built by cooperative societies, of which 213 have been built since 1925 at a cost of 4,000,000 Swiss francs. Each home has a bathroom, running hot and cold water, and central heating. The monthly rents for an individual home of four rooms, bathroom and garden, is from 80 to 83 Swiss francs a month. The rent of a two-family house is from 100 to 114 francs a month. The city of Bienne has granted cooperative building societies a second mortgage at 5 percent interest and 1 percent amortization.

The city of Berne has encouraged the work of building societies, and its participation in the capital of these societies reaches 8,700,000 francs.

At Lausanne the cooperative low-cost housing society has erected 26 individual houses and 8 two-family houses, which rent for approximately 1,350 francs per year. It has also constructed three collective apartment houses, representing a total of 60 homes; the rent for three-room apartments with kitchen is 1,008 francs per year, and for four-room apartments is from 1,080 to 1,200 francs per year. The city itself has given aid to various cooperative societies.

The city of Zurich has come to the aid of workers' housing by encouraging the activity of cooperative

societies. The construction of apartment houses must be approved by the municipal council, and houses built with the aid of the society cannot be sold except in the case of individual homes. The city spent approximately 50,000,000 francs between 1910 and 1930 in aiding the construction of 2,044 houses containing 8,589 homes.

In 1933 the building societies of Switzerland had a membership of 10,000, who had invested 8,500,000 Swiss francs in construction.

An inspection was made of the Freidorf cooperative community, located about 20 minutes' drive by automobile from Basle. It consists of approximately 150 detached houses, occupied by people who are employed in some phase of cooperative work; a community building, a cooperative grocery store, and a school for training cooperative shopgirls. A regular bus service is maintained to and from Basle.

All of the houses are two-story buildings of stucco, built on the same general plan. They are simple in design, but well kept, with rents approximately \$350 to \$500 a year.

The garden cities built by municipalities and cooperative societies, which exist in a considerable number, are built after the manner of row houses or in double houses of one or two stories. The tenants of these garden cities are generally Government clerks, artisans, and citizens of the middle class, as poorer workers do not have sufficient income to pay the rental demanded.

## CZECHOSLOVAKIA

The so-called public-benefit housing, carried on through public-benefit housing organizations, constitutes a significant part of the housing policy of the Czechoslovakian Republic. These organizations take the form of cooperatives, societies, or joint-stock companies. Of these three types the cooperatives are the most numerous, and have been organized in the Provinces of Bohemia and Moravia-Silesia under the laws of the former Austrian monarchy, and in the Provinces of Slovakia and Subcarpathian Russia under Hungarian law.

The most fundamental feature of a Czechoslovak public-benefit housing cooperative is its nonprofit character. To insure this, bylaws of cooperatives which are to be organized as public benefit cooperatives must make provisions limiting disbursements to cooperative members from net earnings up to 5 percent of paid-in value of the member shares; moreover, the members have no legal claim against the property of the cooperative if their membership lapses or if the cooperative is dissolved.

In the case of dissolution, the net assets of the cooperative must, pursuant to the bylaws, be used for further public benefit housing purposes.

Vitally connected with the nonprofit motive is the added condition that officials in public benefit housing

cooperatives must have no material interest in its operation, except in their effort to procure dwellings for themselves. Thus, managing and supervisory functions of members are considered purely honorary and non-remunerative, though members of the managing board (but not members of the supervisory board) may receive pay out of the net earnings of a cooperative for actual services rendered. To attain the aim of procuring for its members healthful and inexpensive dwellings, the public benefit housing cooperatives are limited in principle to the construction of buildings with small dwellings. The law specifies a "building with small dwellings", which is construed to be one in which not less than two-thirds of the total floor space is for dwellings having a floor space up to 80 square meters, and to small workshops. The remaining one-third of the total floor space may be devoted to other purposes.

The 80 square meter limit includes only the floor space of dwelling rooms and excludes:

1. Kitchens with floor space not exceeding 12 square meters.
2. Maid's quarters, with floor space not exceeding 12 square meters, provided such quarters can be entered only through the kitchen.
3. Halls, pantries, bathrooms, washrooms, etc.

Small workshops are understood to be workshops or stores of small tradesmen, without regard to floor space, living in a small dwelling in the same building in which his small workshop is located. If the tradesman does not live in the same building, a small workshop is defined as one having a maximum floor space of 36 square meters.

Small dwellings must be built as structurally isolated units, i. e., must form, together with anterooms such as halls, pantries, bathrooms, washrooms, etc., entirely independent units, separated by walls from other dwellings and small workshops. However, the small dwelling and the small workshop of a tradesman need not be separated.

Buildings with small dwellings, depending upon their specific use and their technical arrangement, are divided into four groups:

1. Family houses of one or two dwellings, and possibly three if the house is erected on a slope, destined to be sold upon completion by the housing cooperative to its members.
2. Apartment houses with a greater number of dwellings, the ownership being retained permanently by the cooperative, with dwellings and other space being leased to cooperative members.
3. Houses for single or unmarried persons in individual structurally isolated rooms.
4. Lodging houses containing dormitory lodgings for transients.

Public benefit housing cooperatives in Czechoslovakia must confine their activities exclusively to the construc-

tion of houses and to the sale or leasing of family dwellings and other available spaces in such houses.

The Ministry of Social Welfare is the authority in matters pertaining to the recognition of housing cooperatives as a public benefit, and acts in a general supervisory capacity over public benefit housing cooperatives. The Ministry is empowered to make occasional audits, attend meetings of cooperative officials and, if deemed necessary, suspend the members of managing or supervisory boards and name a special board to manage the cooperative, effective until such time as the cooperative members elect new members to the board to replace those suspended.

There is no single central organization of public-benefit housing cooperatives in Czechoslovakia. Compulsory audits for cooperatives of all kinds have been in existence for some years. Officially recognized associations usually carry out this work, although selection thereof is left to the free choice of the cooperative. Membership in such an auditing association is not mandatory. If the cooperative so desires, the provincial committee will carry out the order. In cases where the cooperative is not a member of the association, and is audited by neither an association nor the provincial committee, audits are to be carried out by the district court.

There are 27 auditing associations uniting local housing cooperatives. These are grouped as follows:

1. Association of Agricultural Cooperatives in Czechoslovakia, combining 10 auditing associations, in which 189 housing cooperatives are organized.
2. Mutual Central Association of Cooperatives, combining 5 auditing associations with 407 housing cooperatives.
3. Financial Credit Association of Tradesmen Cooperatives, combining 5 auditing associations with 45 housing cooperatives.

In addition to the foregoing there are 7 independent auditing associations uniting a total of 551 housing cooperatives.

On the basis of the records of the Ministry of Social Welfare, there were at the close of 1935 a total of 1,420 public benefit housing organizations in Czechoslovakia, of which 1,394 were cooperatives, 23 were societies, 2 were joint stock companies, and 1 was a foundation. The records of the State Statistical Office show that as of December 31, 1935, there were 1,418 active cooperatives of public benefit and others, which was a decline from 1,633 in 1932.

The decline is largely ascribed to the serious contraction in rentals which appeared in 1933, 1934, and 1935, and as a consequence of falling prices for construction materials and lower wages paid in the building trades. This resulted in difficulty in renting vacant dwellings, particularly because persons who might have been good prospective tenants were not in a position to deposit with the cooperative the cash investment which the

cooperative was obliged to return to the departing tenant.

To assist this unfavorable situation, a Government decree was announced making possible an increase in Government guarantees, and providing that the Government should contribute to the annuities payable on loans. The same decree also introduced a moratorium to the repayment of the investment deposits made by tenants.

During the course of the depression the cooperatives have noted that in view of impoverishment, unemployment, and part time employment, the bulk of the demand is for one-room dwellings. However, in view of the fact that the maximum Government aid was given on apartments containing dwellings with floor space up to 180 square meters, most of the apartment houses constructed contain two-room dwellings. To remedy this situation by embarking upon a program of apartment houses with one-room dwellings was impossible, cooperatives alleged, because: (1) Of the limited government subsidies; (2) under construction laws in force to December 31, 1935, the erection of apartment houses exclusively with one-room dwellings was not permissible.

Since conditions preclude the building of apartment houses containing types of dwellings in greatest demand, together with the fact that there was a certain normal liquidation of cooperatives as they disposed of dwellings to their members and a certain abnormal liquidation brought about by financial reverses, the decline in the number of cooperatives is an accepted phenomenon. In all justice to the cooperatives it should be stated, however, that such decrease has hardly been greater than that for the entire field of residential building.

The most recent analysis made of housing cooperatives in Czechoslovakia by the State Statistical Office was for the year 1930, which was not published until 1935. In that year there were registered 1,690 active housing cooperatives, with an analysis applying to 717. These 717 had 94,462 members, of which 3.3 percent were farmers, 13.5 percent tradesmen, 22.2 percent laborers, and 52.5 percent office workers.

Deposits of these cooperatives were relatively small, as most of them came into being through public aid and later procured working capital through the construction deposits of their members. According to the 1930 record the average paid-in value of a membership share was 215 crowns (1 Czechoslovakian crown is equal to \$0.0416 United States currency at present rate of exchange) and the average holding per member was 2.4 shares of a total value of 516 crowns, and the average own per member was 6,082 crowns.

The working capital of the 717 cooperatives aggregated 3,700,000,000 crowns, 3,550,000,000 of which represented outside capital composed of 2,671,000,000 crowns in mortgage loans and 575,000,000 crowns in member loans. At the close of 1930, these cooperatives owned 8,604 family houses, 2,181 apartment houses and 7 houses for single persons, totaling 38,809 dwellings.

Of these the members owned or expected to own 4,503 houses of 5,980 dwellings. The gross rent for the year totaled 109,800,000 crowns.

Housing cooperatives unquestionably have been a most powerful agency in carrying out construction work under Government aid. It is unfortunate that the records are such as give only the total construction over a period of years, as records in this shape prevent an analysis of trends to show by years whether the movement in comparison with the total construction is increasing or decreasing.

In addition to blanket measures of Government aid employed to promote the development of housing in general, public benefit cooperatives have enjoyed advantages which do not accrue to other buildings, such as:

1. Lower special income tax;
2. Assessment of surtaxes on only one-half of the tax base evaluation with respect to so-called small dwellings if assurance is given the Ministry of Social Welfare that tenants will not be evacuated;
3. In Bohemia and Moravia-Silesia the halving of transfer fee on transfer of dwellings from cooperative to members where the cooperative has erected buildings with small dwellings on undeveloped land within a period of 3 years after the cooperative acquires it;
4. If a cooperative transfers family dwellings to its members within 5 years of the time they are built, no transfer fees are paid, nor taxes on the increase in the value of the real property paid.

As far as general Government aid measures are concerned, housing cooperatives, like municipalities and other public corporations, enjoy advantages through higher limits of guaranteed loans. On the basis of the more recent law the Government guarantees second mortgage loans, above which it cannot be assumed that the loan would be covered by the normal value of the building. On apartment houses, houses for unmarried persons, and lodging houses, first loans to public benefit housing cooperatives may represent 50 percent of the construction cost, and together with the second Government guaranteed loan above, limited to 40 percent, may represent 90 percent of the total cost. Other builders are allowed loans only up to 40 percent, which together with the above mentioned grant of a limit of 35 percent, makes a total of not more than 75 percent of construction costs. The lower loan guarantees apply to all family dwellings regardless of who the builder is.

Under recent law, buildings with small dwellings newly constructed by public benefit housing cooperatives are exempt from house tax and surtaxes for a period of 25 years and exempt from rent tax for 20 years. Similar buildings erected by other constructors enjoy these provisions for only 15 years and 10 years respectively.

Since the establishment of the Czechoslovakian Republic, Government aid to housing has been effected through laws of short validity. This has been due to the unsettled economic conditions which have made

impossible long range solution. Even the 1936 legislation is valid for only 2 years.

### FRANCE

The French Cooperative Building Societies, which are nationally federated, have endeavored to serve largely the low income groups. Up to the end of 1934, Government loans totaling 112,550,800 francs had been made to 67 societies. The cooperative housing movement seems to have retrogressed in 1935, due to unfavorable laws, and there were in May of that year only 460 active societies as compared with 555 in the same month of the preceding year. Apparently these societies engage primarily in financing individual homes for private ownership of individual members. From the information secured, there seems to have been a complete reorganization of the federation in 1931, but we have no statistical or other information regarding their activities, the above being gathered from the annual reports of the low-cost housing commission of the Ministry of Public Health.

### GREAT BRITAIN

Cooperative housing in Great Britain in relation to the 3,000,000 new homes constructed in England and Wales since the armistice is relatively unimportant, and has been linked with building societies' activities rather than constituting a separate movement. This is in decided contrast to the low-cost housing movement, for example in Sweden, where the financing of cooperative house building has been far more centralized, and is evidenced during more recent years in large apartment house groups.

Most low-cost housing seems to have been done municipally, often with governmental assistance. The famous garden cities cannot be classed as cooperative enterprise, although they were to some extent assisted in their financing by the Cooperative Permanent Building Society.

As a whole, England's building societies correspond more to our American building and loan associations than to a truly cooperative housing movement. Their objective is financing of low-cost individual houses rather than cooperative ownership and management.

There are many mutual building societies in Great Britain which are really analogous, with respect to the one purpose of purchasing or erecting a dwelling house, to the cooperative credit societies common in Europe.

The function of the building societies under the laws governing them is that of a specialized housing bank; they are unable to initiate schemes of construction on their own account and must wait for suitable schemes to be presented to them for financing. Building societies have sponsored a considerable part of the houses built in England and Wales without Government assistance since 1919. Of the total number of 2,827,444 houses produced by all agencies, 1,551,647 of these were built without Government aid.

Building societies came into existence in Great Britain in 1834 and with exception of a few minor set-backs, the movement has grown steadily. The following statement of policy of the Cooperative Permanent Building Society, which was organized in 1884, illustrates their method of operation:

"The Society concentrates on making advances in respect of working class properties. It has seldom, if ever, made any advance in respect of large houses, and then only when the amounts required were small. At the outset it did make advances upon business premises to a few cooperative societies, but with that exception it makes no advance on business premises other than small shops, and then only under special circumstances. Every effort is made to peculiar difficulties which beset working-class life."

The growth of the building society movement of Great Britain is shown in the following tabulation:

Year	Number of societies	Number of members	Amount advanced on mortgage during year	Balance due on mortgages
1890.....	2,795	646,388	.....	£47,760,404
1900.....	2,286	584,651	.....	45,641,411
1910.....	1,723	626,366	£9,291,571	59,696,055
1920.....	1,271	747,589	25,094,961	68,811,690
1921.....	1,226	789,052	19,673,408	75,503,123
1922.....	1,184	826,032	22,707,799	83,724,928
1923.....	1,151	895,524	32,015,720	98,844,991
1924.....	1,112	1,000,988	40,584,606	119,744,926
1925.....	1,092	1,129,455	49,822,473	145,857,119
1926.....	1,064	1,257,400	52,150,941	171,220,815
1927.....	1,054	1,416,456	55,886,903	197,748,150
1928.....	1,035	1,130,066	69,853,853	227,532,832
1929.....	1,026	1,265,329	74,718,748	268,141,456
1930.....	1,026	1,449,432	88,767,426	316,313,559
1931.....	1,013	1,577,905	90,253,133	360,176,859
1932.....	1,014	1,692,167	82,142,116	388,377,535

<sup>1</sup> Share investors only in this and following years. In previous years borrowers who were not also share investors were included.

The following tabulation contains statistics relating to the 10 largest building societies in the order of their total assets, and is taken from the Building Societies Yearbook, 1933:

Society	Founded in—	Total assets	Advances made in last completed year	Liabilities to—	
				Shareholders	Depositors
Halifax.....	1853	£88,676,292	£16,618,117	£73,043,649	<sup>1</sup> £12,617,651
Abbey Rd.....	1874	40,721,415	3,548,690	33,560,929	<sup>1</sup> 5,831,996
Woolwich Equitable.....	1847	22,910,423	2,446,124	18,841,138	<sup>1</sup> 3,146,212
National.....	1849	21,076,024	4,256,564	19,755,876	.....
Leeds Permanent.....	1848	19,139,519	3,921,294	13,728,835	<sup>1</sup> 4,582,021
Cooperative.....	1884	16,317,336	2,435,640	13,874,232	<sup>1</sup> 1,988,366
Bradford Third.....	1854	13,076,829	1,447,198	10,733,817	<sup>1</sup> 1,862,012
Huddersfield.....	1864	11,847,667	2,027,019	10,086,943	<sup>1</sup> 1,377,708
Westbourne Park.....	1885	11,542,191	2,863,409	10,048,601	<sup>1</sup> 1,025,444
Leicester Permanent.....	1853	10,887,388	1,954,625	9,814,114	<sup>1</sup> 631,617

<sup>1</sup> These figures include "other credits."

# Appendix C

## RURAL ELECTRIC COOPERATIVES IN EUROPE

by E. Johnston Coil

ONE of the objectives of the European study undertaken in the summer of 1936 was to procure information in respect to the organization, financing, administration and functioning of electric cooperative societies serving rural areas. In particular, the inquiry was directed toward discovery of the major problems which these organizations had encountered and the lines of action which had proved to be most successful.

During July, August, and the first week of September the following countries were visited: Sweden, Finland, Denmark, Switzerland, Czechoslovakia, France, Great Britain, and the Irish Free State. In each, interviews were held with recognized officials and leaders in public, private, and cooperative enterprise in the power industry and in other economic fields. This report represents a factual synthesis of findings rather than an interpretation.

### SECTION I

#### EXTENT AND DEVELOPMENT OF RURAL ELECTRIC COOPERATIVES

The purpose of this section is to sketch briefly the position of cooperatives in the rural electrification developments in each of the European countries visited. Discussion of the particular experiences in rural electric cooperatives and of specific problems in their organization and operation follows in other sections for which this is but the background indicating the extent, nature, and type of such enterprises. The countries are covered in the order visited.

#### *Sweden*

Without any extensive coal resources, the industrial development of Sweden was retarded until the growth of electric power technology enabled the water resources to be utilized. Because the deficiency in coal was acutely felt, the Nation soon appreciated the importance of hydroelectric power and consciously sought to extend its application. Today the underlying power policy of Sweden is that electric power constitutes one of the basic necessities of modern life. As a basic necessity, electric power should be cheap and available to all people, regardless of class or location. The state, therefore, seeks to obtain for the people adequate sup-

plies of power at low rates; to facilitate widespread utilization; and to promote large consumption. As about one-third of the developed power resources are owned and operated by the state, facilities are not lacking for the execution of these policies. In execution, the state is both cooperator and competitor of other power interests, both private and municipal.

Starting with the policy that power is a necessity of life, the Swedish Government does what is necessary to make power plentiful and cheap. The basic question is not public or private ownership, but the consumer's interests.

It is the duty and function of the state to keep constant vigilance, to see that areas supplied by private and municipal companies are supplied at reasonable costs and rates, to eliminate middlemen, to render competition where private companies are unreasonable, and to provide areas with power that private companies do not supply. The state does not wish to interfere where other power interests are operating with rates approximately the same as the state would charge. Where rates are excessive, or services inadequate, the state, through the Royal Board of Waterfalls (State Water Power Administration) first seeks readjustment by negotiation with the private or municipal company. If there is a refusal to reconsider, the state acts promptly and directly, for it always has the recognized rights of sovereignty, the facilities, and the personnel.

Although vigilance is the motto of the state, it does not follow that the state is always a competitive agent. Low rates require low costs which, in turn, depend on used and useful fixed investment. The state is willing to promote whatever economies are potential in the technical situation. All power interests, whether they be private, municipal, or state, frequently coordinate their efforts. Integration of activity even reaches the point of collective development of water power resources and common usage of transmission facilities.

As the concept is generally accepted that electricity is a basic necessity, it follows that to strengthen the national economy requires electric power nationally used. Throughout Sweden emphasis is placed on what seems best and cheapest in the long run to obtain widespread utilization and high consumption.



It is not surprising, therefore, that rural electric lines were being built even before the war. As the director general of the State Waterpower Administration said "It has always seemed normal and natural that rural areas should have electricity. It has paid to deliver electric power to farmers, so there never has been any particular discussion of the advisability of encouraging it. In my judgment rural electrification pays and pays well. Of course, you never get the farmers to admit it, just as they never say they earn money, but the fact that farmers are enlarging their use is evidence."

The simple fact that electric power is useful and that the farmers needed it and wanted it explains in large measure the activity in electrifying the rural areas of Sweden. By the beginning of the World War there had been sufficient experimental work to provide the technical and economic basis for extensive work. With the prolongation of the war the available supplies of kerosene and gasoline became more scarce and more dear. In the closing war years it became almost impossible for the neutral Nation of Sweden to obtain supplies. The farm people who depended on kerosene for light were literally left in the dark—and the winter nights are long in Scandinavia. These conditions gave rural electrification a great impetus, especially as the prices of farm products were very high during this period and the farmers were prosperous.

Despite the urgency of the need for electric power and light, it was recognized that rural electrification is only possible by keeping costs down. The State, which has always been one of the principal producers of electric power, encouraged the formation of rural cooperative distribution societies.

Today the State participates in the power industry through The Royal Board of Waterfalls or The State Water Power Administration. This Government agency owns waterfalls, generating stations, transmission and distribution lines. Today the State distributes about one-third of all the electric power in Sweden.

Sixty-five percent of all farms have been electrified, and it is estimated that this figure represents 70 percent to 80 percent of all farms that can be electrified at the present stage of the art. As other companies, both municipal and private, serve farm areas, the State is not alone in this field of electric distribution. However, it is estimated that about one-third of all rural distribution is in the hands of the cooperatives to which the State supplies power. There are other rural electric cooperatives besides those sponsored by the State. It is estimated that about one-half of all rural distribution is cooperative.

The general system of rural distribution in the areas supplied by the State Water Power Administration is as follows:

(1) The State owns and operates the generating stations and the high tension transmission lines of 20,000 volts or higher;

(2) The State owns and operates the rural networks or transmission lines for rural supply and voltages of from 10,000 volts to 20,000 volts. It is from these networks that power is delivered to the lines of the cooperative society;

(3) The cooperative owns the rural lines, or agricultural lines, which serve local districts of farmers, small villages, or clusters of houses, small handicraft works, flour-mills, repair shops, sawmills, etc. Each society receives its power at some central load point within its district, usually at a tension of 3,300 volts, and then distributes this power to its own transformer stations where it is stepped down to 380/220 volts for distribution to members.

In this connection, it should be noted that the State distinguishes between rural and agricultural electrification. Rural electrification includes decentralized factories and large villages. If any customer such as a factory or large village has a 50 kilowatt demand, it is served directly from the rural networks (no. 2 above) which are owned by the State. On the other hand, agricultural electrification applies to predominately farming loads. It is for local distribution or agricultural electrification that the State has promoted cooperative organizations with limited personal liability.

A typical rural electric cooperative comprises about 4,900 acres of cultivated land or 100 members. The capital necessary for the construction of the distribution lines and transformer stations is contributed by the members of the society. The societies, under state supervision, have the responsibility of operating and maintaining their lines and of selling the power at retail to the individual consumers, i. e., the shareholders.

To be able to understand the cooperative rural distribution system of Sweden, it should be borne in mind that the cooperatives served by the State Water Power Administration have received valuable assistance and continuous guidance from the Administration. The State has drawn up statutes for the associations and has designed and checked their distribution systems. The associations agree to conform to these statutes and to apply rates approved by the state. Its engineers inspect the lines and supervise their maintenance. Moreover, the state has placed special account-books free of charge at the disposal of the cooperatives. These books have been so framed as to suit the special requirements of cooperative accounting. The state also has provided other forms for records. Finally its auditors and accountants assist the societies in the preparation of budgets and in closing the books. It is generally recognized that the consulting and supervisory activities of the state have largely contributed to the success of the cooperative system of rural power distribution.

Besides these direct supervisory services, the state also engages in educational and promotional work. The best propaganda for rural electrification is, of course, to be found in low rates which make possible increased

consumption at relatively low costs. But instruction is required. For the purpose of education the Royal Board of Waterfalls distributes free to individual farmers a quarterly periodical dealing with electricity in agriculture. The so-called demonstration farms represent another form of propaganda which, in recent years, have been started by the board. A number of suitably located farms, which in any case would require reconstruction or rebuilding, are furnished with assistance, drawings, suitable electric plant, and other equipment on the condition that they shall be available to visitors and especially local farmers, who are thereby afforded an opportunity to study at first hand the advantages of electric power.

By continuing research and application, the State believes that electric power gradually will become the means by which agriculture "industrially rationalized", will be raised from its present and in some respects primitive state to a better care of and utilization of crops in functionally correct and inexpensive buildings.

#### *Finland*

The progress made by Finland in cooperative rural electrification, as well as in other types of cooperative endeavor, is astonishing. Today there are 223 registered cooperatives supplying electricity, and, in addition, there are 177 cooperatives which supply electricity to neighbors though they operate primarily as flour mills and sawmills.

Before the war, only a few country estates and villages had their own generating equipment which was used principally for lighting. There was no systematic distribution. During 1918-19, however, there occurred a serious shortage in kerosene, and carbide lamps proved to be so inefficient that electricity had to be produced at any price. When copper became unattainable, even iron conductors were used. During the post-war crisis there followed a period of consolidation and gradual replacement and rebuilding of lines. It was not until 1926 that a new period of expansion began. Today almost all of the major agricultural areas are electrified, with only the most sparsely settled and isolated areas without electric power.

The most important feature of rural electrification from the technical aspect is the large number of small hydro-power plants. Finland has many lakes and streams and small waterfalls. According to the statistics on electric establishments in 1934 there were a total of 787 power plants, 481 of which had a generator capacity of less than 100 kilovolt-amperes. The latter are mostly rural establishments. All of these are, however, not economic. During the "boom" period of rural electrification many small hydroplants were constructed in localities where central station service is not available. Being less efficient than central station service, many of the small plants have ceased operation, while others have poor load

curves and are not being properly maintained. Eventually they will go out of existence as funds are not available for replacement. There is a definite trend for many of these small enterprises—a large number of which are cooperatives—to consolidate with larger units.

The work of the State Bureau of Electrical Inspection during the past 6 years has contributed greatly to technical improvements. Although the costs of improvement were heavy for cooperatives with limited means, the fact has been definitely established that effective maintenance of plant is the best economy.

The systems of cooperative electrification vary from complete ownership of generation, transmission, and distribution facilities to only the distribution lines, the energy being purchased on the low tension side of the transformers. There have been difficulties, however, in securing adequate maintenance and relatively competent personnel. These difficulties, which are economic as well as technical, have hindered the increased consumption of energy. They are largely responsible for establishment by the Government of an inspection service.

There is a tendency for cooperatives to get out of the field of generation and transmission and to confine their operations to distribution. This system gives the central station control of sales policies, maintenance and operation, repairs and extensions, but permits economies in construction and financing, as the consumers may contribute partly in cash and partly in materials, such as poles, and also their labor. There also is the tendency to have the transformer or distribution districts laid out solely on technical lines, disregarding parish or political boundaries.

In short, technical considerations are forcing a consolidation of electric cooperatives and are resulting in centralized control of operations.

#### *Denmark*

The national Government of Denmark, unlike that of Sweden, has not directly and positively entered the electric power business. Nor does the State exercise any control or regulation over finances, operation and rates. The only aspect of the power industry over which the State does enforce rigid control and inspection is that of construction standards and technical specifications, including installations on the consumer's premises. To insure public safety, all plans must be submitted to the Electricity Board prior to construction. After erection, the State makes annual inspections. For the first violation, heavy fines are prescribed, while second offenses may carry imprisonment. Cooperative societies, in common with all other members of the industry, have to follow these rules regarding the erection, maintenance, and repair of lines and stations.

One reason for the limited participation of the national Government in the power industry is the fact that the

industry is largely in the hands of the public, either through municipalities and political subdivisions, or cooperative societies. Even so-called private stock companies are owned and controlled by municipalities and provinces through shareholdings. There are very few strictly private power companies in Denmark.

Rural electrification has had a long history of development. Today it is estimated that 85 percent of all rural farms and houses are wired. Even before the war electric power was being used for threshing and chaff cutting. The shortages of fuel oils which developed during the war greatly accelerated this development, about one-third of all farm electrification being accomplished during this period.

Much of this work was on a cooperative basis. The farmers combined in companies and those who wished to become consumers took shares. A board of directors was elected which appointed a technical assistant to build the plant and lines. Many of the installations at this time were small direct-current plants.

The cooperatives at first owned the generating plants and the lines. However, the towns and municipalities soon realized the advantage which would be derived from supplying electricity to the surrounding rural districts, and they began areal developments. As a result two systems arose. In one, the town financed all the costs of transmission and distribution and supplied power directly to the consumer's meter. In this case the town performed all the functions. In the other, the towns sometimes only wholesaled power. The farmers formed cooperative societies which erected and maintained the lines and transformer stations, and performed all the administrative operative functions, including maintenance, meter-reading and collections. In a few cases, the function of generation was transferred to a special partnership owned jointly by the town and the surrounding area. The town is responsible for the town lines, the rural area for the country lines, and both buy energy from the partnership at cost.

Today there are in Denmark about 283 rural electric cooperatives of which 230 operate on direct current and only 53 on alternating. They serve a large part of the rural area, having 200,000 meters for lighting on their lines and 80,000 power meters. Their annual sales of power are about 100,000,000 kilowatt-hours, of which three-fourths is for power and heating, or approximately 940 kilowatt-hours per power meter. These sales amount to between 20 and 25 percent of the total power sales of that country, indicating the significance of rural electric cooperatives in the power industry.

There is, however, some indication that the electric cooperatives are not maintaining their rate of development relative to that of municipal companies and the joint-stock companies owned by municipalities and provinces. As noted above, the majority of the cooperative plants are direct current and there exists some criticism

of their high costs of operation. On the other hand, through establishing the rural electric cooperatives, the Danish farmers were able to secure electric power during the early stage of power development even though their economies at present are not in line with those obtainable from more recent developments.

#### *Switzerland*

Although the rural areas of Switzerland are generally electrified, cooperative societies do not play a role comparable to that in the preceding three countries. The topography of Switzerland, the rather even distribution of water powers, industry and population throughout the principal valleys, and the intensive agriculture have tended to merge rural and urban areas. There is no sharp line of demarcation between city and country. The result is that the canton, municipal, and private power undertakings have expanded their areas of service and that the relative position of the cooperative as a medium of rural electrification is not of comparable importance.

Most cooperatives are relatively small undertakings. Some merely distribute power purchased wholesale, but others own or have joint ownership of generating facilities. The abundant water powers facilitated such developments during the early days of the power industry.

There are, of course, some highly successful cooperative enterprises. One society near Basle began almost 30 years ago. In this area many industries are carried on in the home, such as silk weaving, wood carving and pottery making, and electric lights were wanted so the artisans could work evenings, especially in the winter. The Society now buys its energy at low wholesale rates, it being conveniently located for bargaining purposes between three sources of supply. Management has remained capable, all indebtedness has been paid off, and rates are now at the level of the operating expenses. However, these circumstances are unusual.

One difficulty in examining the rural electric cooperative situation in Switzerland is the fact that limited dividend companies may adopt the name cooperative as long as capital and membership are variable. These are not really cooperatives in the Rochdale sense of the term. This situation has been encouraged by the fact that according to Swiss law any electric company serving an area must give service to anyone who applies—whether member or not. Members in such companies receive rebates or limited dividends on their capital. In some cases members vote according to the number of shares they hold.

The national or Federal Government, except for enforcing regulations regarding construction specifications and installation standards, exerts little control over the operation of the cooperative societies. The government feels that all villages should be electrified and has given subsidies to some isolated villages. However, other

power undertakings take the same attitude and set aside some reserve to electrify farms which will not pay. There is no standard practice for determining the amounts so set aside, it being a matter decided at the annual meetings.

#### *Czechoslovakia*

Great progress has been made in the electrification of rural Czechoslovakia. Few countries have accomplished more since the war. This progress has been made possible by a planned regional coordination of electric power distribution and by the use of the cooperative form of organization.

Beginning in July 1919, the Ministry of Public Works initiated a legal and technical program for rationalizing the electric power industry by systematically planning the utilization of the power resources and by constructing a high-tension grid or distribution network. Twenty-four public utility companies were established throughout the country in which the national Government, provinces, districts, municipalities, and private capital participated. The law provided, however, that the majority of all capital had to be supplied by public agencies, either the State or its political subdivisions, so that control would always rest in public hands, and so that if it is ever decided to nationalize the power industry completely, the first steps will have been taken. These designated companies are the "key" units of the power industry. The unification plans cover the entire country but the execution of the plans has been completed generally in the western provinces of Bohemia and Moravia.

The fundamental purpose of the cooperative societies is the establishment of secondary lines of distribution. At the end of 1935 there were 2,159 electrical cooperatives in Czechoslovakia. These societies may be grouped into three classes or types according to their functions. The first type of societies comprises those, 30 in number, which actually produce electricity and distribute it by their own means. These generating or production cooperatives have full responsibility for all the functions inherent in power production and distribution. They are autonomous. Most of them operate small hydropower plants in connection with some local industry, as flour mills. In 1930 these cooperatives had 5,312 members, of which one-half were farmers, and produced only 1.4 percent of the power generated in Czechoslovakia. This type of cooperative is tending generally to disappear on account of the development of the public companies and the grid.

The second type of cooperative societies, comprising about 500 in number, buy their electric supply of energy from a larger power undertaking and then distribute this energy to their members through their own installations. These so-called purchase and sale cooperatives perform all functions with the exception of generation, and have full responsibility for the construction, operation, and maintenance of high-tension lines, transformer stations,

distribution networks, and meter installations. In short, they assume all risks in buying power at wholesale and selling it to their cooperative members. In 1930 they had over 40,000 members. However, they have passed their zenith and are declining both in absolute number and in relative importance.

The third type, the most numerous and important, are cooperative societies for financing the low-tension distribution networks. There are now about 1,500 such societies, and their number is increasing. These societies are definitely a part of the national rationalized power system and work in conjunction with the 24 designated public companies.

These cooperatives, termed auxiliary in Czechoslovakia, have no operating or maintenance responsibilities. They are merely a means for financing. The public company builds the high-tension line. The cooperative by means of shares subscribed by its members, pays all the expenses incurred in building the 380/220-volt distribution system which is constructed according to the plans and specifications of the public company. When built, the distribution system is turned over to the public company whose property it becomes. The public company assumes all responsibilities for operation, maintenance, and administration. As a part of its physical plant, it takes care of all repairs and replacements, and all commercial and customer relationships, and it supplies electric power to the cooperative members at the uniform tariffs. The public company, in return for the distribution system it receives, gives to the cooperative society a part of its share capital. The cooperative does not receive shares in proportion to its investment, for there is a distinct subsidy involved. In other words, the values of the obligations received by the cooperative are fixed at a price lower than the costs of the investment. But in this way of financing, the cooperative becomes a coproprietor of the public company and participates as an organized group, through representation on the board of directors, in the administration and management of the enterprise.

The reason for this shift in emphasis from the operating cooperative to the financing cooperative is to be found in the fact that the operating cooperatives did not create sufficient reserves to cover maintenance, depreciation, and replacement expenses. The State in 1928 decided to cease giving any subsidies to the operating cooperatives. Since that time, only the financing cooperatives have received any assistance from the Government. In many cases, the operating cooperatives are voluntarily turning their lines over to the public companies. In one Province alone there were 240 operating cooperatives 5 years ago and only 80 remain today.

Unlike the rural electrification cooperatives in Scandinavia, those in Czechoslovakia do have some affiliation with the organized agricultural cooperative movement which is organized into 12 federations or central unions—

by province and by language. These central unions perform certain services for their electrical cooperative member societies just as for their marketing or purchasing societies. Such services, which are headed up in *Centrocooperativ*, a superfederation, include educational work, not only promoting the establishment of electrical cooperatives, but also promoting the increased utilization of electrical power, and, through a service corporation set up specifically for this purpose, also technical assistance in designing lines, laying out distribution systems and in managing the properties. The federations also help with financing, by arranging for loans from credit societies which are also members of the central unions. Another service rendered is that of auditing the books of the member societies, especially those which are operating cooperatives.

#### *England and Scotland*

The situation as regards rural electrification cooperatives in England and Scotland was summarized by the Secretary of the Electricity Commissioners, who said, "There are no electric cooperatives in England and I don't expect there ever will be any."

In North Ireland and in the Irish Free State the electrical power industry is now a public monopoly with all functions from the generator to the consumer being the responsibility of the respective electricity supply boards.

#### *Summary*

Cooperative enterprise for the distribution of electric power in rural Europe is of significance, among the countries visited, in only Sweden, Finland, Denmark, and Czechoslovakia. Public enterprise dominates in Switzerland and the Irish Free State; private enterprise in France and Great Britain.

Throughout Europe in general, the independent cooperative society which is responsible for all the functions of management including the financing, construction, operation, and maintenance of the distribution system appears to have reached the zenith of its development. The type of cooperative society which is growing is the state supervised society. Important managerial functions are regulated, the cooperative form of organization being used for purposes of financing, for economical operation of distribution lines and for promoting public relations. In Czechoslovakia, for reasons indicated, the operation of distribution lines is increasingly disappearing as a cooperative function.

## SECTION II

### CERTAIN ASPECTS OF COOPERATIVE ORGANIZATION AND OPERATION

#### *Membership Procedure*

In Czechoslovakia all consumers who receive electric power from a cooperative society must be members of the society, and each consumer has one vote. On the other

hand, in both Switzerland and Sweden, although voting power there too rests with members on the basis of one member, one vote, electric power is sold by the cooperative society to nonmembers as well as to members.

The Swiss law provides that any organization distributing electric power within an area must sell power to anyone who applies for service. The Swedish practice is unlike that of Switzerland in not being compulsory but optional, as far as could be ascertained, although the obligation to distribute power to any applicant has the sanction of custom.

In the agricultural districts of Sweden, practically all consumers are members of the society, and it is only in the villages and communities where one finds population turn-over that the nonmember problem arises. The opinion was expressed in Sweden that the cooperative form of organization for the distribution of power is not suited to communities and municipalities where a rapid turn-over of population occurs.

In Denmark and Sweden, it is the general practice for the consumer-members to meet annually and to select a board of directors which, in turn, elects its own chairman. In Denmark, where there is a general absence of state regulation and control, the board of directors appoint a managing director and works jointly with the manager in determining what extensions of line shall be made, what loans shall be contracted, what prices will be paid for electric power at wholesale, and what the tariff shall be to the consumer.

Because of the State assistance and supervision in Sweden, the responsibilities resting on the board of directors of the local cooperative society are not so heavy, although the obligations are fully recognized. There the board usually employs some locally recognized electrician to do minor installations, meter reading, and to take care of the transformer stations. The local electrician also has the function of making small repairs to the distribution network. The rendering of bills and the collection of the revenues are the responsibilities of the treasurer who is usually the school teacher or one of the small merchants in the community. It is this official who keeps the books and records which are considered to be one of the most important phases of the cooperative's function.

The provisions for admitting a new member to one of the rural electric cooperative societies in Sweden are determined by the conditions established by the State Water Power Administration. In common with all members, the new member must subscribe to a number of shares depending on the area of cultivated land in his farm. However, the amount that he must pay per share is determined by the books of account and corresponds to the value per share of the association. This value is obtained by computing the net worth of the association by adding the share capital, reserve-fund, and profit and loss accounts, and by dividing the net worth by the number of shares outstanding.

If the books of account show that the association has a capital deficit, the association may raise the total payment of the newly entering member so that it exceeds by a reasonable sum the pro rata actual cost of the equipment. In addition to this, the cooperative may request a special entrance fee if the line has to be extended a long distance and exceeds the average cost.

#### *Financing Line Construction*

(a) *Sweden*.—Practically all the capital invested in the electric distribution systems of the Swedish cooperative societies was subscribed by the members in the form either of cash or of bonds. Shortly after the war, a so-called rationalized basis for determining the amount of contribution each member should make was adopted and has been in force with some minor modifications. Each member subscribes for a number of shares according to the following schedule:

One hectare (2.47 acres) of arable farm land is equivalent to one share; for nonfarming residential houses, the number of rooms determines the number of shares; industrial and commercial users' shares are determined by the kilowatt demand of their motors and installations.

If the members are unable to pay all of their contributions in cash they give bonds to the society, which uses them as security for loans, particularly from the local savings banks. State loan funds and insurance companies also have been sources of credit.

The cooperative societies now enjoy a high credit standing so local savings banks and private institutions usually are glad to extend credit to them at reasonable rates. At only one time in their history have they been in rather serious financial difficulties. In the post-war depression of 1920 agricultural prices declined drastically, and some of the recently organized societies found themselves in difficulties. The state came to their aid through a program of refinancing on the basis of 20- to 30-year loans at 5-percent interest. These loans now have been generally amortized, and in only one or two cases has the state been compelled to take ownership of the lines. Even in these cases the state has profited handsomely because the increased consumption of electric power in the past 10 years has brought sufficient revenue to more than offset any losses from the original loans.

It is the general policy in Sweden that the state shall give no subsidies. Only in a few cases where significant rural communities are isolated by natural conditions has the state granted a subsidy in order that these communities might be electrified. In the northern part of Sweden, for example, forestry is the principal industry and farming areas are interspersed in the forests. Frequently there will be 10 to 15 miles of forests between villages and rural communities. Because men are needed in the forests and because of the long dark winters, it is considered to be of national interest and welfare to have electricity in order that the health of these people may

be protected and that they may have the opportunities for cultural release and the growth of character and personality which electricity facilitates.<sup>1</sup> Also, in the case of some islands located several miles from the mainland, the state has given grants for the laying of submarine cable.

Because the state believes that electricity is essential for rural welfare, it has decided to grant subsidies in cases where natural conditions isolate virile and self-supporting communities. In such cases the Parliament provides directly the amount of subsidy which will be granted and uses engineering surveys of the State Water Power Administration as determining data.

The amortization and interest charges on the individual member's indebtedness are paid independently of the rates for power consumed. The interest charges at the present time on publicly secured loans range from 3 to 4½ percent, with the prevailing average at about 4.15 percent. As amortization charges have been set regularly, the indebtedness has diminished progressively. At the present time it is estimated that about 85 percent of the capital of the electric societies has been paid in cash, and it is expected that the great majority of all societies will be free from indebtedness within 6 to 8 years. As debts are amortized the societies are free to receive benefits in the form of rate reductions.

The private power companies serving rural areas naturally follow an altogether different policy in financing the construction of rural lines. The South Swedish Power Co., for example, has each consumer make a flat charge contribution. Each farm customer is requested to pay approximately \$6.25 for each lighting outlet up to the maximum of 12, and approximately \$18.75 per kilowatt of motor or power installation. These are flat charges which are incurred but once. If the line costs more than these contributions provide, the company pays the difference.

(b) *Czechoslovakia*.—If a rural community desires electric service it initiates activity by forming a cooperative organization and making its desire known to the State Ministry of Public Works and to the State organized or designated public-utility company. The public-utility company makes the necessary surveys and estimates the annual revenue that may be anticipated in relation to the cost of construction. In general, this revenue should be equivalent to roughly 20 percent of the cost.

The members of the society have to buy shares and raise part of the capital for the construction of the distribution lines. The State is not directly interested in how the members of the society will allocate their investment

<sup>1</sup> It is of interest to note that I was informed that the tubercular rate in Finland has declined materially in the rural regions since the introduction of electric power. Before the days of electric light the farmer in northern Finland would be tempted to remain closely confined indoors amid a smoky atmosphere. Life was inactive because the long darkness determined that man should live in idleness. Since the introduction of electric power, a more normal routine of activity is maintained throughout the winter with beneficial effects on the rural health.

among themselves. The investment is usually allocated among the members according to their acreage of cultivated land, or to their kilowatt of demand, or by the number of rooms in their houses if the consumer does not have any farm land. If the member is unable to pay for his shares in cash, he may obtain a loan from one of the cooperative banks (credit societies) in an indirect manner. The member gives to the local cooperative society his note which is an unlimited guarantee on his land and livestock. The society, with this mortgage or lien as security, goes to one of the agricultural cooperative banks and borrows the necessary capital.

If the local society is unable to raise the entire capital from its members, it may appeal to the Government for a subsidy. The Government is authorized by law to give subsidies amounting to as much as 50 percent, but in practice the subsidies are about 20 percent and rarely exceed 30 percent. The amount of subsidy is determined after a study involving such factors as the type of soil within the community, the topography, and crop values.

It will be remembered that in the case of Czechoslovakia the rural electric cooperative is principally a financing mechanism. After the capital has been raised, the cooperative society turns this capital over to the public utility company, because it is the public utility company which will do the construction, take ownership of the lines, and operate and maintain them thereafter. In return for its capital contribution, the cooperative society receives securities of the public utility company. These securities, however, are of two types, one being interest-bearing, salable and redeemable; the other being noninterest bearing and nonredeemable.

For its contribution the cooperative usually receives from 15 to 25 percent in interest-bearing securities and the remaining 85 to 75 percent in noninterest-bearing obligations. The latter are in reality but little more than a receipt for the capital received. They represent a direct contribution by the cooperative to the facilities of the public utility company.

However, it must be remembered, that the public utility company is not a private enterprise, as we understand the term, but in reality a state enterprise or public enterprise with the greater part of the capital contributed by public authorities. The Eastern Bohemia Power Co., for example, has a total capitalization of 44,600,000 koruny (\$1,784,000), which is divided as follows:

- 6,000,000 koruny (\$240,000) from the Federal Government,
- 20,000,000 koruny (\$800,000) from the Provincial Government,
- 13,000,000 koruny (\$520,000) from cooperative societies,
- 4,000,000 koruny (\$160,000) from the county government, and
- 800,000 koruny (\$32,000) each from municipalities and private industries.

If a resident of the community desires to join in the cooperative society at a later date, he may become a new member by paying the same rate as the original members. If all of his capital contribution is not needed for the expenses of making the line connection and installation, the excess goes to a reserve fund which may be used for subsidizing more farms or homes or barns in the community. Such subsidies are usually given in case a farmer loses his farm or home through fire.

If a member dies or moves out of the community, a refund of his proportional part of the interest-bearing securities held by the cooperative society may be made after 3 years.

The cooperative society may desire to sell its interest-bearing securities and use the proceeds to retire its indebtedness with the local banks should it have such indebtedness. The noninterest-bearing securities, which are in reality a form of common stock, are usually held by the society which, in conjunction with other societies, elects representatives to the board of directors of the public utility company. In this manner, agricultural interests are truly represented on the boards of the public utility companies and all matters of policy, such as rates and utilization practices, reflect in part the attitude of the agricultural people.

(c) *Denmark*.—In Denmark the Government gives little supervision and financial aid to the electric cooperative societies. The financing of the cooperatives is principally a matter of private contract and private credit. After the amount of capital needed for the construction of the line has been determined, it is allocated among the members according to a complex formula involving such factors as the area of farm land, quality of soil, value of land, average value of crops, taxes paid, etc.

If the individual member does not have sufficient cash to pay his proportionate share of the capital, he gives to the cooperative society a declaration—a form of third mortgage—which is recorded in the provincial office of deeds. As this declaration is a mortgage on the land, the cooperative society may take it to the municipality which will guarantee the mortgage. Then a cooperative society takes the declaration and the municipality's guarantee to a cooperative bank, or savings bank, or insurance company which lends the necessary money for construction purposes.

These loans are for a term varying from 10 to 25 years. They are amortized by adding a fixed charge to the consumers' rates. In some cases, the farmers can borrow for their installations and even for equipment for giving a declaration.

The procedure of financing in the case of private or semipublic companies differs. The North Zealand Power Co., for example, stated that they required the group of farmers who were applying for service to pay about 75 cents for each \$250 of tax valuation. This payment suffices no matter how far the farmers may be

from an existing transformer station. This amount is a direct contribution to the company. The company does not pay the farmers for rights-of-way for low-tension lines. For high-tension lines, however, which may cross a farmer's property, the company makes a payment of about \$5 per pole.

(d) *Switzerland*.—It is difficult to ascertain what the prevailing method of financing cooperatives in Switzerland might be, for the practices vary. In one example cited, any individual could become a member of the cooperative society on the payment of 5 Swiss francs. To this initial contribution are added varying contributions depending on the appliances used by the members, for instance, 3 francs for light sockets, 15 francs for each horsepower of electric motors, 36 francs for an electric stove, etc. In this manner the members participate in the financing according to the appliances they use.

#### *Financing of Operations*

(a) *Maintenance expenditures*.—In both Sweden and Denmark, it is the prevailing rule for cooperative societies to meet the cost of repairs and maintenance from operating revenues. Only in isolated cases is it considered necessary to resort to new financing.

The Swedish system provides for the establishment of reserves. In Denmark, on the other hand, there is no established procedure for building up reserve funds. However, the societies usually set aside some of their revenues during good years out of which repairs and replacements are made.

In the case of Czechoslovakia, all operating functions are the responsibility of the public utility companies, and so the cooperatives have no obligation to meet for these expenditures.

(b) *Depreciation*.—In Sweden no formal charges are made for depreciation. The books of account provide for maintenance, amortization, and a reserve fund. These are considered adequate. As stated, if because of accidents or an unforeseen contingency, an unusually heavy charge has to be made, new capital usually can be secured from a local savings bank at an interest rate of 3 to 4 percent. The reserve fund is usually adequate to meet any such contingencies because, by law, there must be a minimum of 10 percent of the net revenues set aside each year as a reserve.

In contrast with the Swedish procedure, the Swiss Government establishes standards for depreciation. Electrical equipment must be depreciated over a period of 25 years, iron structures 40 years, and stone and cement structures 60 years.

Because of the Swiss system of water rights, amortization and depreciation reserves are of special importance. If either a private company or a cooperative has a hydro-plant, the water rights revert to either the state, the canton or the municipality within 80 years after the time of grant. All hydro structures are considered to go with

the right, and therefore also revert. The electrical equipment, however, does not revert, but it can be sold to the canton at the time of reversion of water rights. If it can be shown that the canton or municipality can use this equipment, the owners of the electrical apparatus may compel the canton to purchase it.

Policies regarding the investment of reserve funds vary. Some concerns invest the funds by replacing and extending their own facilities, while others invest the reserve funds outside of their own concern. It is of interest to note that over 50 percent of all the electric power plants and transmission and distribution lines in Switzerland have been written off or amortized.

In Denmark the normal period for amortization of capital in power stations and in lines is 25 years, while the amortization period for investments in installations and transformers is 20 years.

(c) *Patronage refund policy*.—In both Sweden and Denmark the patronage refund policy is one which favors low rates rather than high refunds. Only in isolated cases has there been some distribution of net earnings directly to the membership in the form of cash. With increases in consumption and in net earnings, the rates or tariff are lowered correspondingly in order to encourage further increases in consumption and in the utilization of appliances.

#### *Business Relations With Other Cooperative Organizations*

Although the electric societies have reached their greatest point of development in countries where both agricultural and cooperative organizations are highly developed, the relationships existing between the electric societies and these other forms of cooperative enterprise are not intimate.

The experience of the farmers with cooperative methods in agricultural operations, of course, paved the way for an understanding as to the procedure of forming and operating an electric cooperative. Because the farmers were already participating in cooperative enterprise, it was not necessary to do initial educational and promotional work.

With the exception of Finland, however, the farmers cooperative purchasing societies are not organized for the sale of electrical machinery and equipment to their members. In most cases, the members of the electric distribution cooperatives buy their electrical appliances either from the power companies or from dealers in the towns and cities.

The Hankkija Agricultural Cooperative Wholesale Society of Finland is the exception to this generalization. This society was established in 1905 for the purpose, according to its statutes, of supplying its members with agricultural necessities, assisting the local agricultural societies in their buying and selling, and promoting the formation of agricultural purchasing and selling coopera-



tive organizations. It was established, therefore, as a central trading and manufacturing organization to sell the agricultural produce of its members and to purchase for them such goods and supplies as they needed. Today the Hankkija Society is one of the largest business enterprises in Finland and its functions are classified in the following departments: Fertilizers and foodstuffs, feeds, plant breeding, agricultural machinery, dairy machinery, extension and information, and electrical machinery.

According to the information received, the society is now the third largest wholesaler of electrical equipment in Finland. It has built 50 percent more rural distribution systems than all other constructors in Finland together. It was estimated that the society has constructed over 350 power stations. Some of these stations were for private industry, others for municipalities, but the majority have been for cooperative associations.

In addition to its electric power activities, the society also is engaged in the construction and sale of telephone lines and equipment. As far as could be ascertained, the Hankkija Society is the outstanding example in Europe of cooperation between an electric distribution society and farm purchasing societies.

#### *Landlord-Tenant Relationships*

The general point of view on the continent of Europe, as far as could be ascertained, is that an extensive use of electric power and the creation of a politically and economically strong farm economy is dependent upon the extension of owner-operated farms. In the case of tenant farms, however, one usually finds either legal provision or the sanction of custom for the owner of the farm to aid and reward the tenant if he makes permanent improvements.

In Sweden, for example, owners are compelled by law to help the tenants with the installation of electric power. If electricity is offered to the farm by a reputable concern in accordance with an authorized plan, the owner of the farm is compelled to pay the wiring cost up to the point of outlet. The tenant usually pays for the electrical equipment and appliances.

If he should leave the farm, however, and not wish to take this equipment with him, he may be reimbursed by the landlord for the undepreciated value of the equipment plus some extra consideration for the higher value of the farm due to the tenant's use of electric power. The maximum that the tenant may receive is the amount he invested in the electrification of the farm.

If the landlord and tenant are unable to reach an agreement as to the amount of compensation the tenant is to receive for his power improvements, they may submit their case to an arbitration board composed of three people. If the findings of the board are not satisfactory, the case may be taken to court after the passage of 90 days.

In some cases, however, the farm owners are members of the electric cooperative association and as such pay all the costs of electrification, the tenant reimbursing the owner through his rental payment. In other cases, the tenants belong to the association and pay the entire cost of electrification, but the landlords then make an allowance for the amount so expended in the determination of rent.

#### *Summary*

The attitude prevalent throughout Europe is that electric power is necessary for civilized living and that the public weal demands that both rural and urban citizens shall have equal access to such a necessity. Since it has always seemed normal and natural that rural areas should have electricity, the obligation to make service available is widely appreciated by public and private power interests.

Throughout Europe, various power interests, whether they be private, municipal, or state, frequently coordinate their efforts. Through voluntary associations and mutual ownerships, power resources are developed with different interests sharing in the contribution of capital and in the output of electric power produced. The belief exists that the economic function to be performed and the technical conditions inherent in the performance determine the desired procedure.

The basic superiority of the public's right of access to the necessities of life is unquestionably accepted. It is the duty of the state to maintain this objective. The approach to the power problem is from the viewpoint of consumption. Consumers' interests have always been, in power as in other things, in high quality and low price. Plentiful and cheap power for all strengthens the national economy because it adds to the well-being and workability of the individual members.

Of the countries visited, the cooperative form of organization for rural electrification is of significance in Sweden, Finland, Denmark, and Czechoslovakia. Public enterprise dominates in Switzerland and the Irish Free State; restricted private enterprise dominates in France and Great Britain.

Because electric power is relatively intangible and automatic, electric cooperatives do not offer the opportunities for frequently recurring contacts between the individual member and the association which is so characteristic of other types of cooperative enterprise.

The principal functions of the rural electric cooperatives are those of assisting in the promotion and financing of line construction, of securing economies in distribution through cooperative operation of distribution systems, and of serving as a medium of public relation and consumer education. The societies are frequently subject to specialized forms of public supervision as regards technical, accounting and auditing, and commercial functions.

# Appendix D

## DOCUMENTS ON COOPERATION

### VASARLA'S CHART

#### SHOWING EXTENT OF RATIONALIZATION IN THE DISTRIBUTIVE TRADE IN FINLAND

THE chart reproduced here was used by Hugo Vasarla, managing director of the Finnish "neutral" wholesale society, S. O. K., in a lecture on Rationalization and Distribution in Finland. In the lecture it was pointed out that sound economies in the distributive trade are those achieved, not by paying lower wages to employees, but by effecting as continuous and orderly a flow of goods as possible from producer to consumer. Each point at which this distributive process is interrupted by speculative bargaining represents economic waste. These interruptions are eliminated by control extending from the consumer backward to the producer.

In private trade, consumers' control of retail stores is very slight, since effective control cannot be achieved without ownership. Consumers endeavor to make private stores serve their needs by supplying goods cheaply, while the private stores are endeavoring to make a profit out of consumers. Each tries to control the other. This clash of purpose and energy in contrary efforts at control of distribution is represented in the chart by arrows which come from the different interests and meet head-on. But when the consumers own the retail stores, uninterrupted control and consequent economy are attained, as shown by the continuous arrows.

There is, as the chart shows, a middle realm of retail-wholesale relations in which control is achieved for a percentage of private trade (though not for the largest part of it) through the ownership by private retailers of their own wholesales. The chart shows the proportions to which all such control or rationalization exists in private and in cooperative distribution, as well as the points at which it exists.

It will be seen that about 40 percent of the whole distributive trade of Finland is unorganized, i. e., without control from any point to any other. About 20 percent is partly organized—i. e., private wholesales are owned by private (village) retailers but with no control of retailers by consumers. The remaining 40 percent of Finland's trade, being cooperative, is organized from the

bottom up—i. e., the consumers purchase through their own stores, and these in turn from their own wholesales.

In looking at the chart it should be borne in mind that the arrows represent efforts at control, not the direction of the flow of goods.

At the bottom of the chart, surveying it from left to right, we see that 60 percent of Finland's consumers direct their unorganized buying efforts into a retail field which they fail to control; while, over at the right, 40 percent of the consumers are organized and own their retail stores.

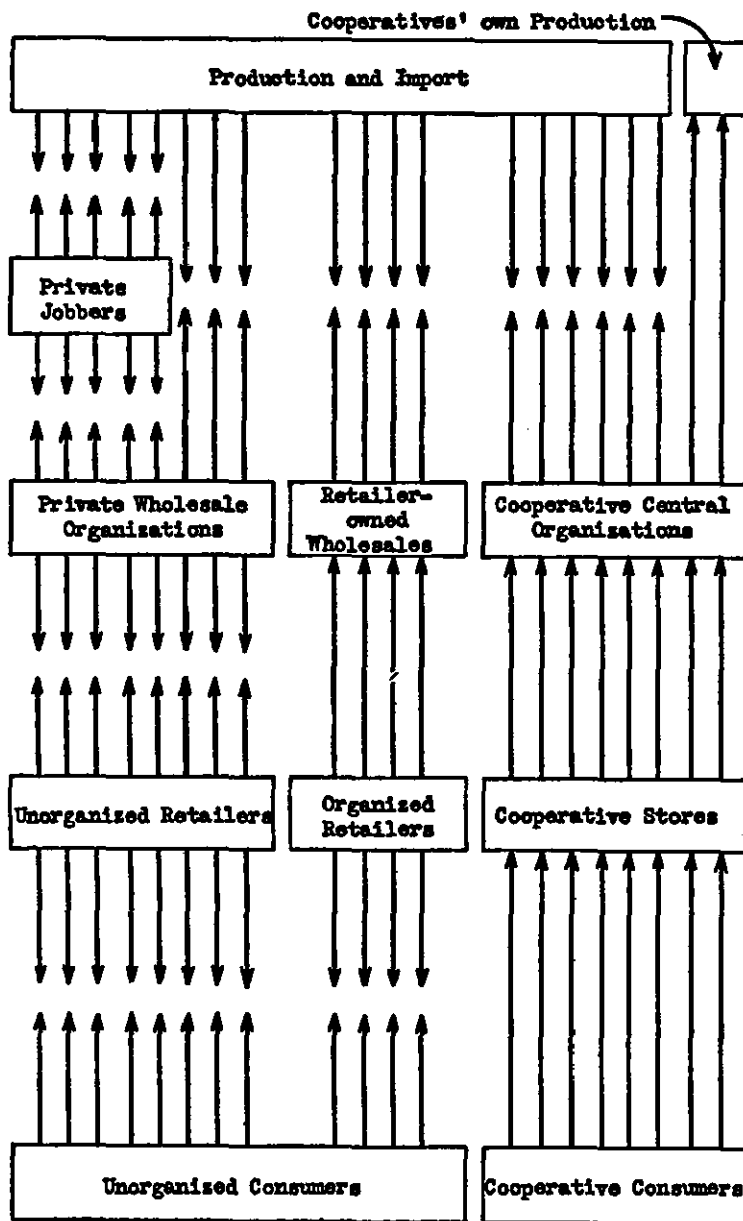
The relations between retail and wholesale trade are shown horizontally in the middle of the chart. Looking from left to right, we find that 40 percent of all retail trade has no control over the wholesales from which it buys. The 60 percent in which the wholesales are owned by the retail trade is divided between private and cooperative enterprise, with cooperatives showing twice as much ownership of wholesales as private trade.

Across the top of the chart are shown the relations between wholesale trade and the producers and importers of goods. Here, in general, is an arena of bargaining—an area into which rationalization has only just begun to be introduced. But we note, at the extreme right of the chart, that cooperatives have to some extent organized their own factories for the supply of goods, to the extent of supplying one-fifth of their needs. Thus they have eliminated, to that degree, one more interruption in the controlled flow of goods to the consumer.

It is, however, in the middle realm of wholesale-retail trade relations that order and economy have most widely been achieved through control, not only by cooperative trade but to a considerable extent also by private traders.

To sum up: Consumer control of retail stores shows only in the cooperative column; and retail control of wholesales exists in only a third of all private trade. The cooperative segment of distribution shows a smooth flow of distributive control from the consumer to the producer. The private segment of trade shows many clashes of control purposes, except to some extent in retail-wholesale relations. Rationalization of distribution appears as a normal result of cooperative organization on a basis of consumer control.

# STRUCTURE OF HOME TRADE IN FINLAND \*



\*This chart is based on a chart prepared by Hugo Vasaaria, but is modified to indicate the place of cooperative production and the relative amount of business done by cooperatives and by organized and unorganized private retailers.

As a result of such rationalization, cooperative wholesale societies are able to conduct their distributive business at a cost of 3.9 percent; and the wholesales owned by village traders (shown in the second column of the chart) operate at a cost of 4.1 percent; while the private wholesale societies shown at the left of the chart have costs of 6.8 percent. These percentages are drawn by Vasarla from Government reports for 1933; comparable figures for private retail trade are not available.

## COOPERATIVE TESTING OF GOODS FOR QUALITY

### FINLAND

"In the course of the years, as new factories have been established which have needed laboratories of their own, the first laboratory of the O. T. K. has developed into a central laboratory for its own requirements and those of the member societies. In addition to the research required by the commercial operations, the central laboratory also analyzes the raw materials needed in the O. T. K.'s own productive establishments, controls the quality of the products, and, in the case of need, assists laboratories of the productive establishments.

"In the course of last year, 3,225 analyses of goods were made, out of which 200 were required by the member societies.

"Out of the analyzed goods, 67.6 percent proved to be of first-class quality, 26.1 percent were satisfactory, and 6.3 percent of an inferior quality. In 470 cases, or 14.6 percent of the analyses made, the report was negative." (Annual Report of the Finnish Cooperative Society, O. T. K., 1933.)

"In accordance with their object to furnish customers with sound and unadulterated goods, the Cooperative Wholesale Societies have founded laboratories of their own for the examination of goods. The S. O. K., the wholesale society of the Finnish neutral cooperative societies, established its laboratory in 1913. The significance of the laboratory is proved by the fact that annually one-fourth of the merchandise offered to the S. O. K. has proved to be faulty or not to correspond with its price, when the samples have been submitted to a scientific examination.

"A similar testing laboratory for merchandise is owned only by the O. T. K., the wholesale society of the Socialistic cooperative societies. No private wholesalers nor wholesale concerns of retail traders have such laboratories. Thus only the cooperative movement has paid attention to the examination of the commodities to be imported, or manufactured at home, before these commodities are bought and dispatched to the retail trade, the examination of goods at some domestic industrial works excepted. The consequence is that faulty goods at unreasonable prices, which have been neither bought nor delivered by S. O. K. to the cooperative societies, are continuously offered in the country. The steady

supply in the market proves that they find outlet in some way.

"But it is evident that by a scientific laboratory examination the interests of customers may be safeguarded in quite another way than by external surveys in spite of their being based on a comprehensive experience.

"Further, the samples of raw products wanted in the productive works of S. O. K. are also examined by its laboratory, and another examination is made upon the arrival of the goods ordered. The manufactures of the productive works have to go through a continuous examination." (Bulletin published by the Finnish Wholesale Society, S. O. K., 1933.)

### SWITZERLAND

"The testing laboratories of the federation tested 4,241 articles during the year as against 3,925 during the previous year. These figures do not include the innumerable experiments and special preparations made by the laboratory concurrently.

"Of these tests, 3,044 were made at the request of V. S. K. and 1,197 at the request of local affiliated societies. About 4.2 percent (149 articles) of those tested, were rejected.

"The chief of the laboratory gave 18 lectures on its work to local cooperative organizations. The laboratory published a number of treatises on the results of its tests and experiments.

"Following are some of the reasons for rejection of articles: Five samples of bread for short weight, 5 samples of butter for impurities, 2 samples of cheese for inferior fat content, 6 cooking-oil samples for deficiencies in butterfat content, 16 samples of domestic lard for impurities and faulty treatment causing rancidity; 4 peanut-oil samples from Denmark were found to contain sesame oil; 3 samples of sausage on account of heat spoilage.

"Other rejected articles included dried fruits, vinegar, spices, honey, flour, wines, chocolate, syrup, sugar, cleaning preparations, yarns, soaps and washing powder." (Annual Report of the Swiss Cooperative Union, V. S. K., 1933.)

## COLLECTIVE BARGAINING BETWEEN CONSUMER COOPERATIVE SOCIETIES AND THEIR EMPLOYEES

1. *France*: 1920 agreement (reaffirmed 1936) between National Federation of Consumer Cooperatives and General Federation of Labor.

This national agreement is only a statement of policy for local cooperative societies and unions to follow in negotiating specific agreements for employees involved.

### PREAMBLE

"Consumer cooperatives are institutions which, by their nature, do not pursue profit and, by their ideals, constitute the elements of a new society. Labor organi-

zations should consider them in this light in the relations which they have with them.

"The cooperative organizations, on the other hand, have the obligation to establish the organization of work by their employees in conformity with union regulations.

"Nevertheless, consumer cooperatives must not be put at a disadvantage with regard to their private competitors or they will disappear and no longer fulfill their role in behalf of consumers and particularly of the workers who for the most part compose the societies.

"It seems then necessary that collective bargaining agreements be made between cooperative organizations and the unions belonging to the General Federation of Labor and including, according to their occupation, the employees of the cooperative societies."

The reciprocal rights and duties of the two parties are made specific:

"Cooperative societies must recognize the right of the contracting union to intervene with the society in order to know the reasons for dismissal of a union member, if he demands this intervention.

"In case of a protest by the union over the cause of dismissal, recourse will be had to a commission of arbitration composed of an equal number of members designated by the regional labor federation or local federation and the regional cooperative federation (not including the interested parties)."

In the case of a strike of a union or unions embracing members who work for the cooperatives:

"Cooperatives engage to put into effect immediately the modifications of conditions in the union scale.

"In case of a raise in salaries, the cooperatives engage to apply the new scales which are obtained as soon as the strike is terminated. This application will be retroactive from the first day of the strike.

"Members of the union on strike working in the contracting cooperative societies must give moral and financial aid to their fellow-unionists on strike. They must pay the assessments which the union levies on their salaries, up to 20 percent of their salary.

"In case the union does not succeed in obtaining its demands in their entirety, the cooperatives will only apply the advantages gained by the strike. \* \* \*

"The cooperative societies are not to be made to suffer from sympathetic strikes."

2. *Great Britain:* Sectional agreement between Cooperative Societies' Hours and Wages Boards and Trade Unions:

"Memorandum of agreement between the Northern Sectional Council of Hours and Wages Boards of the Co-operative Union, Ltd. (acting on behalf of its affiliated District Hours and Wages Boards); and the National Union of Distributive and Allied Workers; the National Amalgamated Union of Shop Assistants, Warehousemen, and Clerks; and the National Union of Clerks and Administrative Workers.

\* \* \*

"Where an employee, at the date of coming into operation of this agreement is not receiving wages in excess of the scale set out in this agreement, the wages of such employee shall be as per such scale. In respect of any wages in excess of such scale, such employee shall continue to receive such increases until the society by which such employee is employed has given the employee 2 weeks' notice (6 weeks' notice in the cases of workers covered by clauses (f), (g), (h), (i), and (j) of pt. I) in writing that the increase will be withdrawn. The union representing such employee shall, on such notice being given, have the right to make representations to the Northern Sectional Wages Council in respect of such withdrawal.

"Where at the date of coming into operation of this agreement, an employee is enjoying better conditions of service than those set out in this agreement, such better conditions can be withdrawn by the society employing the employee on its giving 2 weeks' notice in writing to the employee that the better conditions will be withdrawn. The union representing such employee shall thereupon have the right to make representations to the Northern Sectional Wages Council in respect of such withdrawal."

#### "GENERAL DISTRIBUTIVE AND TRANSPORT EMPLOYEES

##### "Part I. Weekly Rates of Wages

"Weekly scales of pay for the various classifications of employees are set. *Classifications:* Juniors; skilled adults (including drivers of motor vehicles of unladen weight, 1 ton or over); unskilled adults (including all transport workers other than drivers of motor vehicles of unladen weight, 1 ton or over); clerks; foremen or first assistants; grocery shop managers (nonbuyers); grocery shop manageresses (nonbuyers); butchery shop managers (nonbuyers); other shop managers (nonbuyers); other shop manageresses (nonbuyers), except butchery shops for which the relevant rates are those laid down for butchery shop managers (nonbuyers); men in charge of travelling shops. For managers and manageresses (buyers) "The National Union of Cooperative Officials' Agreement to apply."

##### "Part II. General Conditions of Labour

###### "(a) Hours

"The general working week shall be one of 44 hours, but in the case of clerks and check clerks the weekly hours shall be 40, with the exception of shop cashiers and others, whose duties are such as to necessitate their attendance during the full business hours of the society.

###### "(b) Overtime

"For all time worked beyond the weekly number of hours, payment to be made as follows:

"'First 4 hours, time and a quarter rate. All other hours, time and a half rate.'

"For Sundays and all statutory holidays, double time rate, provided that in any district or locality where it is the practice to work on a statutory holiday, another day shall be substituted by arrangement and paid for. Where it is necessary to clear the shops of customers after the usual hour for closing, 15 minutes shall be allowed free from any overtime payment.

"Overtime rates shall not apply until 44 hours (40 for clerks) have been worked, except in a week in which a recognized holiday occurs. In such a week, overtime rates shall apply after 36 hours (32 for clerks) have been worked, except that, in the weeks in which Christmas Day and Good Friday occur, overtime rates shall not apply until after 38 hours (34 for clerks) have been worked.

#### "(c) Wages During Sickness

"In all cases of absence from work arising through sickness or physical or mental incapacity for work the production of satisfactory medical evidence shall give the right to sickness payment under this agreement as follows:

" 'A total of 4 weeks' half-pay in the aggregate in any one year, dating from January 1 to December 31.'

#### "(d) Holidays with Pay

"Holidays with pay shall be allowed as follows:

- "(1) *Annual holiday*.—Workers with 6 months' service and over, 10 working days.
- "(2) *Other recognized holidays*.—Good Friday, Easter Monday, Whit-Monday, August Bank holiday, Christmas Day, and New Year's Day.
- "(3) *Further holidays*.—The allowance of any further holidays beyond those set out in (1) and (2) above shall be negotiated by the unions concerned and the societies or their representatives.
- "(4) *Additional holidays*.—An employee is entitled to an additional holiday when an agreed holiday falls within the period of the employee's annual holiday. A society is not necessarily required to give this immediately before or following the annual vacation, and this is a matter to be left to local arrangement.
- "(5) *Substituted holidays*.—Where it is necessary for any society to work on any holiday, the society shall have the right to substitute another day therefor."

#### "Part IV. Date of Operation of Agreement

"The terms of this agreement shall be effective on and from the first pay day in the week commencing September 23, 1935.

#### "Part V. Termination of Agreement

"This agreement shall be terminable by any of the parties hereto at the expiration of 2 months' notice given to each of the other parties.

#### "Part VI. Application of Agreement

"The foregoing rates of wages and conditions of labor are binding upon all cooperative societies affiliated to the District Hours and Wages Boards in the northern section of the Cooperative Union Limited; and upon all branches of the National Union of Distributive and Allied Workers; National Amalgamated Union of Shop Assistants, Warehousemen and Clerks; and National Union of Clerks and Administrative Workers; situate within the districts of the said northern section. They apply to all general distributive and transport workers of the classes named in clauses (a) to (n) of part I, other than those employed on milk work."

#### AGRICULTURAL AND CONSUMER COOPERATIVE AGREEMENT IN CZECHOSLOVAKIA

BETWEEN V. D. P., COOPERATIVE WHOLESALE SOCIETY OF THE LARGEST CONSUMER COOPERATIVE FEDERATION, AND KOOPERATIVA NATIONAL SUPPLY ASSOCIATION OF THE AGRICULTURAL COOPERATIVE SOCIETIES

In May 1928, Kooperativa, the cooperative supply association of the agricultural cooperative societies in Czechoslovakia, and V. D. P., the cooperative wholesale society of the largest federation of Czechoslovakian distributive cooperative societies, decided to establish their mutual relations on the basis of the following agreement:

1. The two organizations shall set up a committee of four members which will deal with all questions involved in this agreement.
2. All questions not within the sphere of both organizations shall be excluded.
3. The committee shall examine all possibilities of undertaking joint commercial operations, particularly with regard to importation (more especially wheat and fodder).
4. The two organizations undertake to respect the commercial relationships which each of them has with its own members, and each one is bound to make known the commercial relationships which it maintains with the members of the other.
5. Each of the central organizations undertakes to secure from the other its supplies of all articles sold by the latter and to grant it preference whenever the conditions of sale are the same as those in private trade. As a supplement to the present agreement, a list of the articles in which they deal will be exchanged.
6. The two organizations will endeavor to systematically organize their mutual relations; with particular reference to national agricultural products, purchases will be centralized by the Kooperativa. The latter body will insure the sale of these products by setting up the appropriate organization in the principal consuming centers.
7. With a view to facilitating commercial relationships, the two organizations become members of each other.

8. The joint committee shall deal with questions regarding the sale and distribution of agricultural products under the most favorable conditions.
9. The joint committee shall deal with questions of rationalization of the undertakings of the two organizations, each of which shall make known to the other all the factors entering into the calculation of the costs of production and distribution. This collaboration will allow the organizations to supervise more effectively their own undertakings and even private undertakings. It will, at the same time, allow them to gain the necessary experience in the sphere of production.

It is not as yet possible to show the results of this agreement in figures. By way of information, however, we are informed that the quantity of agricultural products (not including milk) bought in 1929 by V. D. P., its branches, its flour mills, and some of its large affiliated societies, amounted to 45,745 tons. Of this amount 19,043 tons (about 42 percent) were bought from private dealers. The remainder (58 percent) was bought for the most part from agricultural cooperative federations and societies; in part directly from individual farmers, and in a small proportion from Government estates.

#### A COOPERATIVE VIEW OF CREDIT TRADING

EXCERPT FROM *WOMEN AND CREDIT TRADING*, BY MARGARET HELEN AND A. HONORA ENFIELD, A REPORT TO THE BRITISH COOPERATIVE WOMEN'S GUILD, 1933

"Looking at the whole system of credit trading as defined at the outset of this report—namely the practice of buying with borrowed purchasing power—it is apparent that in a profit-making order of society this leads to two great social and economic evils.

"At one end of the social scale it leads to usury—to the exploitation by money lenders of the needs of those who have to borrow, too often for the purpose of repaying previous debts or clearing off the accounts of threatening traders.

"The extent of usury operations, and what they mean in terms of human life, is too little known and needs thorough investigation and publicity, and guildswomen could do good service in bringing such facts to light.

"At the other end of the scale, the system of trading on credit leads to the ever growing domination of the great financial trusts, and to the gradual but constant decrease of that portion of the world's wealth that passes as purchasing power through the hands of the consumers and which women as housewives can control.

"For every credit operation takes something from the real purchasing power of the people in the form of interest, leaving the consumer a little weaker than before, and passes it eventually into the great financial institutions on which all industrial enterprise, even cooperative enterprise, is increasingly dependent.

"Unless the cooperative movement can be released from dependence on outside finance, by means of its own financial institutions, which will help to maintain instead of lessening the purchasing power of the people, the Cooperative Commonwealth is only a dream. Careful consideration needs to be given to how best cooperative women can help to build up and strengthen the financial power of the movement.

"To sum up, we are led to the following conclusions and recommendations:

"1. That the whole system of credit-trading is a pernicious one, which has increased with the recent economic distress of the world, but has also been an important factor in producing that distress by acting as a pallative to low wages and withdrawing purchasing power in the form of interest to creditors.

"2. That credit-trading by consumers' societies, whether in the form of general credit or mutuality clubs, is injurious both to the movement and to the housewife, and that cooperative women should work for its gradual abolition.

"(a) This could be effected in the case of general credit by restricting it to fully paid shareholders; to a certain sum; to one order only; for 1 week only; to one department only—

until it is eventually wiped out and members have accustomed themselves to cash payments. A system of 'credit books' or 'tokens' representing a certain sum paid by members in advance on which they can draw until the sum is exhausted, could be used to facilitate the change, as in some American and British societies, for members who have difficulty in going to the stores themselves.

"(b) This could be effected in the case of mutuality clubs by stopping the system of canvassing for new club members; by limiting the number of clubs a member is allowed to enter at the same time; by limiting the clubs to those members whose shareholding covers the amount of the club; and by limiting the departments which offer club facilities.

"3. That alternative means must be provided for enabling those in real need of financial help to get it on fair terms and without any suggestion of charity. These methods should include:

"(a) The institution of special funds by consumers societies from which individual members could be assisted in emergencies up to small amounts repayable within a short time.

"(b) The development in conjunction with trade-unions or works councils of schemes for supplying cooperative members, under the circumstances agreed upon in the scheme, with goods, on presentation of vouchers from their trade-unions who would guarantee the credit.

- "(c) The organization of cooperative credit societies as an integral part of cooperative machinery in order to provide cooperative credit for those in need of loans and extend cooperative control in the sphere of finance.
- "4. That cooperative women should give special atten-

- tion to how they can assist in the building up of these cooperative credit societies.
- "5. That as a preliminary to this and to show the need for such societies, the International Guild, at an appropriate time, should make an investigation into the human consequences of usury."



# Appendix E

## STATISTICAL INFORMATION

### Statistical Presentation of the Growth and Extent of Cooperative Enterprise in Countries Covered by the Inquiry

THE statistical information given in the following section is based upon facts secured from a great many sources. Wherever possible, reports and financial statements prepared and published by the cooperative federations and central wholesales themselves were used and were checked against governmental statistical records. In addition, reports of cooperative congresses and publications of the cooperative section of the International Labor Office have been drawn upon for information.

The available source material in most cases does not include nonfederated societies. The information given, therefore, represents only a part of the whole cooperative movement. While there can be no doubt that the presentation made covers the most important part of the movement in each country pertaining to consumer cooperative enterprise, the material is by necessity confined to items of major importance on which information is available.

In order not to convey a false impression through the information presented, specific attention is called to the following. Any illustration of the extent and growth of cooperative enterprise in the countries represented, irrespective of whether the national currency or the American dollar is used as a base, can at best be only relatively correct. In using the American dollar, it must be considered that the development took place without any relationship to the American dollar and that figures giving extent of enterprise, its growth or decline, are likely to be distorted by reason of the fluctuation in exchange rates.

In using the national currencies as a base, one must consider that there are also important internal commodity price fluctuations. The figures may not convey an accurate picture of the volume of merchandise handled if judged solely on the basis of monetary units. From the information available it is practically impossible to compile statistics corrected to allow for all these factors.

To make the charts and tables given herein more intelligible to the American reader, some of the financial statistics have been converted on a basis of average annual exchange rates and are shown in American dollars. The reader should keep in mind, however, foreign currency fluctuations prior to the dollar devaluation and later devaluation of both the foreign currency and the dollar. To assist the reader, a table of average annual exchange rates is given at the end of this statistical section.

For the reasons given, it is obviously impossible accurately to show extent and growth of the enterprises involved by using either national currencies or American dollars. As an indication of the effect of internal price fluctuations, a number of charts are included on which the extent of cooperative retail business is shown through the use of a commodity or cost-of-living index rather than in monetary units. In other words, the rate of growth or decline in trade is calculated in terms of the purchasing power of the countries' currency on a specific base. The base of the indices used varies from country to country. They were designed by various national authorities primarily to indicate changes in the cost of living of the various countries. In the case of Finland and Denmark information available was insufficient for the preparation of such charts. The procedure used may no doubt give rise to some inaccuracies; it should be remembered, therefore, that charts showing only fluctuations of growth within a country cannot serve for comparison of cooperative enterprise between countries.

Full information of the indices used as a base for calculation can be found in the International Labor Review of May 1935, published by the International Labor Office, and in *The Cost of Living in Foreign Countries*, published in 1927 by the National Industrial Conference Board.

CZECHOSLOVAKIA

TABLE I.—Consumer Cooperative Enterprises<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>		
1. Membership of societies.....	1934	*817,731
2. Number of societies.....	1934	903
3. Number of stores.....	1934	4,500
4. Total retail trade of societies.....	1934	*\$69,264,486
5. Average percentage of patronage refund (percent).....	1934	4.2
6. Total patronage refund to members.....	1934	\$1,385,000
7. Persons employed by retail societies.....	1934	12,195
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1934	3
2. Total trade of central wholesalers.....	1934	\$39,480,000
3. Paid-up share capital of central wholesalers.....	1934	\$1,332,197
4. Fixed assets of central wholesalers.....	1934	\$2,370,800
5. Reserves of central wholesalers.....	1934	\$2,438,226
6. Total annual net surplus of centrals.....	1934	\$65,520
7. Production of central wholesalers.....	1934	\$8,205,738
8. Total of balance sheet.....	1934	\$9,883,575
9. Persons employed by central wholesalers.....	1934	3,200

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

Population:		Percent
a. Rural.....	7,687,864	52.19
b. Urban.....	7,041,672	47.81
c. Total.....	14,729,536	100.00

<sup>2</sup> Estimated national retail trade: 2,544 million dollars.

<sup>3</sup> In addition cooperative stores sell approximately 5.1 percent below the general market price.

TABLE II. Agricultural cooperative enterprises<sup>1</sup>

	Year	
<b>A. LOCAL SOCIETIES</b>		
1. Membership of societies.....	1934	*597,079
2. Number of societies.....	1934	5,376
3. Trade of societies:		
a. Sales to members, consumer and farm supplies.....	1934	\$29,248,273
b. Sales for members and marketing.....	1934	\$58,496,550
c. Total trade of societies.....	1934	\$87,744,823
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1934	12
2. Trade of central wholesalers:		
a. Sales to societies, consumer and farm supplies.....	1934	\$12,832,040
b. Sales for societies and marketing.....	1934	\$59,158,312
c. Total trade of central wholesalers.....	1934	\$71,990,352
3. Paid-up share capital of central wholesalers.....	1934	\$1,937,250
4. Fixed assets of central wholesalers.....	1934	\$2,105,838
5. Reserves of central wholesalers.....	1934	\$1,823,472
6. Total annual net surplus central wholesalers.....	1934	\$132,090
7. Wages and pay rolls of central wholesalers.....	1934	\$1,211,154
8. Total of balance sheets.....	1934	\$26,876,178

<sup>1</sup> Cooperative societies engaged in the purchase and sale of consumer goods and farm supplies, agricultural production and marketing societies and societies for the cooperative purchase and use of machinery, distribution of electric power, cooperative dairies, cattle breeding societies, etc., not including agricultural credit and loan societies.

<sup>2</sup> Rural population, 7,687,864.

TABLE III.—Growth and development of consumer cooperative enterprises<sup>1</sup>

	1914	1919	1924	1929	1934
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>					
1. Membership of societies.....	*166,353	758,000	692,015	722,560	817,731
2. Number of societies.....	994	1,415	1,407	1,066	903
3. Number of stores.....			3,083	3,441	4,500
4. Total retail trade.....	\$594,000	\$13,254,223	\$39,261,000	\$56,385,000	\$69,264,486
5. Average sales per member per year <sup>2</sup> .....	\$3.57	\$17.48	\$56.73	\$78.03	\$84.71
<b>B. CENTRAL WHOLESALERS</b>					
1. Number of central wholesalers.....	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
2. Total trade.....		\$12,886,350	\$23,552,400	\$32,280,510	\$39,480,000
3. Production.....			\$2,045,760	\$7,351,140	\$8,205,738
4. Paid-up share capital.....		\$47,610	\$690,900	\$802,800	\$1,332,197
5. Fixed assets.....		\$117,240	\$1,198,890	\$2,357,340	\$2,370,800
6. Reserves.....		\$30	\$546,570	\$1,338,870	\$2,438,226

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

<sup>2</sup> 1912 membership.

<sup>3</sup> May 1935 Czechoslovakian State statistics on average incomes: Industrial workers, 4,592 Czech kronen (\$182.68) per year; agricultural day workers, 14 Czech kronen (\$0.56) per day; Government and white collar workers, 13,412 Czech kronen (\$536.48) per year.

CZECHOSLOVAKIA

TABLE IV.—Major Statistics on the Development of the Central Wholesales of Agricultural Cooperative Enterprise from 1894 to 1934<sup>1</sup>

Year	Number of wholesales	Cash on hand and in banks	Stocks and bonds	Accounts receivable	Fixed assets, land, buildings, etc.
1894..	1	\$2,430	\$780	\$3,900	-----
1899..	6	66,450	15,570	148,890	\$120
1904..	7	119,040	197,220	724,620	41,760
1909..	9	906,030	642,840	1,348,890	56,820
1914..	9	424,680	934,140	1,970,130	130,380
1919..	10	17,966,940	4,161,810	11,591,970	367,320
1924..	11	17,331,480	24,256,800	18,459,090	1,812,600
1929..	12	16,668,582	36,792,672	38,678,178	3,377,640
1934..	12	8,630,202	25,967,718	77,757,750	4,244,814

Year	Number of wholesales	Paid-up share capital	Reserves	Deposits of members	Notes and accounts payable
1894..	1	\$60	-----	\$12,090	\$30
1899..	6	1,980	\$2,100	220,350	5,940
1904..	7	7,200	5,430	1,048,110	21,900
1909..	9	18,960	21,390	2,659,650	252,390
1914..	9	63,030	42,540	2,632,560	751,170
1919..	10	288,600	256,710	29,413,770	4,175,880
1924..	11	638,520	435,240	52,447,710	9,314,820
1929..	12	893,928	609,336	73,426,794	13,040,748
1934..	12	1,490,244	5,894,616	58,501,254	50,632,260

<sup>1</sup> Including assets and liabilities of finance departments.

DENMARK

TABLE V.—Consumer cooperative enterprise<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES<sup>2</sup></b>		
1. Membership of societies.....	1935	<sup>3</sup> 354,000
2. Number of societies.....	1935	1,939
3. Total retail sales of societies.....	1935	\$63,400,500
4. Stock on hand.....	1934	\$6,800,625
5. Paid-up share capital.....	1934	\$3,674,475
6. Fixed assets.....	1934	\$12,879,225
7. Reserves.....	1934	\$3,674,475
8. Total annual net surplus.....	1934	\$4,564,800
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesales.....	1935	1
2. Number of societies affiliated.....	1935	1,869
3. Total trade of central wholesaler.....	1935	\$40,336,953
4. Stock on hand.....	1935	\$5,091,969
5. Production of central wholesaler.....	1935	\$11,205,135
6. Paid-up share capital.....	1935	\$338,355
7. Fixed assets.....	1935	\$4,018,869
8. Reserves.....	1935	\$4,816,029
9. Total annual net surplus.....	1935	\$2,446,449
10. Total of balance sheet.....	1935	\$19,114,539
11. Number of persons employed.....	1935	3,813

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
<sup>2</sup> 4 to 8 incomplete, only 1,606 societies reporting.  
<sup>3</sup> Total population, 3,705,559.

DENMARK

TABLE VI.—Growth and development of consumer cooperative enterprise<sup>1</sup>

LOCAL DISTRIBUTIVE SOCIETIES<sup>2</sup>

	1920	1922	1924	1926	1928	1930	1932	1934	1935
Membership . . . . .	335,104	337,535	337,500	323,500	321,500	321,500	329,000	347,000	354,000
Number of societies.....	1,792	1,805	1,804	1,802	1,784	1,791	1,819	1,853	1,939
Trade.....	-----	-----	-----	-----	-----	-----	\$44,424,400	\$59,602,500	\$63,400,500

CENTRAL WHOLESALER

Year	Trade	Production	Stock on hand	Paid-up share capital	Reserves	Annual net surplus	Number of persons employed	Percent patronage refund
1920.....	\$32,130,248	\$6,617,356	\$4,686,596	\$202,872	\$1,153,558	\$791,106	1,953	3.0
1922.....	25,792,690	6,214,615	4,554,319	288,420	3,069,792	1,305,205	2,076	5.0
1924.....	28,320,695	7,713,062	5,270,854	230,961	3,112,713	1,946,552	2,485	6.0
1926.....	35,859,678	10,200,184	6,315,248	383,306	5,950,544	1,741,776	2,540	5.0
1928.....	35,876,523	10,167,093	5,419,566	387,417	5,187,009	2,326,905	2,484	5.0
1930.....	38,467,112	10,624,860	5,581,368	387,796	5,341,240	2,886,360	3,028	7.0
1932.....	25,409,704	7,233,676	3,932,960	286,700	4,076,028	1,668,876	3,138	7.0
1934.....	37,811,475	10,680,525	6,125,175	345,825	4,924,575	2,456,550	3,562	7.0
1935.....	40,336,953	11,205,135	5,091,969	338,355	4,816,029	2,446,449	3,813	6.5

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
<sup>2</sup> Membership and number of societies from 1920 to 1930 those affiliated with central wholesaler only.

FINLAND

TABLE VII.—Consumer cooperative enterprises<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>		
1. Membership of societies.....	1935	\$17,763
2. Number of societies.....	1935	532
3. Total retail trade of societies.....	1935	\$73,076,586
4. Stock on hand.....	1935	\$13,531,276
5. Production of societies.....	1935	\$6,514,518
6. Paid-up share capital.....	1935	\$613,910
7. Fixed assets.....	1935	\$7,859,892
8. Total annual net surplus.....	1935	\$1,583,386
9. Total of balance sheets.....	1935	\$33,859,892
10. Number of persons employed.....	1935	15,103
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1935	3
2. Total trade of central wholesalers.....	1935	\$41,637,816
3. Stock on hand.....	1935	\$4,140,466
4. Production of central wholesalers.....	1935	\$7,117,000
5. Paid-up share capital.....	1935	\$77,682
6. Fixed assets.....	1935	\$3,937,010
7. Reserves.....	1935	\$5,870,722
8. Total annual net surplus.....	1935	\$836,330
9. Total of balance sheets.....	1935	\$11,781,506
10. Number of persons employed.....	1935	3,286

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
<sup>2</sup> Total population, 1,762,026.  
<sup>3</sup> Estimated at 30 percent of total national retail trade.  
<sup>4</sup> Approximately 25 percent of the total wholesale trade of Finland.

TABLE VIII.—Growth and development of consumer cooperative enterprise local distributive societies and central wholesalers<sup>1</sup>

Year	Membership of societies	Number of societies	Number of stores	Total retail trade of societies	Average purchase per member per year
1905.....	26,000	155	210	\$2,053,040	\$78.96
1910.....	79,000	405	695	8,569,440	108.47
1915.....	110,000	413	980	16,536,960	150.33
1920.....	318,466	590	2,331	39,182,300	123.03
1925.....	379,207	564	2,875	58,690,048	154.77
1930.....	467,099	534	3,632	74,668,106	159.85
1935.....	517,763	532	4,860	73,076,586	141.13

Year	Trade of central wholesales	Production of central wholesales	Annual net surplus	Capital
1905.....	\$192,768	-----	\$3,264	\$24,384
1910.....	2,613,120	-----	31,680	220,032
1915.....	5,440,345	-----	225,835	597,835
1920.....	14,395,702	\$509,558	253,096	968,694
1925.....	34,115,625	1,301,050	485,050	2,414,175
1930.....	42,249,025	3,580,500	625,575	5,458,975
1935.....	41,637,816	7,117,000	836,330	7,092,536

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

FRANCE

TABLE IX.—Consumer cooperative enterprises<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES<sup>1</sup></b>		
1. Membership of societies.....	1934	<sup>2</sup> 2,540,290
2. Number of societies.....	1934	2,908
3. Number of stores.....	1934	9,239
4. Total retail trade of societies.....	1934	\$233,544,330
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1935	1
2. Number of affiliated societies.....	1935	1,238
3. Total trade of central wholesales.....	1935	\$50,265,402
4. Stock on hand.....	1935	\$1,194,660
5. Paid-up share capital.....	1935	\$1,046,236
6. Fixed assets.....	1935	\$1,998,680
7. Reserves.....	1935	\$1,522,220
8. Production of central wholesales.....	1935	\$3,183,378
9. Total annual net surplus.....	1935	\$408,340
10. Total of balance sheet.....	1935	\$10,719,720
11. Number of persons employed.....	1935	1,140

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
<sup>2</sup> Figures incomplete, membership based on reports of 2,840 societies retail trade on reports of 2,378 societies.  
<sup>3</sup> Total population, 41,834,932.

TABLE X.—Growth and development of consumer cooperative enterprise, local distributive societies, and central wholesales<sup>1</sup>

Year	Membership of societies <sup>2</sup>	Number of societies	Number of stores	Total retail trade of societies <sup>3</sup>	Average purchase per member per year
1918.....	1,312,000	3,724	-----	\$113,386,000	\$86.42
1920.....	2,498,000	4,790	-----	129,466,000	51.82
1922.....	2,329,000	4,300	-----	143,254,000	71.51
1924.....	2,152,000	3,648	-----	112,345,000	52.20
1926.....	2,202,000	3,500	-----	93,920,000	42.65
1928.....	2,285,000	3,513	-----	159,238,000	60.94
1930.....	2,354,000	3,214	-----	158,211,000	67.21
1932.....	2,470,000	3,068	8,855	151,305,000	61.26
1934.....	2,540,290	2,908	9,238	233,544,000	91.94

Year	Number of affiliated societies	Trade of central wholesales	Production of central wholesales	Paid-up share capital	Number of persons employed
1908.....	228	\$889,917	-----	\$10,443	84
1910.....	282	1,902,224	-----	13,800	132
1912.....	295	2,075,015	-----	16,590	206
1914.....	425	2,218,604	\$180,892	23,345	271
1916.....	420	3,384,020	240,975	22,389	518
1918.....	670	10,592,869	675,292	103,311	723
1920.....	1,581	11,681,500	1,710,706	272,846	1,484
1922.....	1,651	17,871,687	1,962,153	594,335	1,469
1924.....	1,561	18,548,872	1,242,870	534,239	1,396
1926.....	1,480	14,582,313	738,069	346,728	832
1928.....	1,454	25,638,485	1,184,428	450,800	785
1930.....	1,327	29,603,487	1,660,500	472,007	902
1932.....	1,301	32,418,400	2,200,000	560,700	1,084
1934.....	1,270	41,370,200	3,012,489	940,200	1,095
1935.....	1,238	50,265,402	3,183,378	1,046,236	1,140

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
<sup>2</sup> Incomplete, membership based on reports of 2,840 societies; retail trade on reports of 2,378 societies.

## GREAT BRITAIN

Including England, Wales, Scotland, Northern Ireland  
and the Irish Free State

**TABLE XI.—Consumer cooperation enterprises<sup>1</sup>**

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>		
1. Membership of societies.....	1935	7,483,976
2. Number of societies.....	1935	1,118
3. Total retail trade of societies.....	1935	\$1,080,545,492
4. Stock on hand.....	1935	\$87,987,802
5. Production of societies.....	1935	\$162,480,295
6. Paid-up share capital.....	1935	\$665,424,559
7. Total annual net surplus.....	1935	\$131,105,157
8. Total of balance sheets.....	1935	\$971,315,913
9. Number of persons employed.....	1935	210,953
10. Wages and pay rolls.....	1935	\$136,298,855
<b>B. DISTRIBUTIVE FEDERATIONS</b>		
1. Number of member societies.....	1935	120
2. Number of federations.....	1935	19
3. Total trade of federations.....	1935	\$4,472,590
4. Stock on hand.....	1935	\$53,446
5. Production of federations.....	1935	\$1,485,360
6. Paid-up share capital.....	1935	\$1,226,907
7. Total annual net surplus.....	1935	\$372,527
8. Total of balance sheets.....	1935	\$1,875,101
9. Number of persons employed.....	1935	698
10. Wages and pay rolls.....	1935	\$376,512
<b>C. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1935	3
2. Total trade of central wholesalers.....	1935	\$573,137,384
3. Stock on hand.....	1935	\$53,459,849
4. Production of central wholesalers.....	1935	\$190,476,720
5. Paid-up share capital.....	1935	\$164,063,626
6. Fixed assets.....	1935	\$257,316,465
7. Reserves.....	1935	\$56,320,215
8. Total annual net surplus.....	1935	\$19,185,305
9. Total of balance sheets.....	1935	\$679,584,382
10. Number of persons employed.....	1935	63,325
11. Wages and pay rolls.....	1935	\$41,391,419

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

<sup>2</sup> Total population, 46,082,000.

<sup>3</sup> Including bonus of \$816,305.

**TABLE XII.—Growth and development of consumer cooperative enterprises, local distributive societies, and central wholesalers<sup>1</sup>**

Year	Membership of societies	Number of societies	Average membership per society	Total retail trade of societies	Average purchase per member per year
1884.....	696,282	1,128	617	\$95,109,908	\$136.61
1889.....	932,000	1,297	719	125,811,986	135.01
1894.....	1,212,945	1,421	854	156,698,035	129.18
1899.....	1,613,461	1,446	1,116	218,930,685	155.69
1904.....	2,078,178	1,454	1,429	288,255,761	158.70
1909.....	2,469,396	1,430	1,727	342,257,524	158.60
1914.....	3,053,776	1,385	2,205	431,541,400	141.50
1919.....	4,131,477	1,357	3,045	880,466,114	213.11
1924.....	4,702,868	1,314	3,579	773,318,753	164.44
1929.....	6,168,994	1,234	4,999	1,053,809,200	170.82
1934.....	7,202,721	1,135	6,346	1,045,147,622	144.82
1935.....	7,483,976	1,118	6,694	1,080,545,492	144.38

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

Year	Trade of central wholesalers	Production of central wholesalers	Annual net surplus	Capital <sup>1</sup>
1870.....	\$2,976,585	-----	\$32,396	\$258,552
1875.....	11,639,690	-----	140,532	1,555,671
1880.....	20,338,624	-----	309,752	2,285,909
1885.....	30,284,463	-----	569,937	5,496,266
1890.....	48,215,953	-----	985,866	10,000,123
1895.....	66,774,545	\$7,690,045	1,591,560	15,872,698
1900.....	104,763,130	18,641,317	2,491,550	23,769,009
1905.....	134,910,857	28,485,564	2,701,837	35,016,466
1910.....	167,035,870	45,763,731	3,583,740	49,298,887
1915.....	258,816,834	82,451,505	7,334,750	77,593,559
1920.....	494,600,443	176,139,076	1,182,228	128,296,088
1925.....	455,108,298	133,376,429	6,717,284	263,524,899
1930.....	500,763,960	175,702,956	8,546,632	374,135,883
1935.....	573,137,384	190,476,720	19,183,305	573,994,729

<sup>1</sup> Including share capital, deposits, reserves, and insurance funds.

**TABLE XIII.—Workers' cooperative productive societies<sup>1</sup>**

	Year	
<b>1. Membership of societies.....</b>		
	1935	33,264
<b>2. Number of societies.....</b>		
	1935	90
<b>3. Total trade.....</b>		
	1935	\$31,233,660
<b>4. Stock on hand.....</b>		
	1935	\$2,330,540
<b>5. Value of annual production.....</b>		
	1935	\$30,002,630
<b>6. Paid-up share capital.....</b>		
	1935	\$9,865,400
<b>7. Fixed assets.....</b>		
	1935	\$10,370,410
<b>8. Reserve and insurance funds.....</b>		
	1935	\$4,636,080
<b>9. Total annual net surplus.....</b>		
	1935	\$2,874,400
<b>10. Total of balance sheets.....</b>		
	1935	\$29,945,520
<b>11. Number of persons employed:</b>		
a. In production.....	1935	18,109
b. In transportation.....	1935	455
c. In distribution.....	1935	417
d. Total.....	1935	18,981
<b>12. Wages and pay rolls:</b>		
a. In production.....	1935	\$9,156,088
b. In transportation.....	1935	298,998
c. In distribution.....	1935	306,203
d. Bonus paid to workers.....	1935	343,611
e. Total.....	1935	10,104,900

<sup>1</sup> Not including production of distributive societies.

### Analysis of 1935 production and sales

	Number of societies	Number of members	Number of persons employed	Salaries and wages <sup>1</sup>	Sales
1. Cotton, linen, silk, and wool.....	10	21,435	5,319	\$2,462,770	\$9,472,950
2. Boots, shoes, leather.....	17	4,742	1,921	1,167,020	3,355,040
3. Metal, hardware.....	3	624	467	221,020	512,850
4. Woodworking.....	1	118	28	20,760	71,130
5. Building and quarries.....	1	50	31	22,110	44,740
6. Printing and binding.....	20	4,054	1,584	1,474,670	3,825,430
7. Corn milling.....	1	64	2	1,810	22,180
8. Baking, confectionery.....	16	1,402	2,752	1,840,070	8,434,050
9. Laundries.....	17	464	6,790	2,508,100	5,317,840
10. Various production.....	4	311	87	42,959	177,450
<b>11. Total.....</b>	<b>90</b>	<b>33,264</b>	<b>18,981</b>	<b>9,761,289</b>	<b>31,233,660</b>

<sup>1</sup> Not including bonus.

GREAT BRITAIN

TABLE XIV.—Agricultural cooperative enterprise<sup>1</sup>

ENGLAND, WALES, SCOTLAND, AND NORTHERN IRELAND

	Year	
<b>A. LOCAL SOCIETIES</b>		
1. Membership of societies.....	1934	39, 763
2. Number of societies.....	1934	157
3. Total trade of societies.....	1934	\$12, 418, 806

IRISH FREE STATE

	Year	
<b>A. LOCAL SOCIETIES</b>		
1. Membership of societies.....	1934	110, 253
2. Number of societies.....	1934	933
3. Total trade of societies.....	1934	\$41, 700, 348
<b>B. CENTRAL WHOLESALE</b>		
1. Number of central wholesales.....	1934	1
2. Trade of central wholesales.....	1934	\$2, 693, 325
3. Stock on hand.....	1934	\$342, 985
4. Paid-up share capital.....	1934	\$219, 225
5. Fixed assets.....	1934	\$341, 855
6. Total annual net surplus.....	1934	\$715
7. Total of balance sheet.....	1934	\$1, 627, 830
8. Number of persons employed.....	1934	115
9. Wages and pay rolls.....	1934	\$116, 465

<sup>1</sup> Cooperative societies engaged in the purchase and sale of consumer goods and farm supplies, and agricultural production and marketing societies, cooperative dairies, cattle-breeding societies, etc. Not including agricultural credit and loan societies. Rural population, 9,216,400.

NORWAY

TABLE XV.—Consumer cooperative enterprise<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>		
1. Membership of societies.....	1935	<sup>2</sup> 138, 557
2. Number of societies.....	1935	497
3. Number of stores.....	1935	795
4. Total retail trade of societies.....	1935	\$31, 923, 321
5. Stock on hand.....	1935	\$4, 605, 415
6. Paid-up share capital.....	1935	\$4, 264, 852
7. Fixed assets.....	1935	\$5, 336, 009
8. Reserves.....	1935	\$3, 401, 196
9. Total annual net surplus.....	1935	\$1, 602, 296
10. Total of balance sheets.....	1935	\$13, 509, 213
11. Number of persons employed.....	1935	3, 228
12. Wages and pay rolls.....	1935	\$1, 959, 586
<b>B. CENTRAL WHOLESALES</b>		
1. Number of central wholesales.....	1935	1
2. Total trade of central wholesales.....	1935	10, 182, 850
3. Stock on hand.....	1935	\$1, 182, 325
4. Production of central wholesales.....	1935	\$4, 477, 200
5. Paid-up share capital.....	1935	\$469, 245
6. Fixed assets.....	1935	\$863, 736
7. Reserves.....	1935	\$139, 561
8. Total annual net surplus.....	1935	\$326, 368
9. Total of balance sheet.....	1935	\$5, 222, 825

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
<sup>2</sup> Total population, 2,817,124.

NORWAY

TABLE XVI.—Growth and development of consumer cooperative enterprise, local distributive societies, and central wholesales<sup>1</sup>

Year	Number of members	Number of societies	Total trade of societies	Average purchase per member	Paid-up share capital	Annual net surplus	Reserves
1908.....	9, 000	41	\$962, 629	\$106. 95	\$42, 263	\$37, 842	\$44, 943
1910.....	15, 000	66	1, 395, 047	93. 00	74, 155	102, 617	57, 834
1912.....	24, 000	112	1, 983, 763	82. 65	94, 952	134, 321	100, 580
1914.....	32, 000	149	2, 685, 252	83. 91	162, 247	185, 375	146, 486
1916.....	47, 000	205	6, 939, 151	147. 64	404, 215	360, 553	371, 925
1918.....	60, 000	233	14, 586, 389	243. 10	787, 103	701, 838	1, 062, 560
1920.....	88, 346	401	18, 612, 000	210. 67	867, 388	809, 407	1, 059, 234
1922.....	93, 202	411	18, 427, 500	197. 71	1, 509, 602	727, 317	1, 213, 730
1924.....	100, 836	433	18, 723, 300	185. 68	1, 460, 278	844, 286	1, 317, 664
1926.....	102, 853	434	24, 819, 900	241. 31	2, 366, 676	1, 006, 733	2, 317, 326
1928.....	99, 821	437	26, 866, 000	269. 14	2, 910, 226	1, 356, 254	2, 906, 023
1930.....	110, 076	455	29, 476, 800	267. 78	3, 302, 843	1, 563, 578	3, 099, 629
1932.....	122, 231	472	18, 918, 000	154. 77	2, 458, 476	1, 056, 132	2, 212, 380
1934.....	130, 245	479	29, 702, 200	228. 04	3, 845, 600	1, 518, 000	3, 314, 300
1935.....	138, 557	497	31, 923, 321	230. 39	4, 264, 852	1, 602, 296	3, 401, 196

<sup>1</sup> Not including consumer activities of farmers' cooperatives.  
 The decline in 1932 figures is partly due to the abandonment of the gold standard by Norway in 1931 and corresponding fluctuation in exchange rates.

NORWAY

TABLE XVI.—Growth and development of consumer cooperative enterprises, local distributive societies, and central wholesale—Con.

Year	Total trade of central wholesale	Production of central wholesale	Paid-up share capital	Annual net surplus	Annual patronage refund	Reserves
1908.....	\$164, 820	.....	\$6, 351	\$1, 313	.....	\$428
1910.....	256, 958	.....	10, 076	5, 279	\$2, 063	3, 269
1912.....	523, 752	.....	15, 678	8, 174	4, 073	10, 934
1914.....	823, 802	.....	24, 152	13, 885	3, 431	17, 635
1916.....	1, 595, 565	.....	39, 644	37, 709	26, 573	39, 415
1918.....	1, 793, 123	.....	94, 354	45, 147	27, 148	124, 290
1920.....	2, 982, 639	\$346, 500	93, 076	24, 354	.....	81, 757
1922.....	3, 630, 410	647, 500	123, 600	36, 855	12, 425	87, 307
1924.....	4, 389, 647	973, 000	148, 896	100, 107	60, 784	126, 059
1926.....	6, 049, 008	1, 204, 200	259, 839	67, 078	43, 931	205, 940
1928.....	7, 040, 461	1, 330, 000	335, 532	151, 380	85, 918	255, 759
1930.....	8, 161, 656	3, 177, 300	370, 916	138, 306	127, 946	314, 445
1932.....	5, 527, 890	2, 358, 000	282, 492	156, 510	134, 766	297, 414
1934.....	9, 183, 166	3, 997, 400	428, 050	309, 899	260, 866	565, 809
1935.....	10, 182, 850	4, 477, 200	469, 245	326, 368	288, 312	626, 783

SWEDEN

TABLE XVII.—Growth and development of cooperative consumer enterprises<sup>1</sup>

	1905	1910	1915	1920	1925	1930	1935
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>							
1. Membership of societies.....	20, 592	73, 545	133, 441	240, 716	315, 174	450, 908	568, 161
2. Number of societies....	100	391	675	943	871	731	719
3. Average membership per society.....	206	188	198	255	362	617	790
4. Number of stores.....	.....	370	852	1, 592	2, 229	3, 302	4, 144
5. Total retail trade.....	\$6, 127, 900	\$14, 138, 167	\$52, 340, 353	\$69, 729, 450	\$91, 973, 708	\$103, 716, 950	\$103, 716, 950
6. Stock on hand.....	\$974, 207	\$2, 195, 265	\$7, 353, 390	\$8, 230, 196	\$9, 768, 621	\$9, 276, 036	\$9, 276, 036
7. Average sales per member per year.....	.....	\$83	\$105	\$217	\$221	\$203	\$182
8. Paid-up share capital....	\$370, 028	\$809, 865	\$2, 872, 124	\$5, 831, 015	\$9, 655, 690	\$11, 665, 115	\$11, 665, 115
9. Fixed assets.....	\$357, 726	\$899, 859	\$3, 290, 325	\$9, 620, 301	\$19, 445, 495	\$25, 862, 101	\$25, 862, 101
10. Reserves.....	\$155, 520	\$491, 030	\$1, 650, 572	\$4, 784, 401	\$10, 151, 125	\$15, 056, 422	\$15, 056, 422
11. Annual net surplus....	\$238, 547	\$473, 243	\$1, 514, 949	\$3, 041, 890	\$4, 432, 344	\$4, 746, 161	\$4, 746, 161
12. Total of balance sheets.....	\$1, 644, 287	\$3, 722, 490	\$12, 954, 516	\$23, 018, 935	\$38, 558, 909	\$46, 745, 634	\$46, 745, 634
<b>B. CENTRAL WHOLESALE</b>							
1. Total trade.....	\$215, 740	\$1, 209, 484	\$4, 271, 332	\$14, 244, 648	\$26, 221, 979	\$38, 561, 443	\$44, 895, 945
2. Stock on hand.....	\$107	\$116, 848	\$361, 683	\$1, 375, 494	\$3, 179, 309	\$4, 272, 909	\$4, 324, 445
3. Production.....	.....	.....	.....	.....	\$10, 692, 498	\$17, 989, 500	\$26, 337, 265
4. Paid-up share capital....	\$804	\$21, 172	\$81, 554	\$469, 016	\$2, 131, 353	\$9, 242, 039	\$13, 055, 998
5. Fixed assets.....	\$134	\$50, 652	\$56, 699	\$824, 927	\$3, 181, 725	\$7, 698, 700	\$11, 650, 481
6. Reserves and funds....	\$536	\$31, 088	\$104, 078	\$319, 029	\$2, 475, 033	\$6, 448, 833	\$10, 023, 092
7. Annual net surplus....	\$4, 556	\$21, 440	\$76, 375	\$73, 969	\$506, 660	\$1, 331, 223	\$1, 686, 267
8. Total of balance sheet...	\$6, 164	\$288, 100	\$1, 218, 383	\$4, 429, 118	\$13, 257, 948	\$29, 563, 611	\$42, 695, 686

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

SWEDEN

TABLE XVIII.—Cooperative consumer enterprise<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>		
1. Membership of societies.....	1935	568, 161
2. Number of societies.....	1935	719
3. Number of stores.....	1935	4, 144
4. Total retail trade of societies.....	1935	\$103, 716, 950
5. Stock on hand.....	1935	\$9, 276, 036
6. Paid-up share capital.....	1935	\$11, 665, 115
7. Fixed assets.....	1935	\$25, 862, 101
8. Reserves.....	1935	\$15, 056, 422
9. Total annual net surplus.....	1935	\$4, 746, 161
10. Total of balance sheets.....	1935	\$46, 745, 634
11. Number of persons employed.....	1935	13, 803
12. Wages and pay rolls.....	1935	\$6, 954, 600
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1935	1
2. Total trade of central wholesalers.....	1935	\$44, 895, 945
3. Stock on hand.....	1935	\$4, 324, 455
4. Production of central wholesalers.....	1935	\$26, 337, 265
5. Paid-up share capital.....	1935	\$13, 055, 998
6. Fixed assets.....	1935	\$11, 650, 481
7. Reserves and funds.....	1935	\$10, 023, 092
8. Total annual net surplus.....	1935	\$1, 686, 267
9. Total of balance sheet.....	1935	\$42, 695, 686
10. Number of persons employed.....	1935	6, 190
11. Wages and pay rolls.....	1935	\$5, 759, 200

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

<sup>2</sup> Consisting of 90 percent food products, 10 percent other goods. Prevailing prices in societies' stores are approximately 4 percent lower than prices in private stores. Average patronage refund approximately 3 percent.

SWITZERLAND

TABLE XIX.—Consumer cooperative enterprise<sup>1</sup>

	Year	
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>		
1. Membership of societies.....	1934	\$ 402, 535
2. Number of societies.....	1934	585
3. Number of stores.....	1934	2, 542
4. Total retail trade of societies.....	1934	\$94, 299, 933
5. Production by societies.....	1934	\$10, 185, 592
6. Paid-up share capital of societies.....	1934	\$2, 912, 801
7. Annual net surplus of societies.....	1934	\$6, 688, 110
8. Persons employed by retail societies.....	1934	8, 946
<b>B. CENTRAL WHOLESALERS</b>		
1. Number of central wholesalers.....	1935	2
2. Total trade of central wholesalers.....	1935	\$57, 573, 187
3. Paid-up share capital of central wholesalers.....	1935	\$543, 985
4. Fixed assets of central wholesalers.....	1935	\$942, 500
5. Reserves of central wholesalers.....	1935	\$3, 445, 000
6. Production of central wholesalers.....	1935	\$4, 431, 504
7. Investments in production enterprises.....	1935	\$2, 108, 363
8. Stock on hand.....	1935	\$1, 166, 191
9. Total of balance sheets.....	1935	\$7, 858, 808
10. Persons employed by central wholesalers.....	1935	706
<b>C. CONSUMER PRODUCTION SOCIETIES</b>		
1. Total trade of production societies.....	1935	\$6, 791, 366
2. Stock on hand.....	1935	\$407, 347
3. Fixed assets of production societies.....	1935	\$1, 689, 364
4. Paid-up share capital of production societies.....	1935	\$750, 400
5. Reserves of production societies.....	1935	\$453, 120
6. Annual net surplus of production societies.....	1935	\$4, 876
7. Total of balance sheets.....	1935	\$4, 282, 694
8. Persons employed by production societies.....	1935	469

<sup>1</sup> Not including consumer activities of farmers' cooperatives.

<sup>2</sup> Total population, 4,066,400.

<sup>3</sup> Approximately 10-12 percent of total national trade.

SWITZERLAND

TABLE XX.—Growth and development of consumer cooperative enterprise<sup>1</sup>

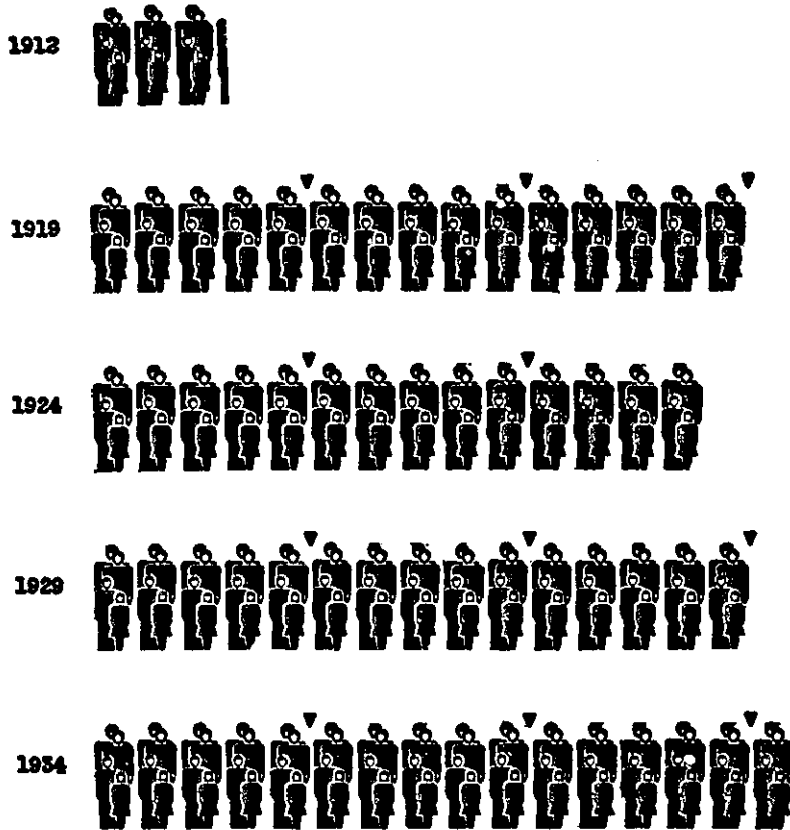
	1930	1931	1932	1933	1934
<b>A. LOCAL DISTRIBUTIVE SOCIETIES</b>					
1. Membership of societies.....	369, 000	376, 300	383, 400	395, 000	402, 535
2. Number of societies.....	577	579	581	584	585
3. Total retail trade of societies.....	\$58, 959, 377	\$59, 832, 704	\$57, 157, 056	\$70, 627, 176	\$94, 299, 933
4. Average sales per member per year.....	\$159	\$159	\$149	\$178	\$234
	1895	1905	1915	1925	1935
<b>B. CENTRAL WHOLESALER, V. S. K.</b>					
1. Number of societies affiliated.....	55	204	407	521	535
2. Total trade of central wholesaler.....	\$219, 046	\$1, 764, 624	\$9, 391, 140	\$24, 211, 056	\$57, 573, 187
3. Paid-up share capital.....	\$3, 136	\$11, 001	\$139, 988	\$307, 850	\$543, 985
4. Fixed assets.....		\$73, 344	\$336, 780	\$618, 560	\$942, 500
5. Annual net surplus.....	\$1, 758	\$16, 818	\$89, 693	\$122, 811	\$242, 684
6. Reserves.....	\$694	\$34, 740	\$465, 879	\$811, 860	\$3, 445, 000
7. Number of persons employed.....	3	67	591	504	706

<sup>1</sup> Not including consumer activities of farmers' cooperatives.



# CZECHOSLOVAKIA

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES




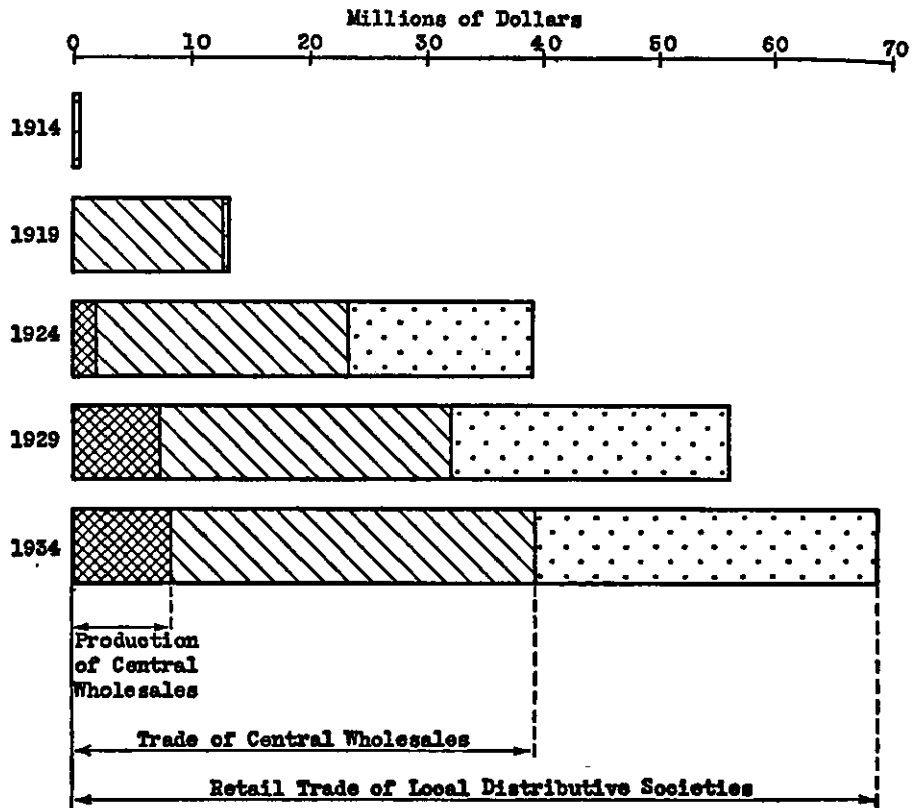
 Represents 50,000 Families.

PLATE I

**CZECHOSLOVAKIA**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**



TOTAL NATIONAL RETAIL TRADE 2,544 MILLION DOLLARS

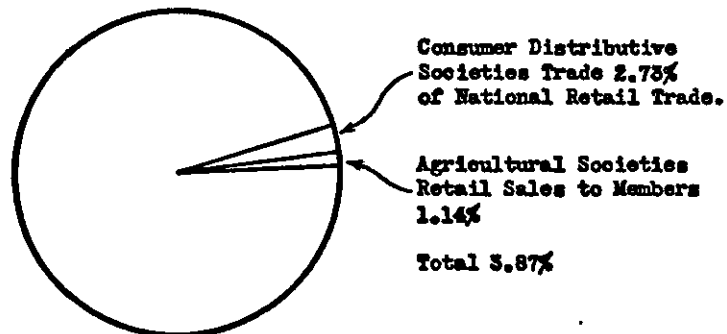
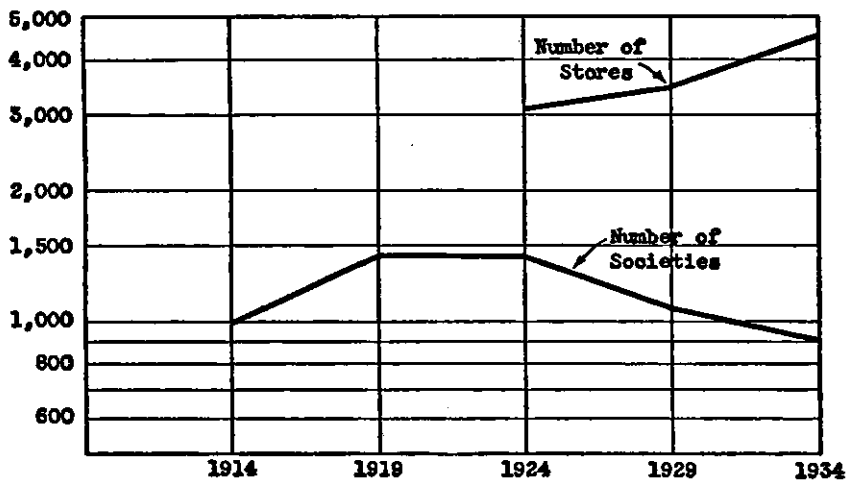
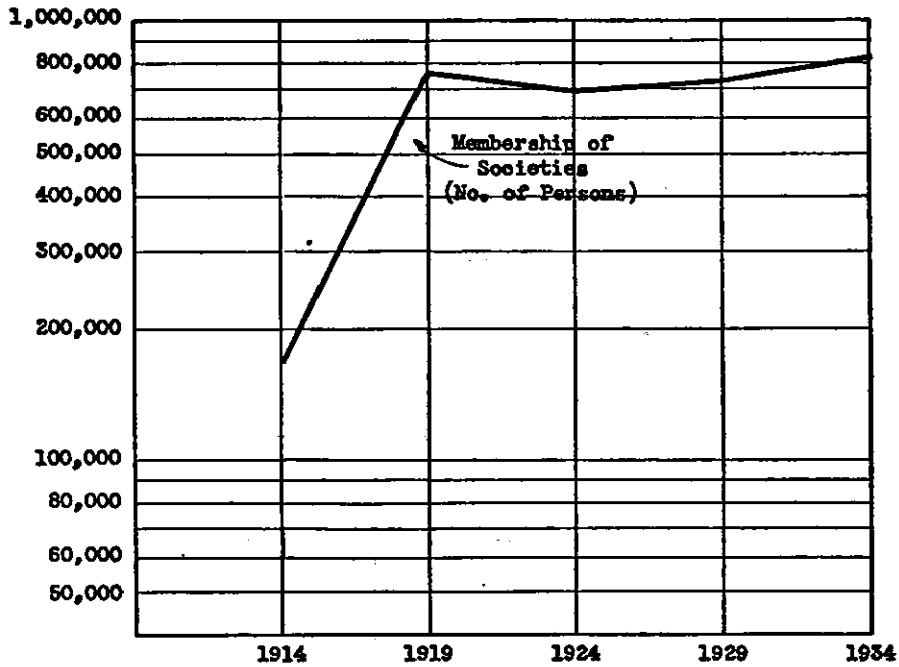


PLATE II

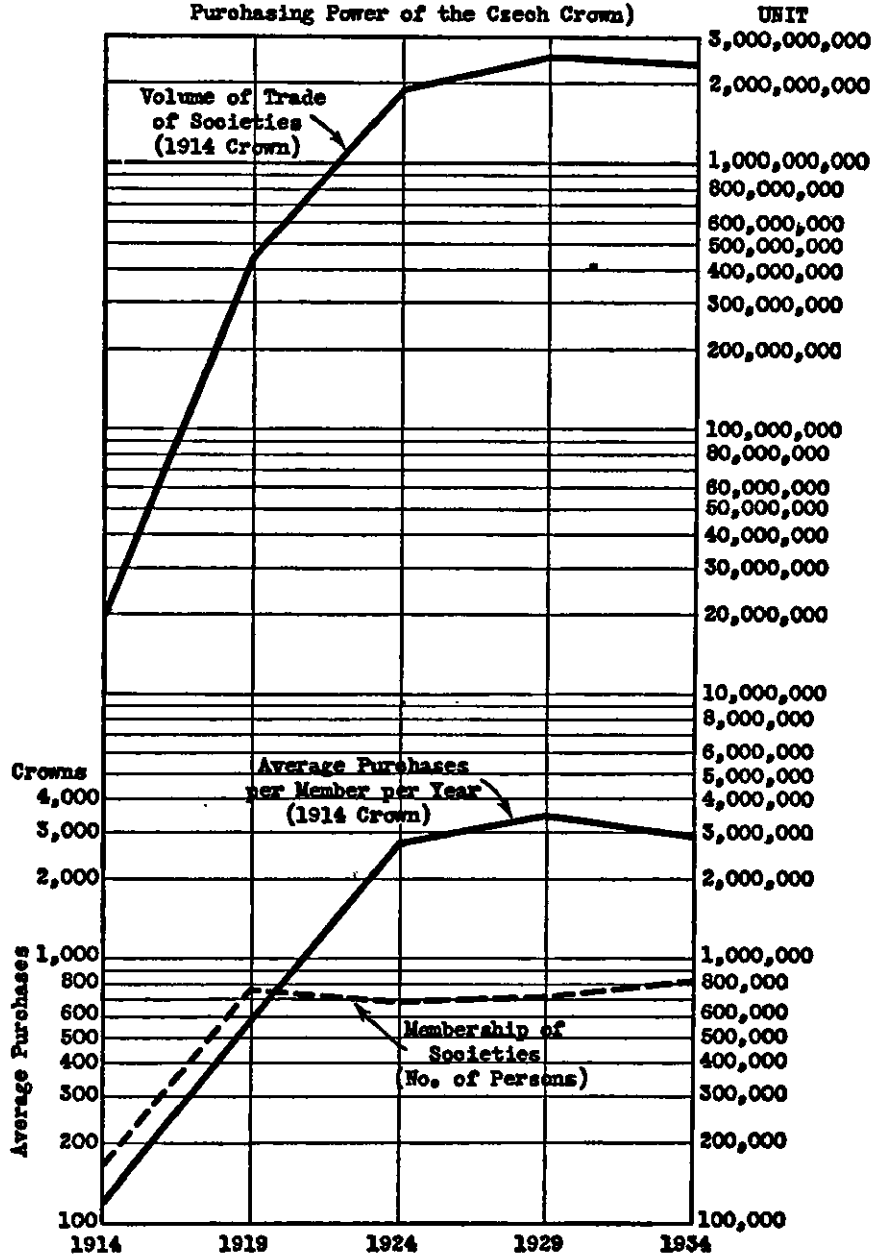
**CZECHOSLOVAKIA**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**  
**LOCAL DISTRIBUTIVE SOCIETIES**



**PLATE III**

**CZECHOSLOVAKIA**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**  
**IN TERMS OF MEMBERSHIP AND TRADE**

(Trade Calculated in Terms of the Domestic  
Purchasing Power of the Czech Crown)



Cost of Living Index as Computed and Published by the Statistical  
Office of Czechoslovakia. Base July 1914 = 100.

PLATE IV

# DENMARK

## GROWTH OF COOPERATIVE CONSUMER ENTERPRISE

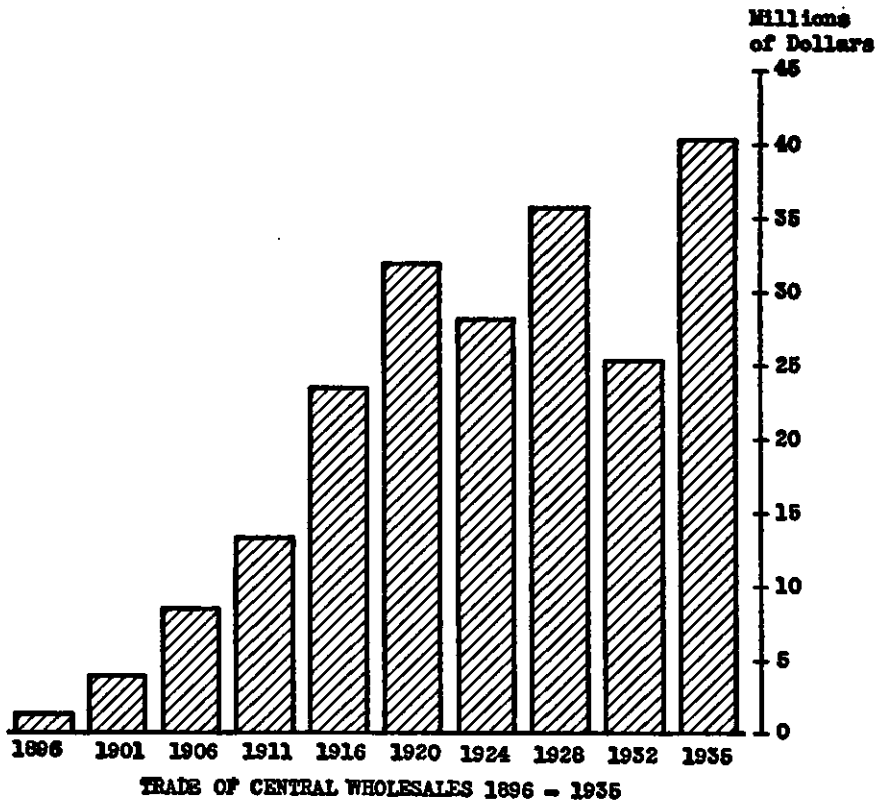
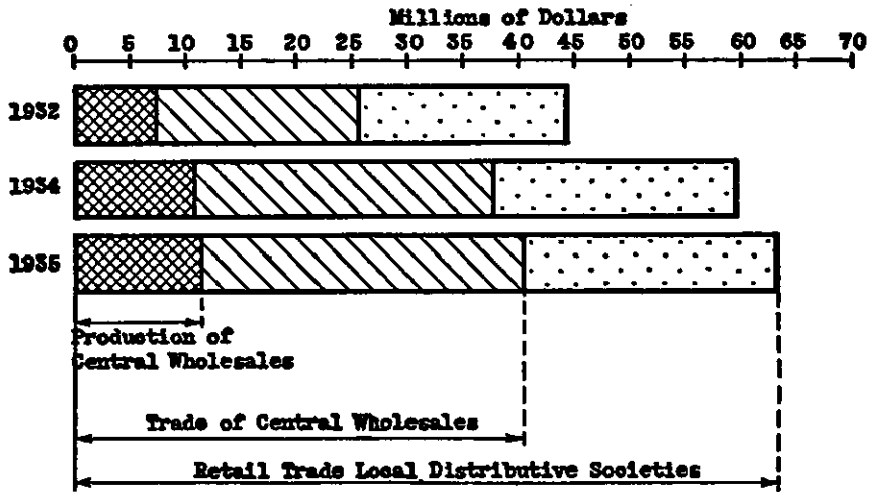
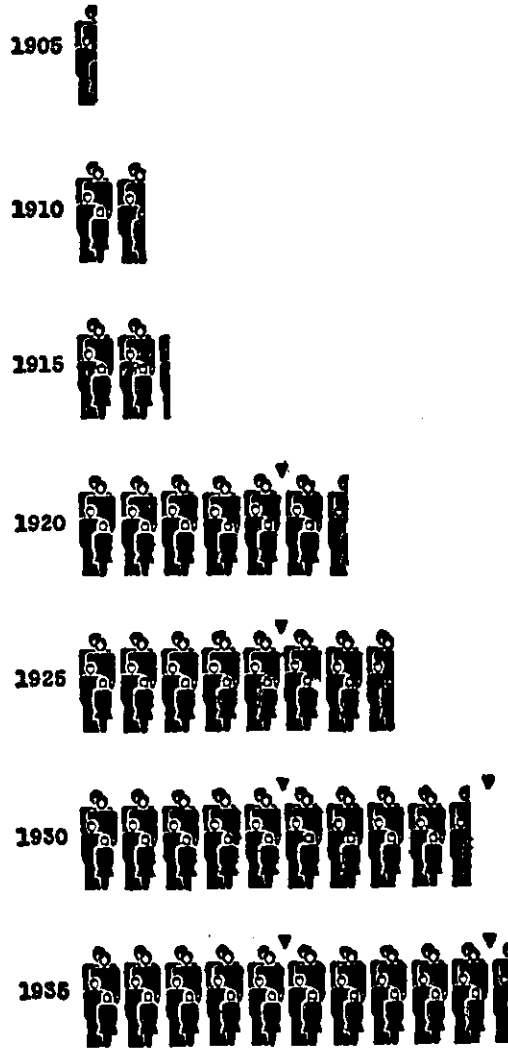


PLATE V

# FINLAND

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES

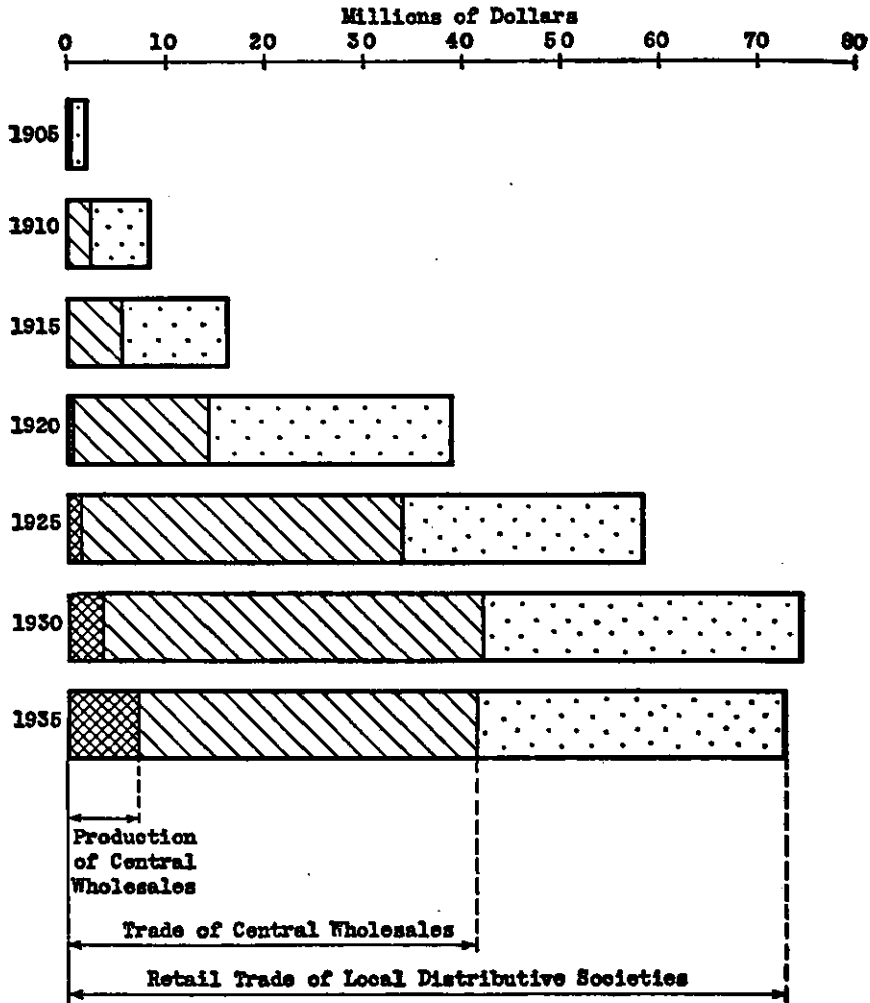


Represents 50,000 Families.

### PLATE VI

# FINLAND

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE



The 1935 Local Distributive Societies Retail Trade of 73 Million Dollars is approximately 30 per cent of the Total National Retail Trade of Finland.

PLATE VII

# FINLAND

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE LOCAL DISTRIBUTIVE SOCIETIES

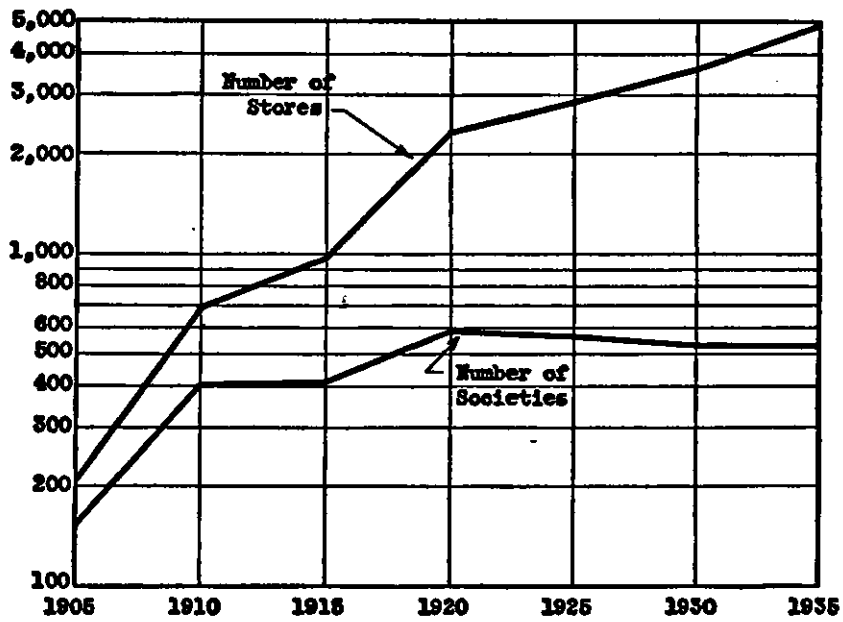
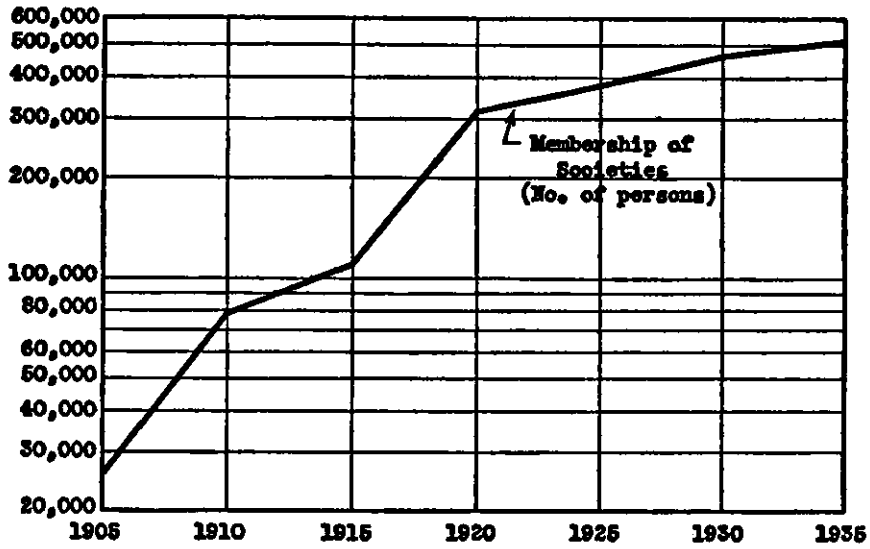


PLATE VIII



# FINLAND

## GROWTH OF COOPERATIVE CONSUMER ENTERPRISE LOCAL DISTRIBUTIVE SOCIETIES

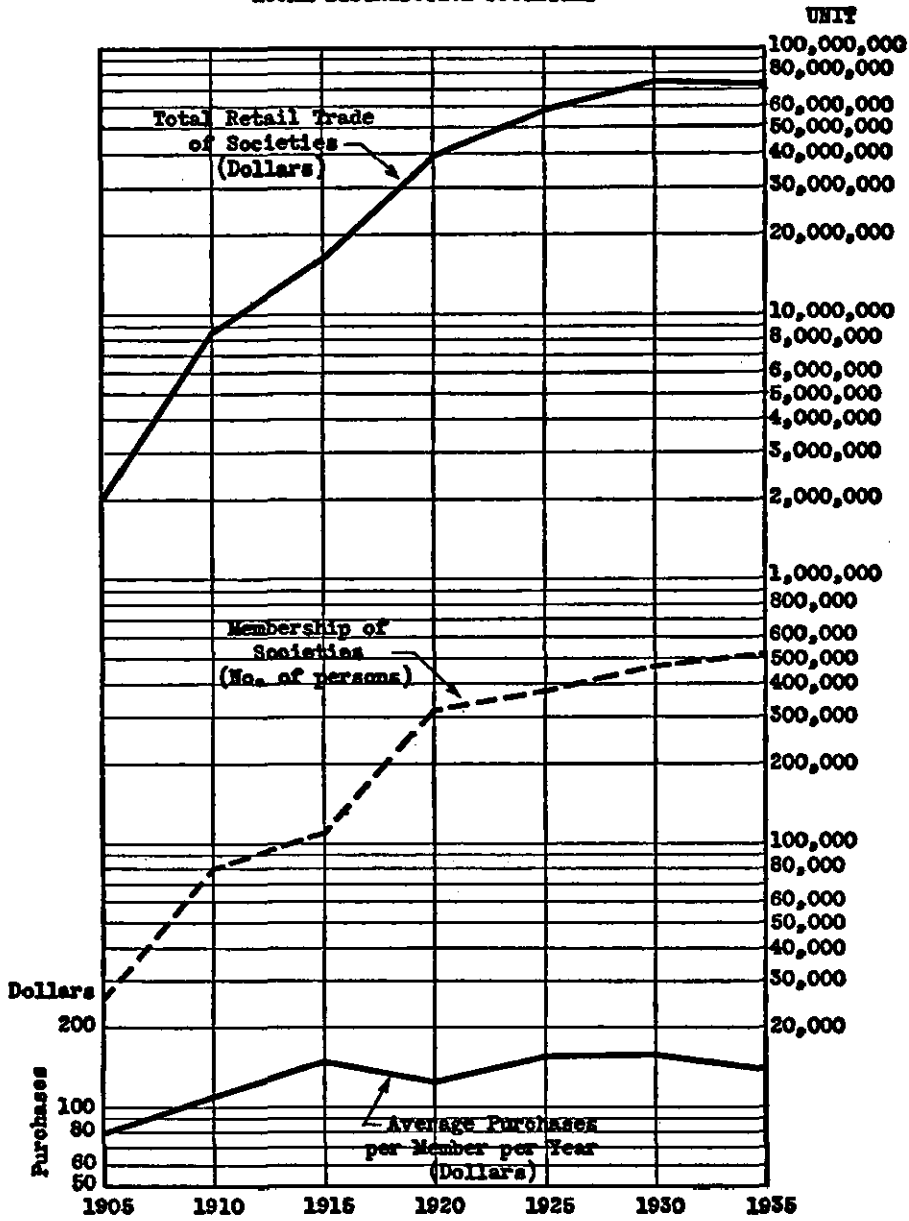
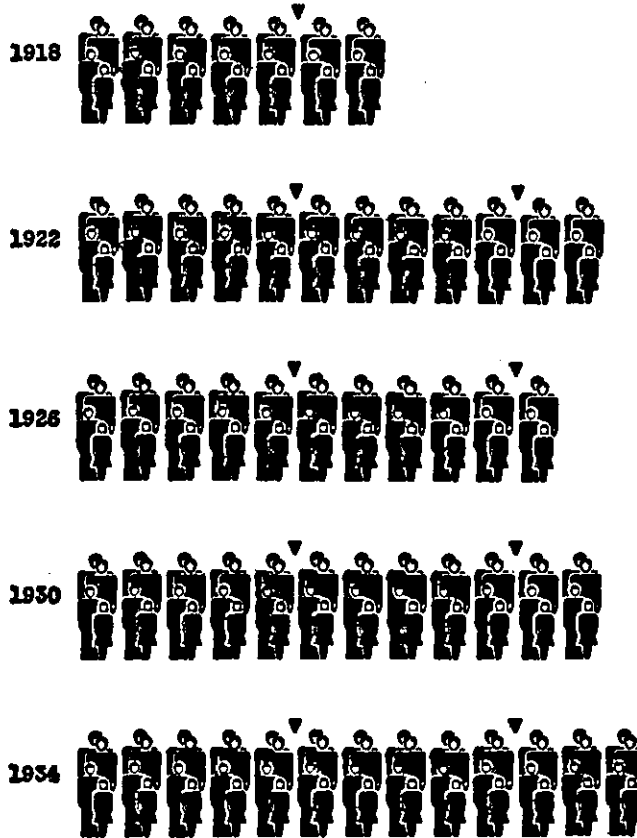


PLATE IX

# FRANCE

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES 1/



Represents 200,000 families.

1/ Incomplete, only 2,840 out of 2,908 Local Distributive Societies Reporting.

PLATE X

**FRANCE**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**

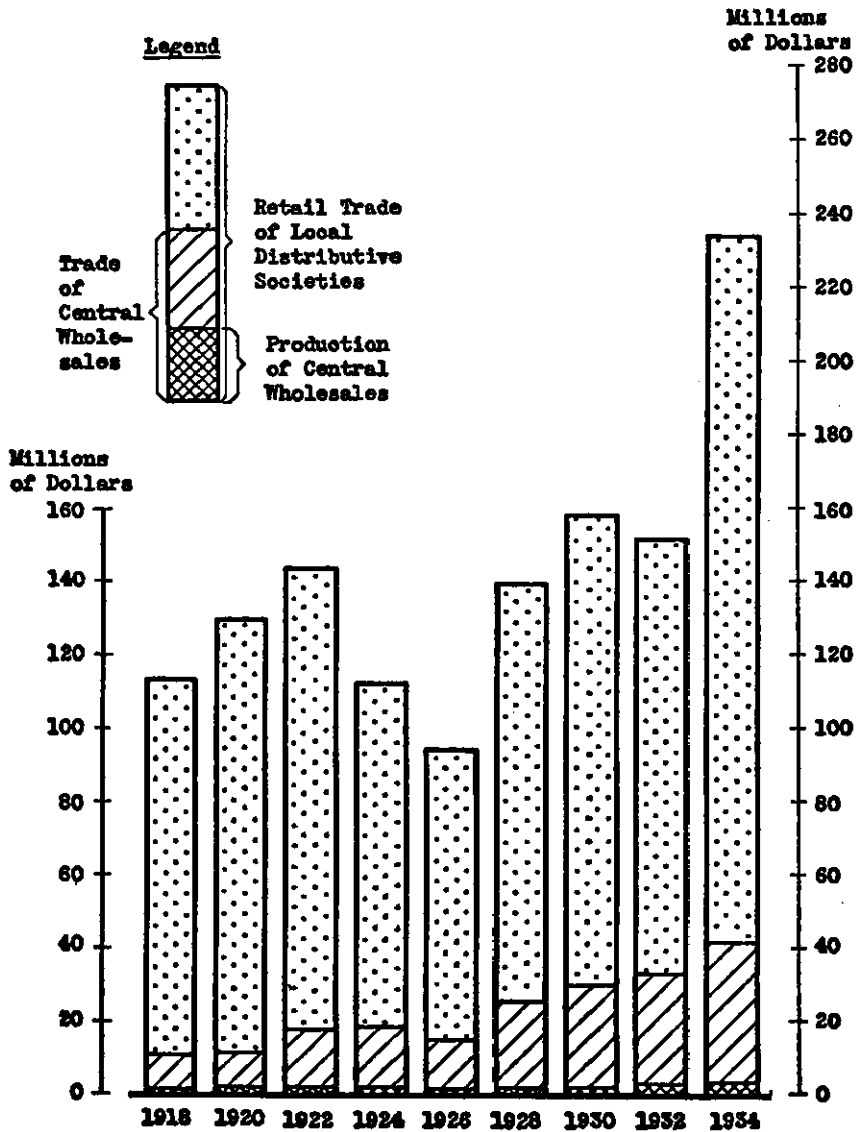
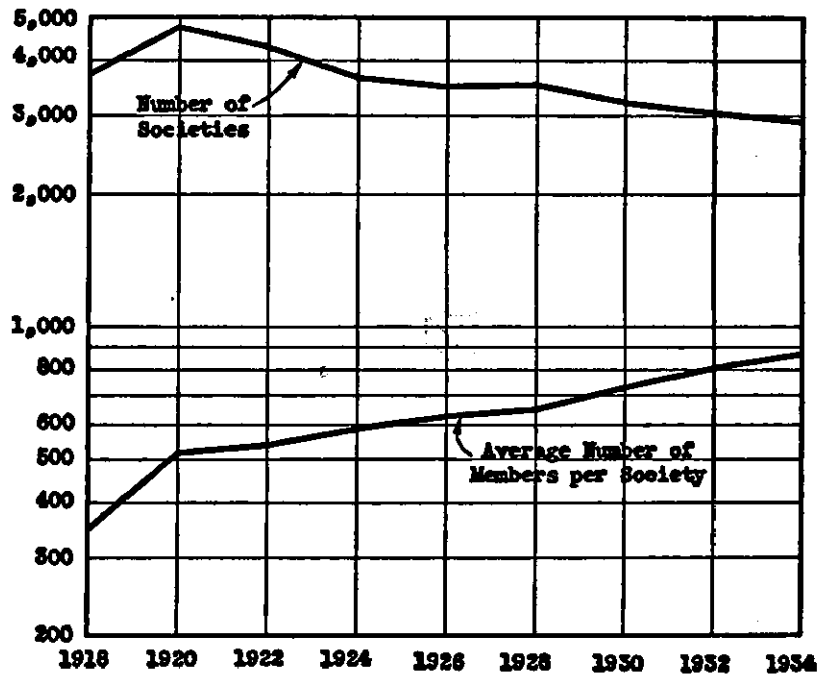
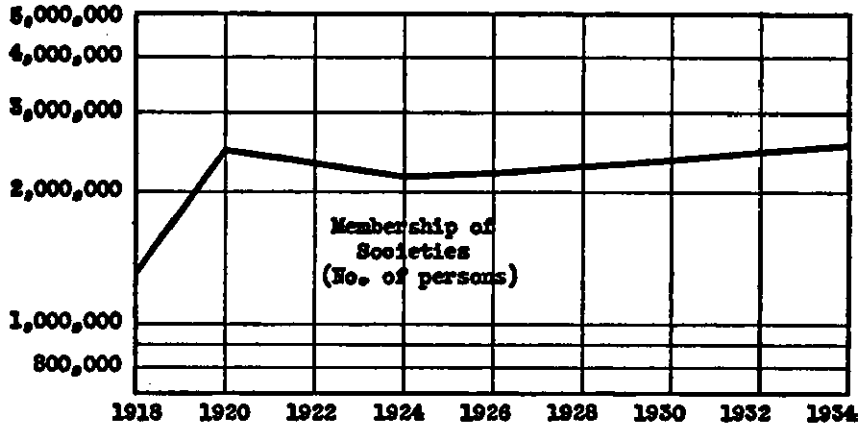


PLATE XI

# FRANCE

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE LOCAL DISTRIBUTIVE SOCIETIES <sup>1/</sup>



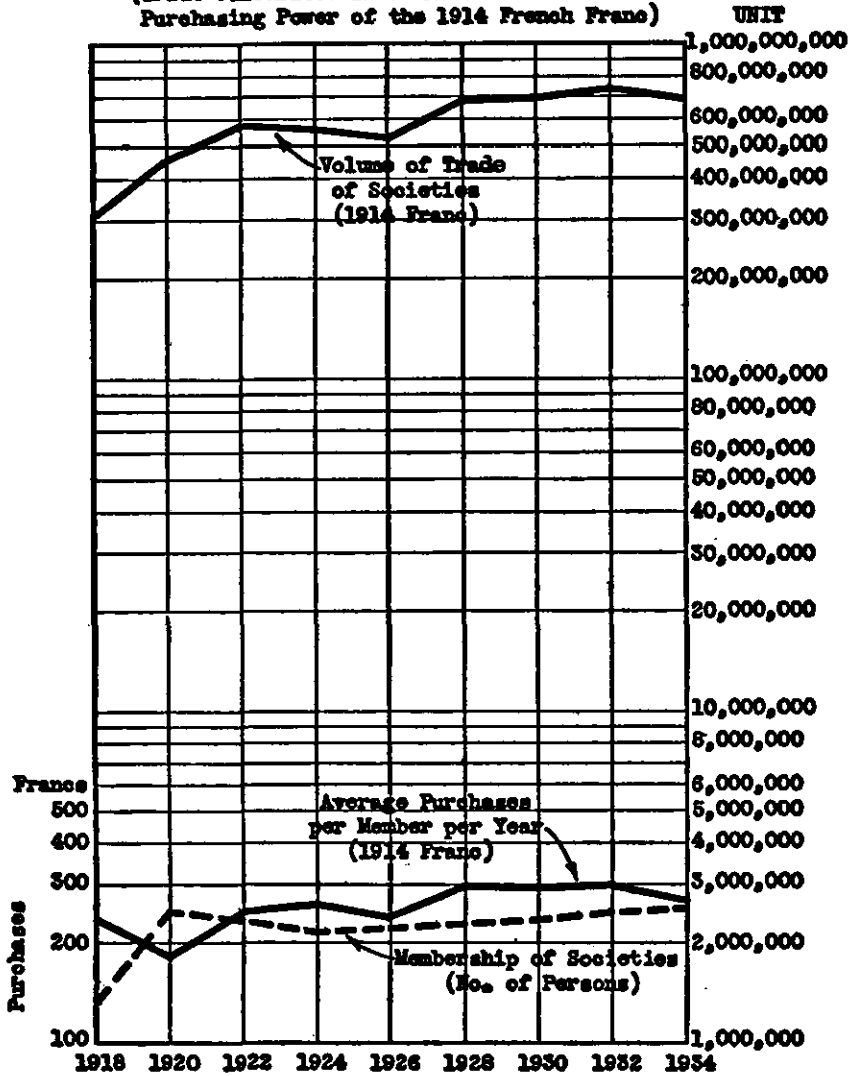
<sup>1/</sup> Incomplete, only 2,840 out of 2,908 Local Distributive Societies Reporting.

### PLATE XII

# FRANCE

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE IN TERMS OF MEMBERSHIP AND TRADE

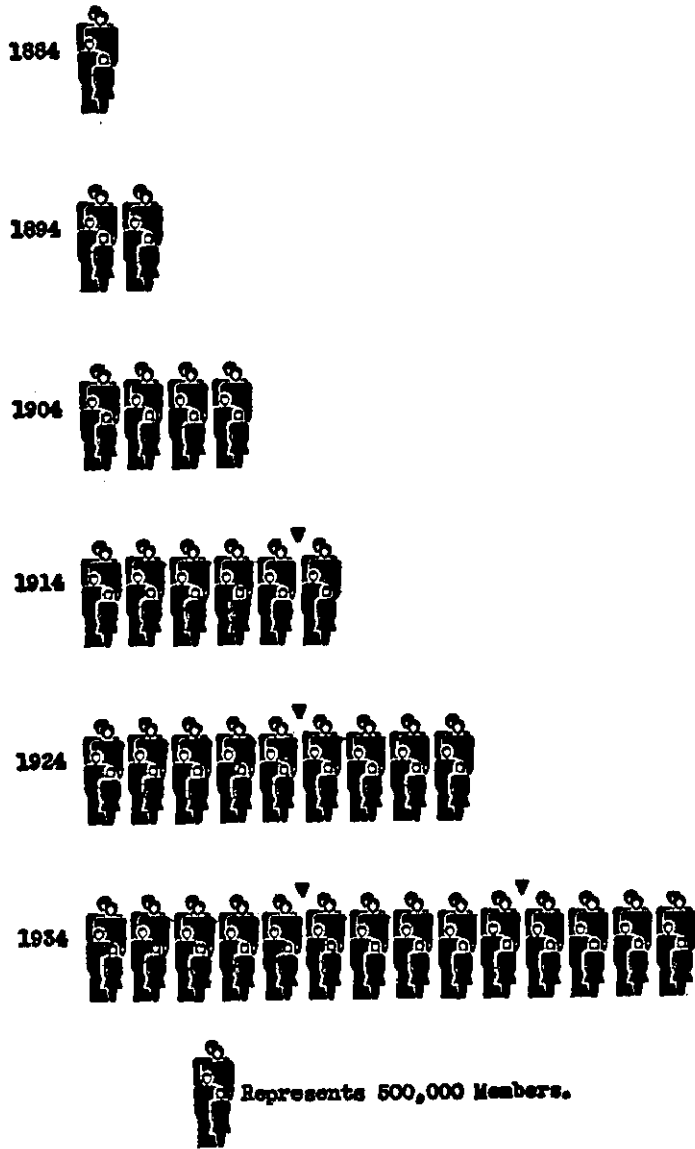
(Trade Calculated in Terms of the Domestic  
Purchasing Power of the 1914 French Franc)



Cost of Living Index as Computed and Published by the General Statistical Office of France. Base Paris July 1914 = 100.

### PLATE XIII

**GREAT BRITAIN**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**  
**MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES 1/**

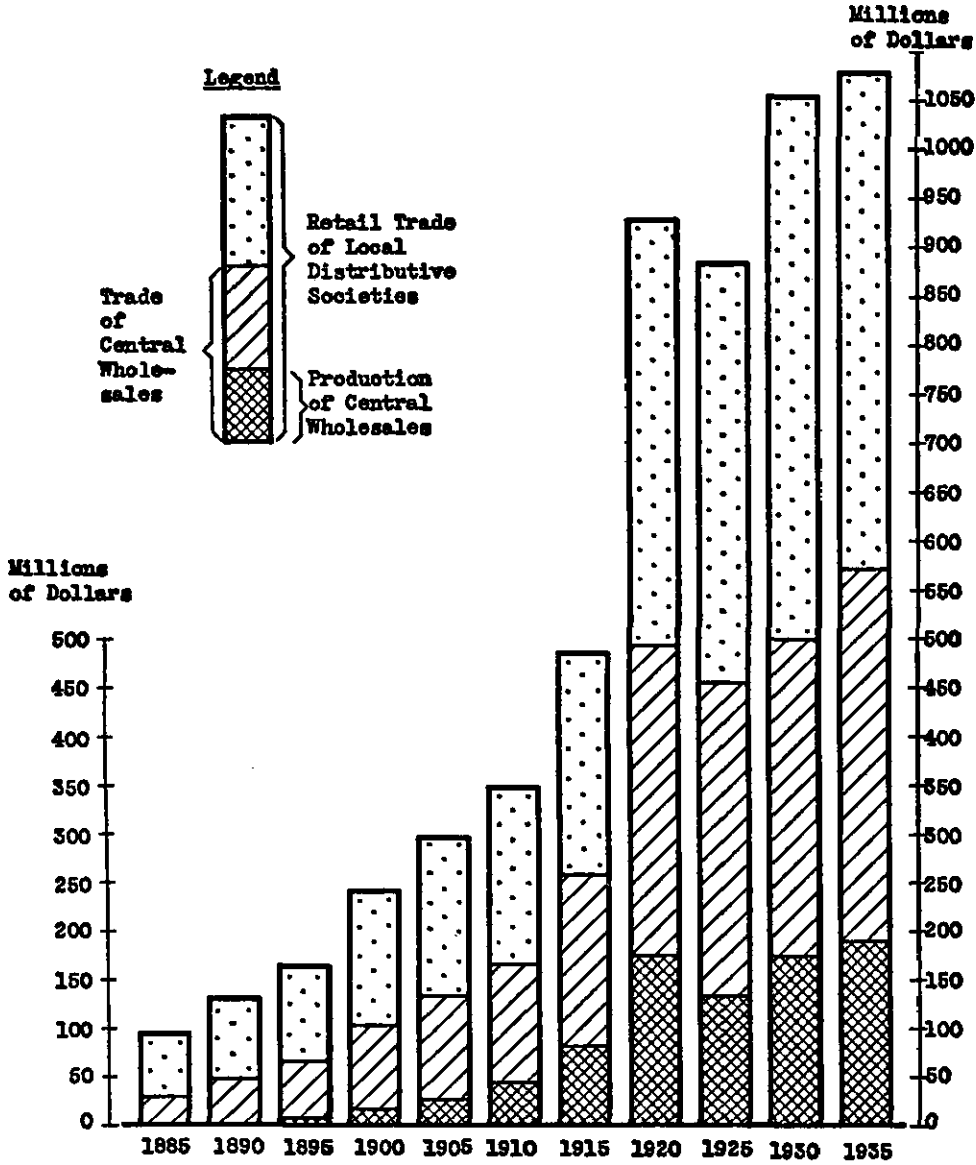


1/ Membership 1935 - 7,485,976 Members.

PLATE XIV

# GREAT BRITAIN

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE



The 1935 Cooperative Retail Trade of 1,080 Million Dollars is estimated at 12 per cent of the Total National Retail Trade of Great Britain.

PLATE XV

**GREAT BRITAIN**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**  
**LOCAL DISTRIBUTIVE SOCIETIES**

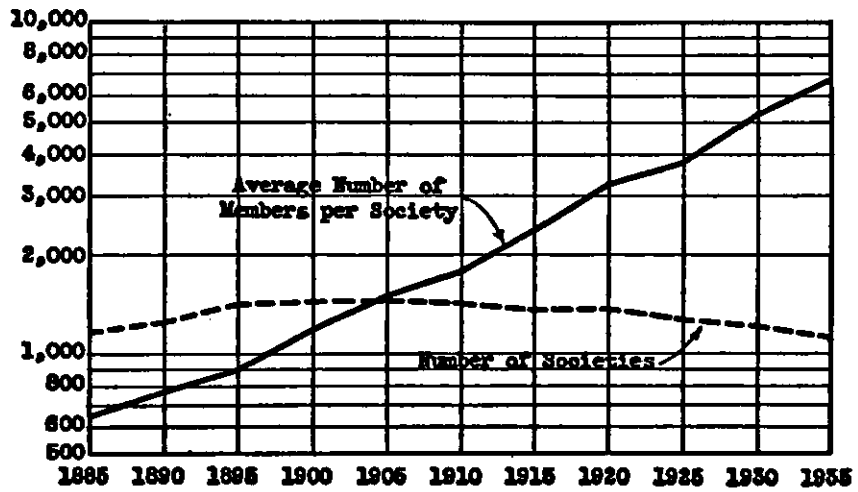
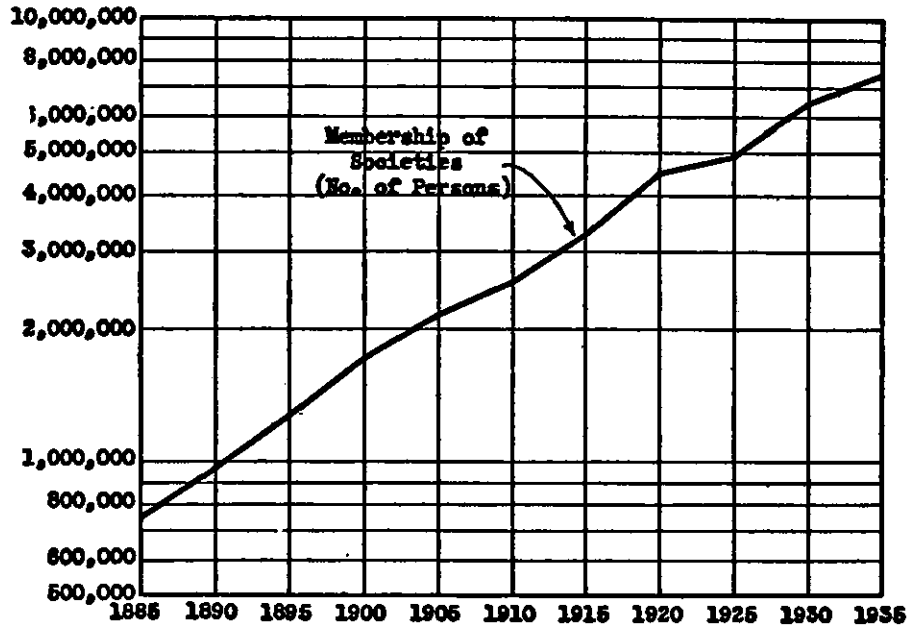


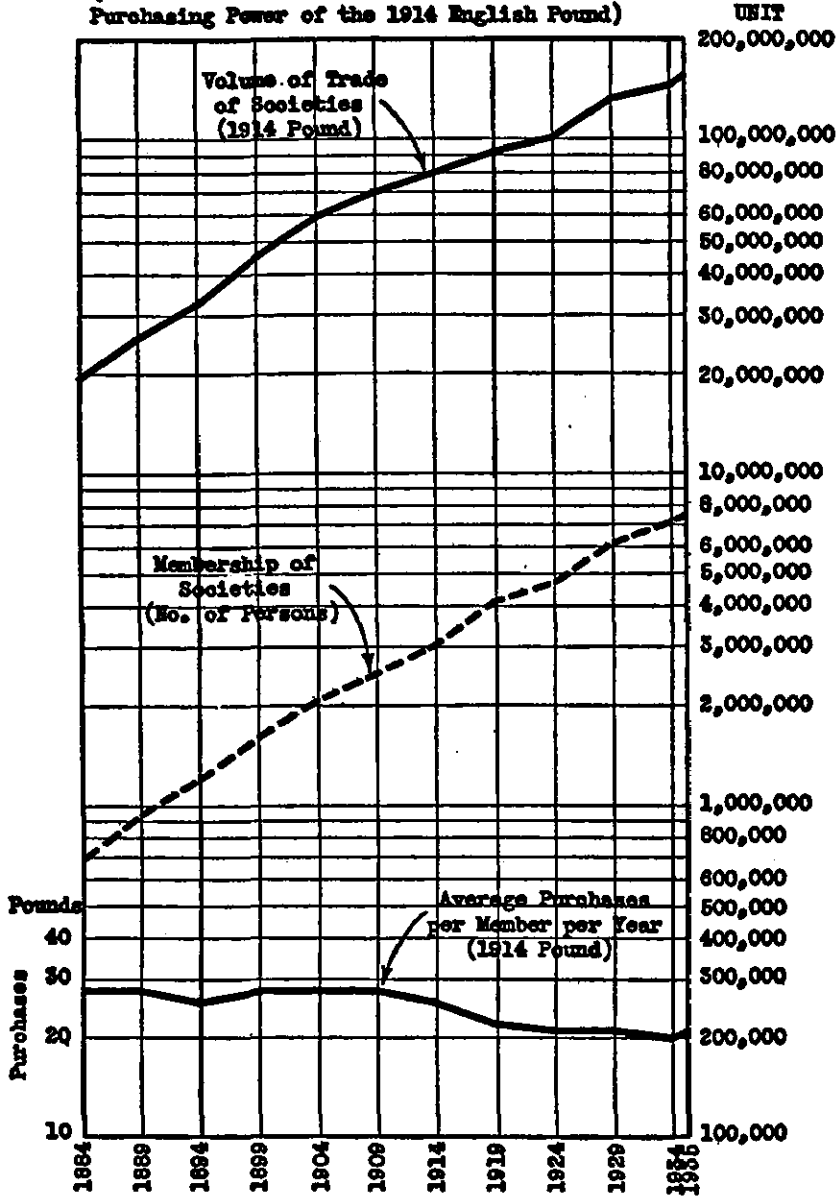
PLATE XVI



# GREAT BRITAIN

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE IN TERMS OF MEMBERSHIP AND TRADE

(Trade Calculated in Terms of the Domestic  
Purchasing Power of the 1914 English Pound)



Cost of Living Index as Computed and Published by the Ministry  
of Labor of Great Britain. Base July 1914 = 100

### PLATE XVII

# NORWAY

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES

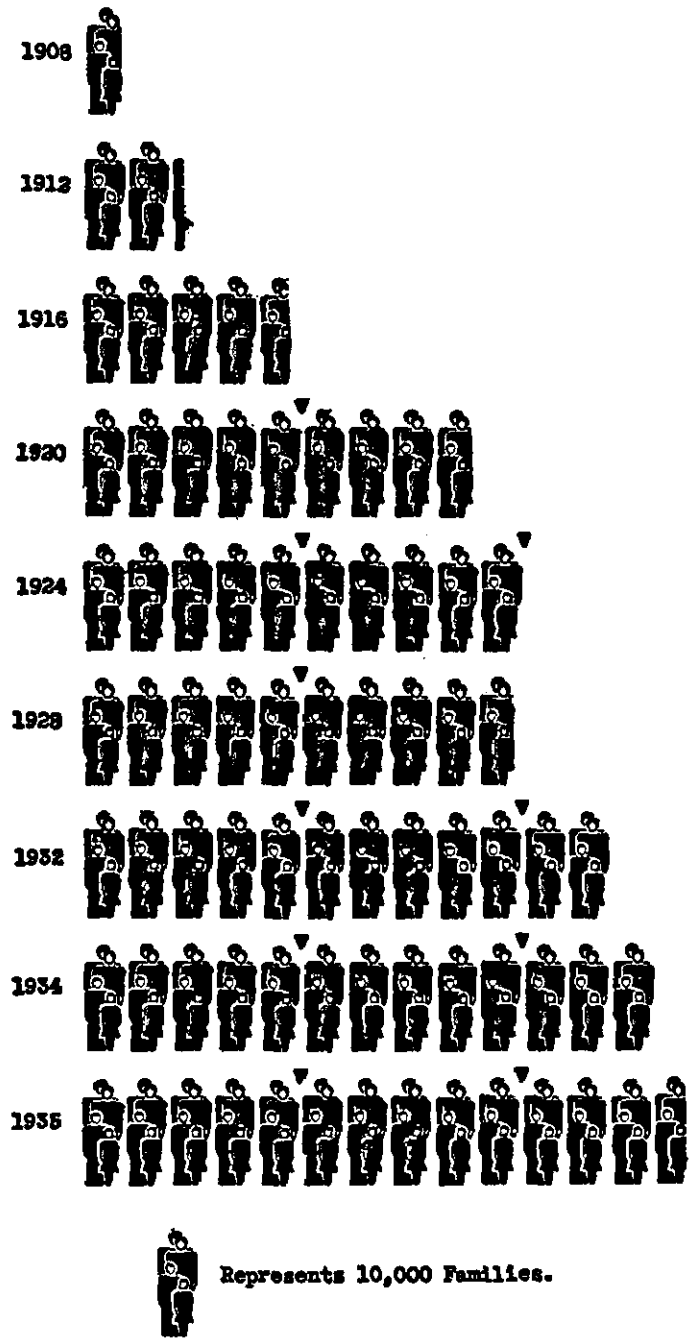
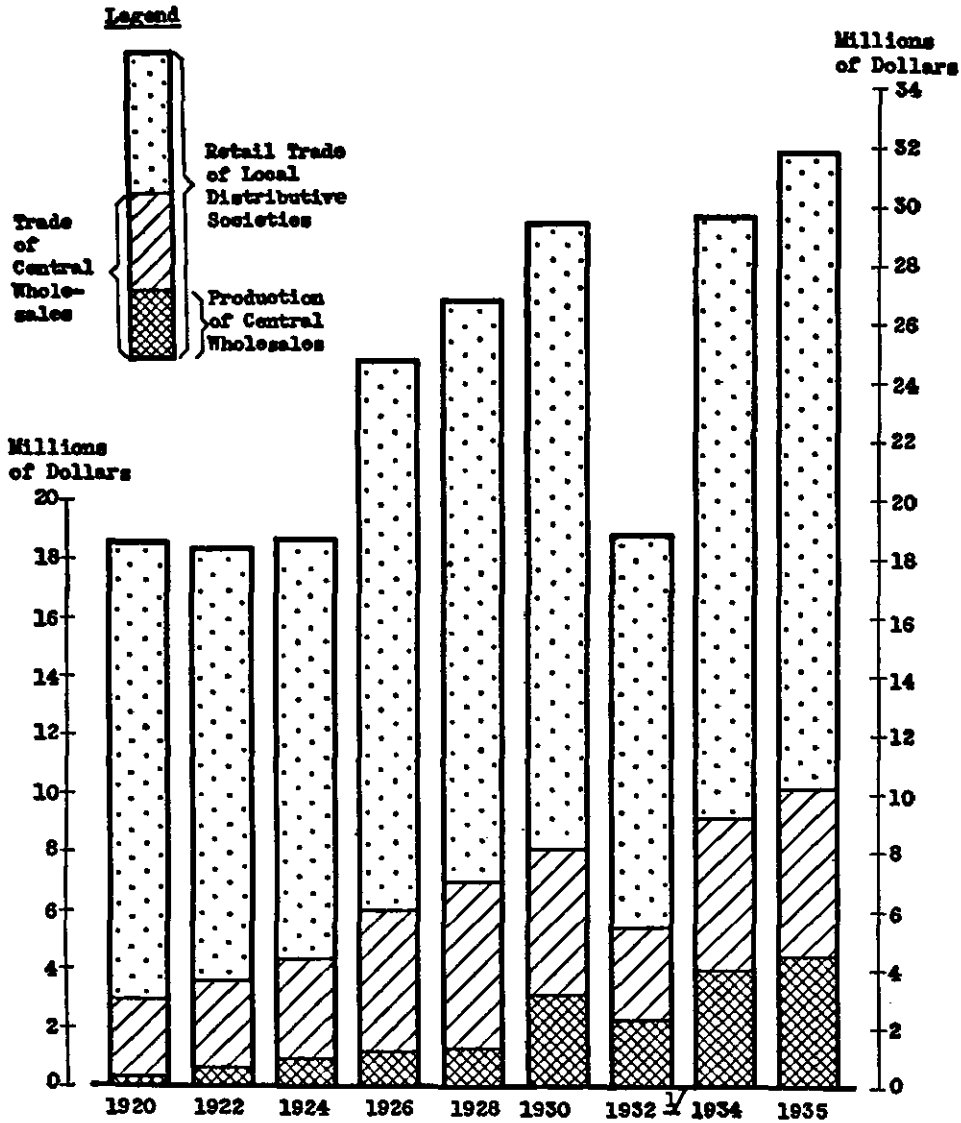


PLATE XVIII

**NORWAY**  
**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE**



1/ The 1932 reduction in sales and production is partly due to the abandonment of the Gold Standard by Norway in 1931.

PLATE XIX

# NORWAY

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE LOCAL DISTRIBUTIVE SOCIETIES

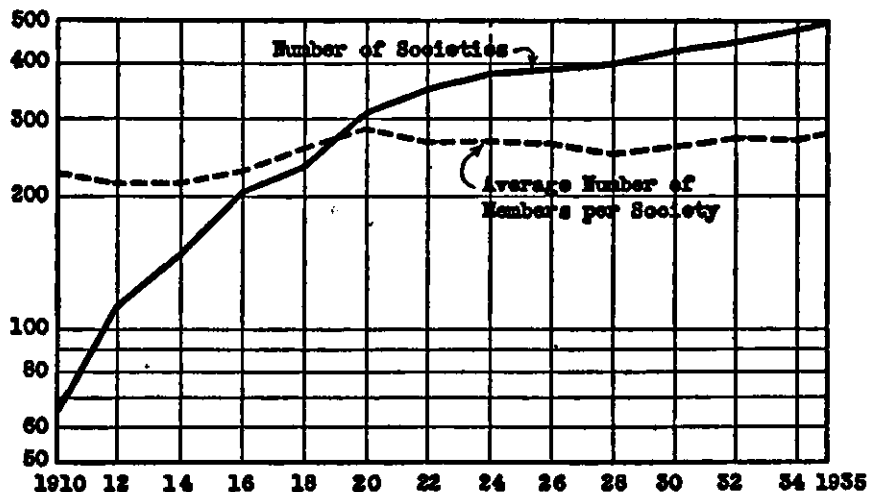
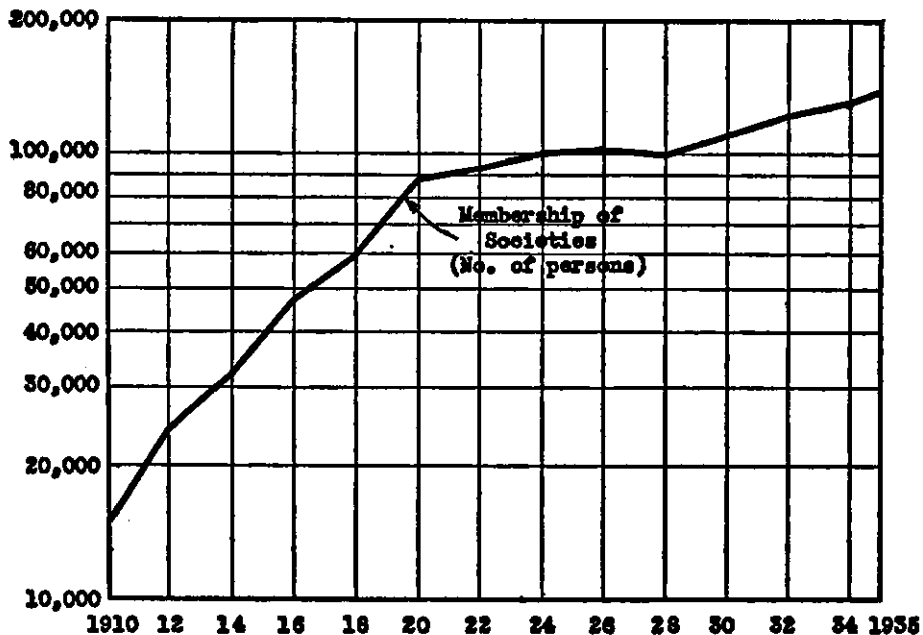
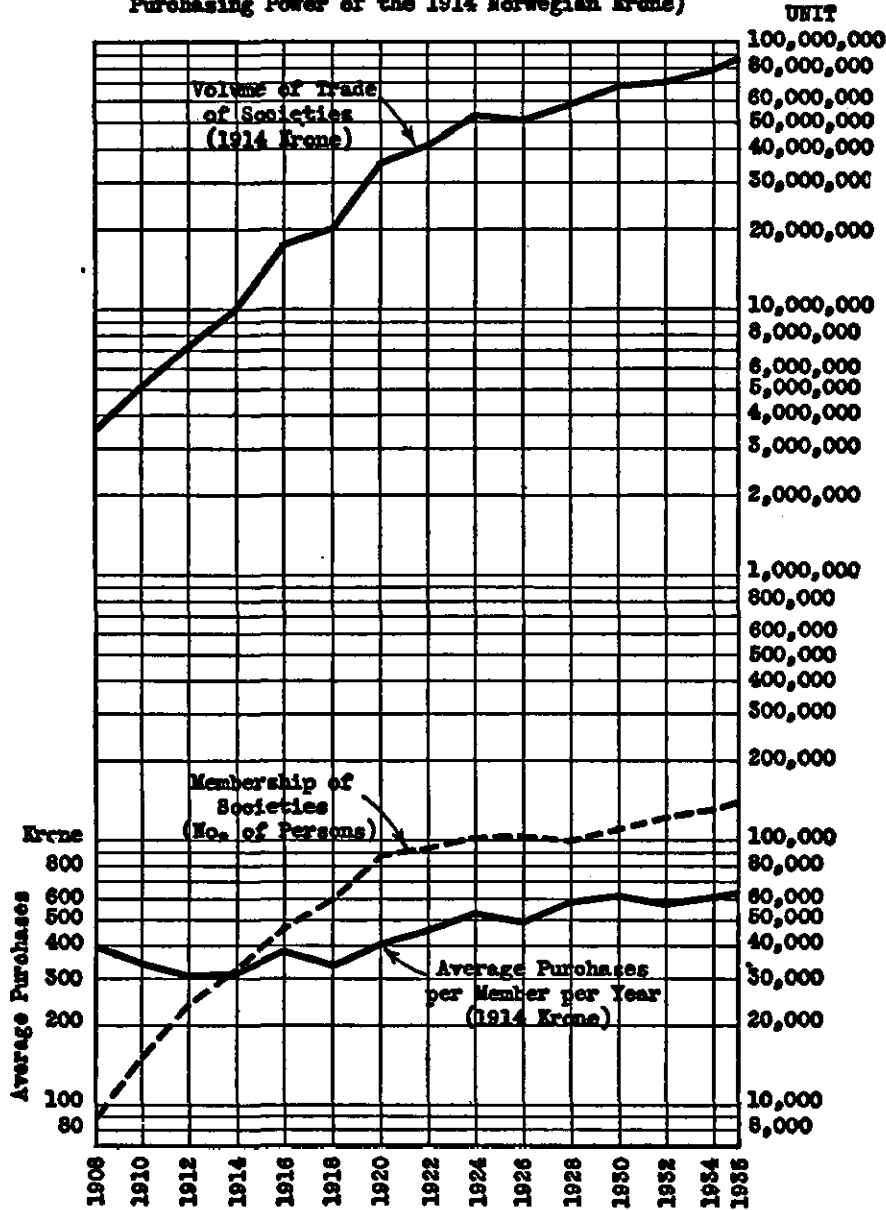


PLATE XX

# NORWAY

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE IN TERMS OF MEMBERSHIP AND TRADE

(Trade Calculated in Terms of the Domestic  
Purchasing Power of the 1914 Norwegian Krone)

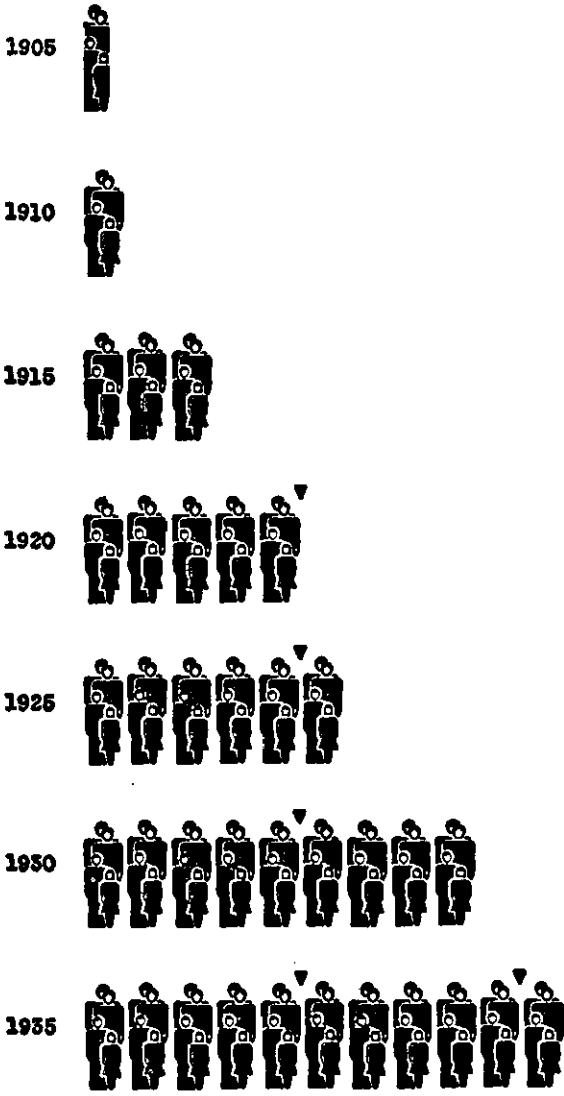



Cost of Living Index as Computed and Published by the Central Statistical Bureau of Norway. Base 1914 = 100

### PLATE XXI

**SWEDEN**

**GROWTH OF CONSUMER COOPERATIVE ENTERPRISE  
MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES**

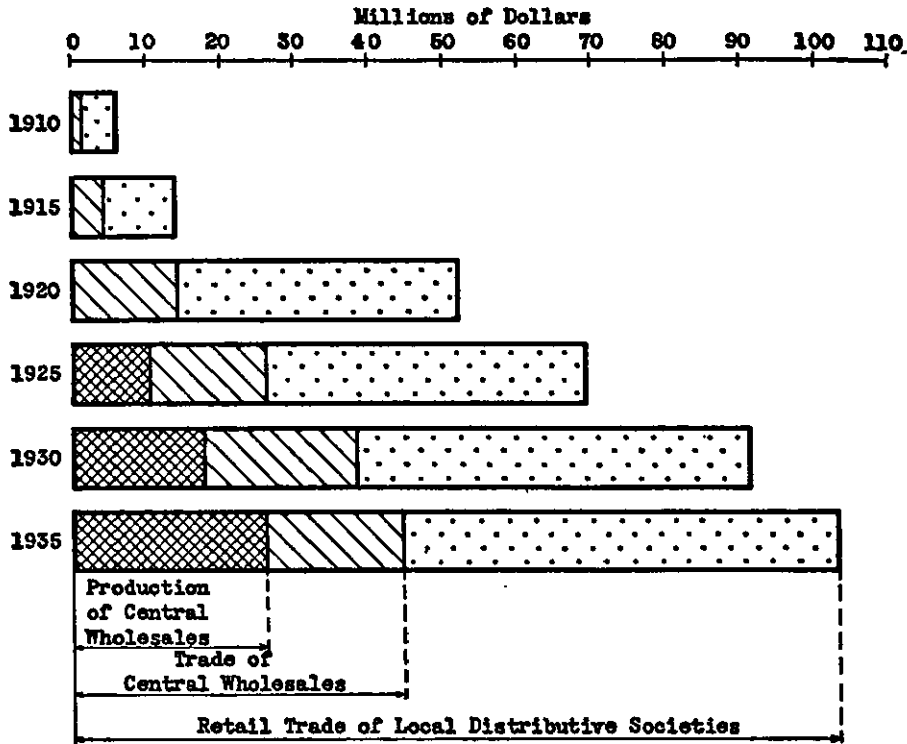


 Represents 50,000 Families.

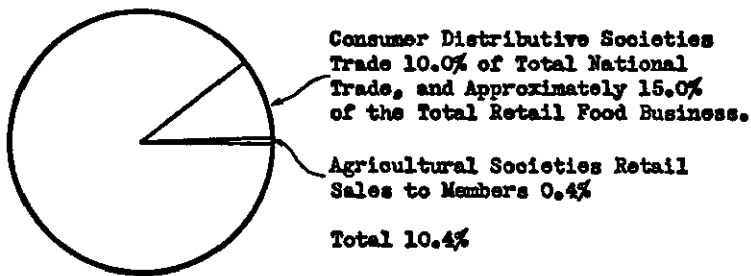
**PLATE XXII**

# SWEDEN

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE



ESTIMATED TOTAL NATIONAL RETAIL TRADE 1,068 MILLION DOLLARS <sup>1/</sup>



<sup>1/</sup> Royal Social Board and Board of Trade Official Statistics on Retail Trade in Sweden = Individual Retailers 84.0%; Department Store Sales 2.5%; Chain Store Sales 1.5%; Mail Order Houses 1.0%; One-Price Store Sales 1.0%; Cooperative Store Sales 10.0%.

# SWEDEN

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE LOCAL DISTRIBUTIVE SOCIETIES

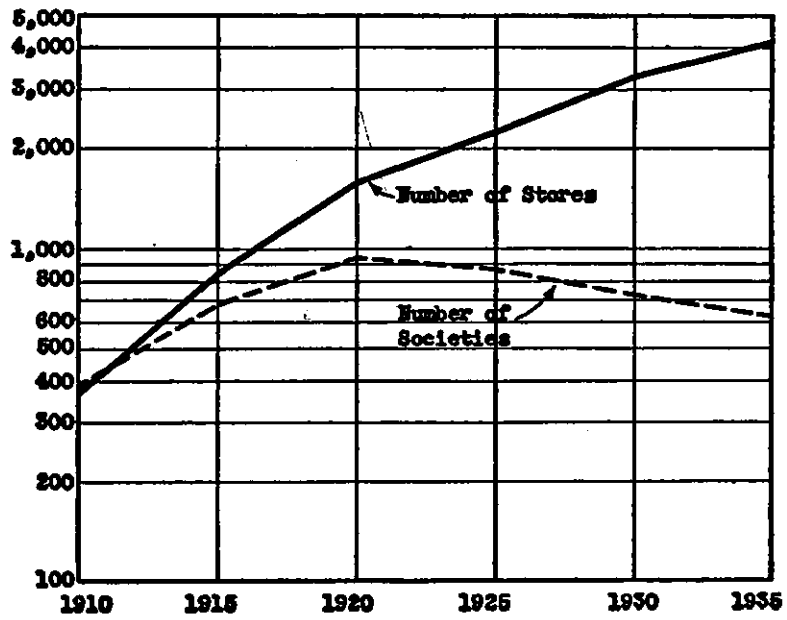
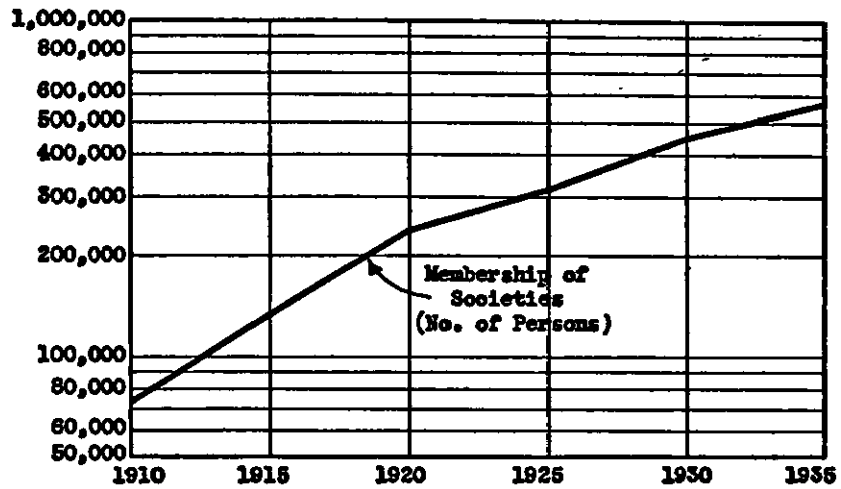


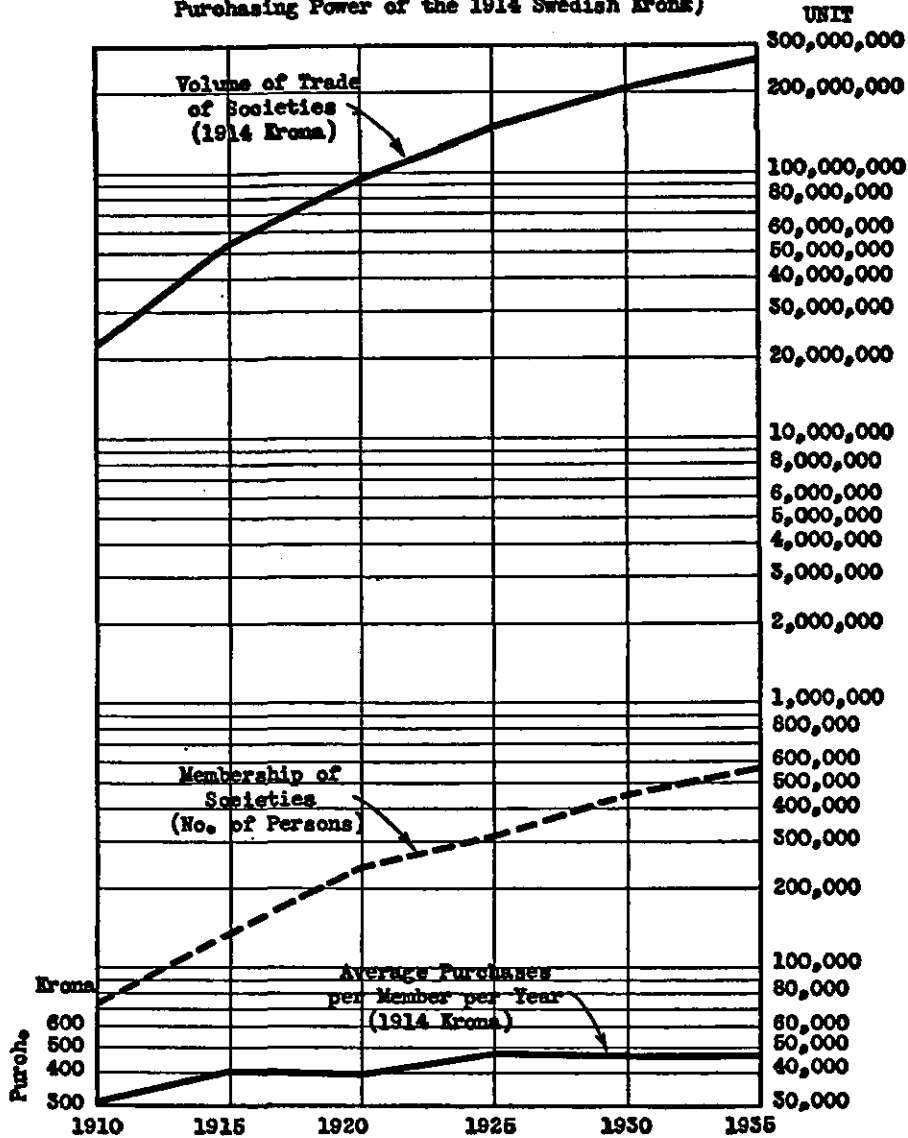
PLATE XXIV



# SWEDEN

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE IN TERMS OF MEMBERSHIP AND TRADE

(Trade Calculated in Terms of the Domestic  
Purchasing Power of the 1914 Swedish Krona)



Cost of Living Index as Computed and Published by the Royal Social Board of Sweden. Base July - 1914 = 100

PLATE XXV

# SWEDEN

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE CENTRAL WHOLESALE

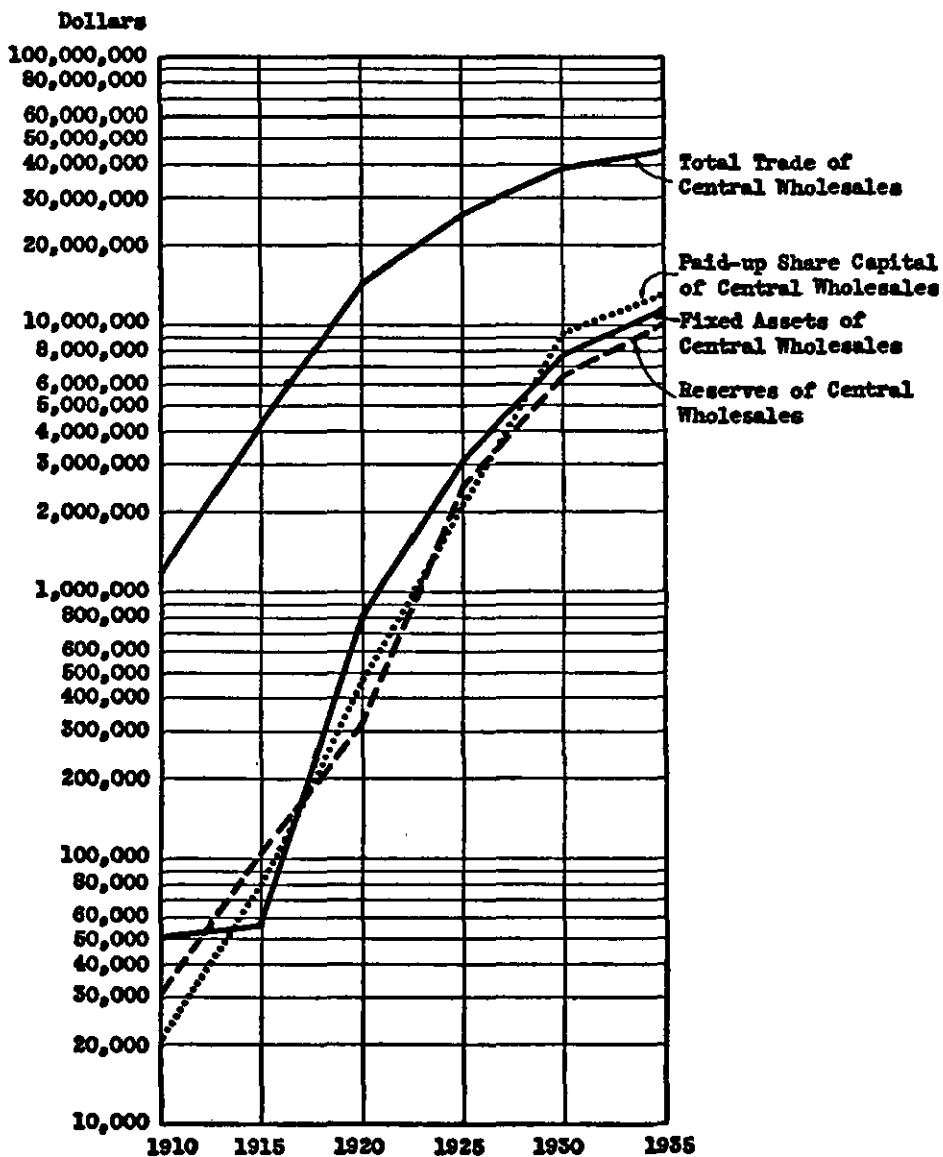
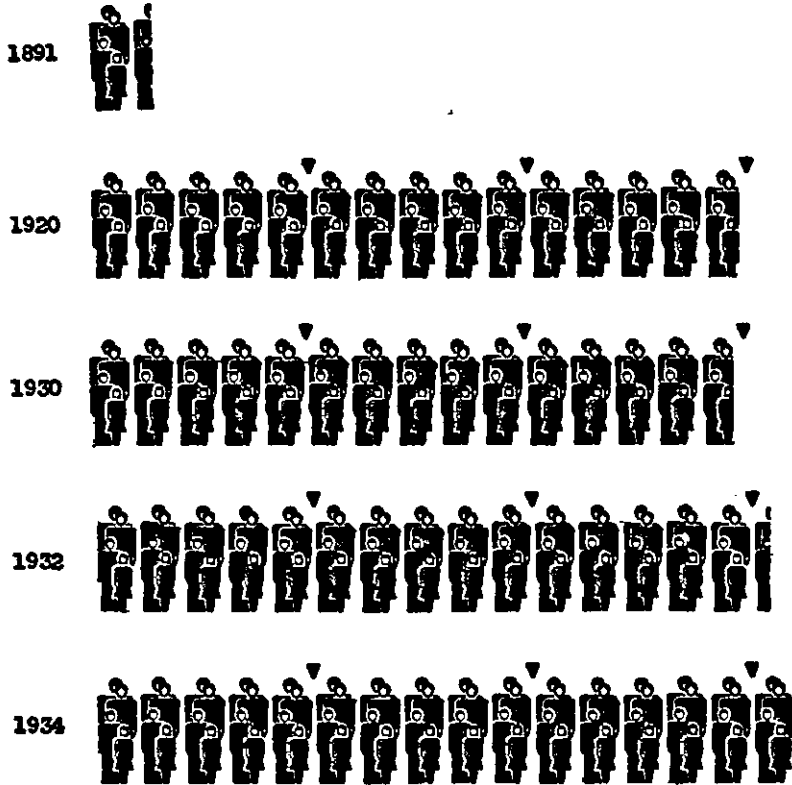


PLATE XXVI

# SWITZERLAND

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE MEMBERSHIP OF THE LOCAL DISTRIBUTIVE SOCIETIES

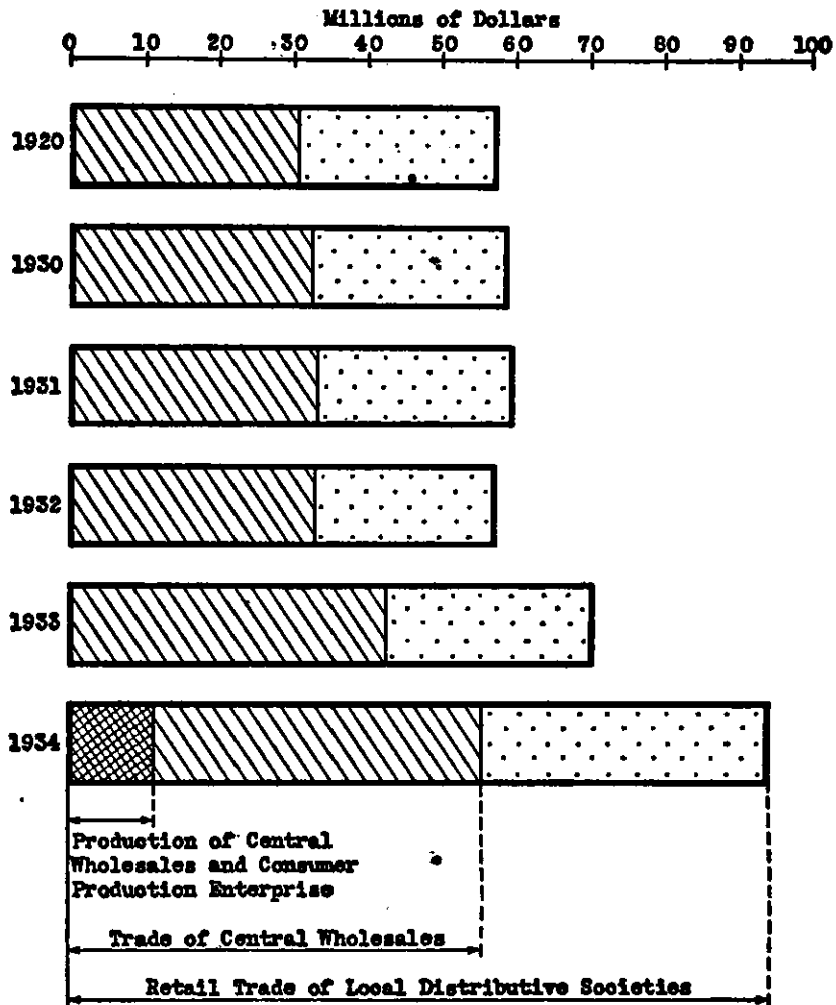


Represents 25,000 Families

PLATE XXVII

# SWITZERLAND

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE



The 1934, Local Distributive Societies, Retail Trade of 94 Million Dollars is approximately from 10 to 12 per cent of the Total National Retail Trade of Switzerland. Statistics on production from 1920 to 1933 not available.

PLATE XXVIII

# SWITZERLAND

## DEVELOPMENT OF CENTRAL WHOLESALE V. S. K.

Yearly Trade Calculated in Terms of  
the Domestic Purchasing Power of  
the 1914 Swiss Franc.  
1893 - 1935.

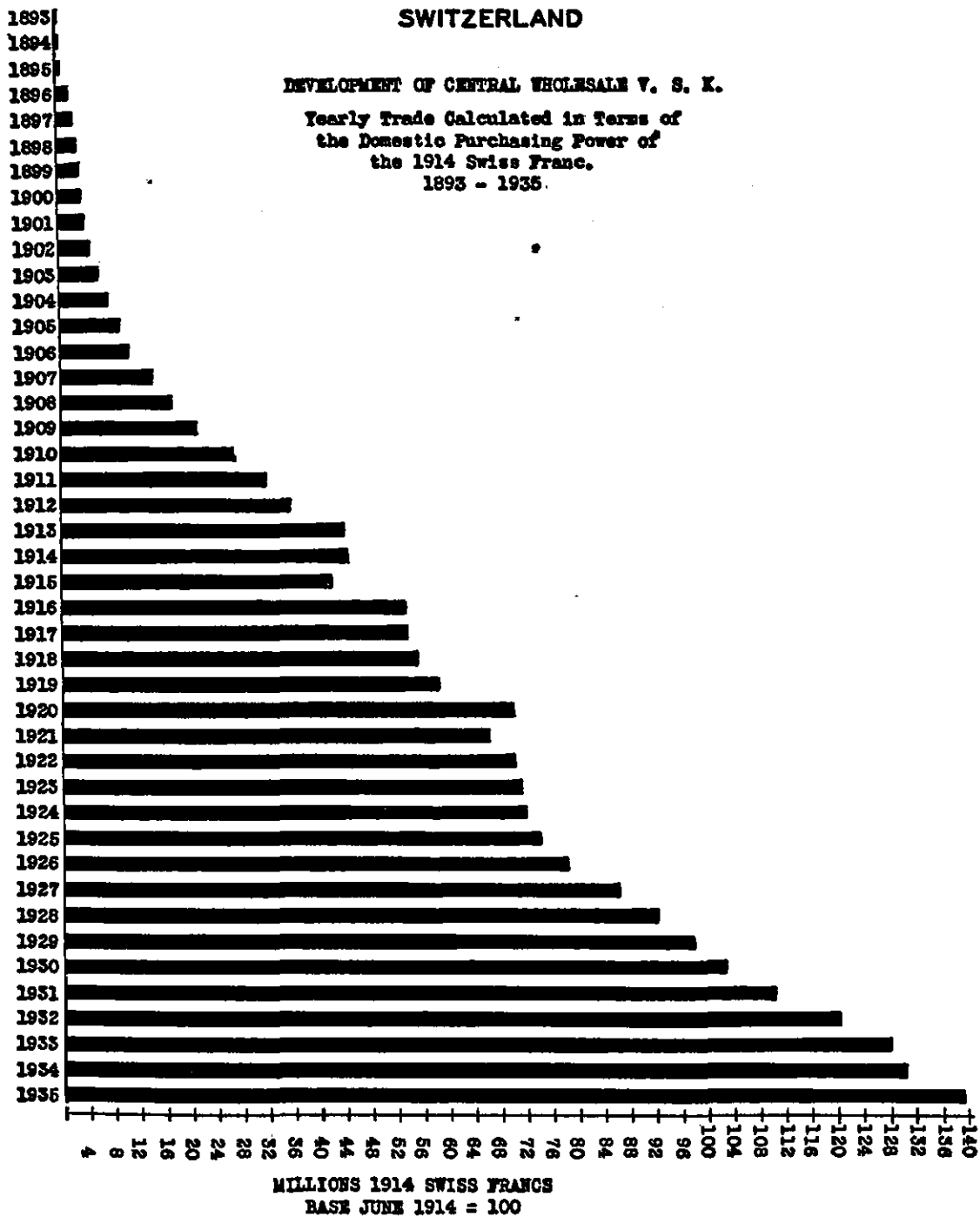
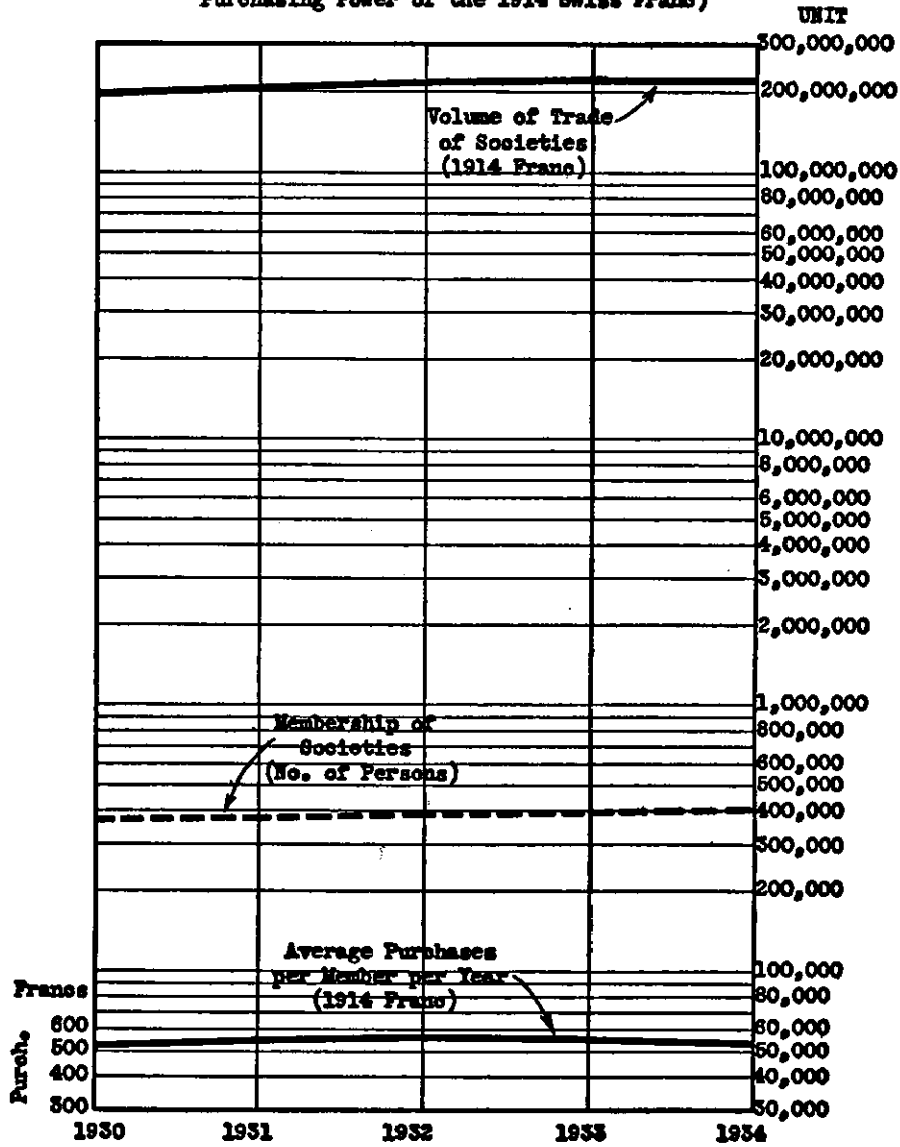


PLATE XXIX

# SWITZERLAND

## GROWTH OF CONSUMER COOPERATIVE ENTERPRISE IN TERMS OF MEMBERSHIP AND TRADE

(Trade Calculated in Terms of the Domestic  
Purchasing Power of the 1914 Swiss Franc)



Cost of Living Index as Computed and Published by the Federal Labor  
Office of Switzerland. Base June 1914 = 100.

PLATE XXX

# Appendix F

## CURRENCY CONVERSION TABLE

TABLE XXI.—Average annual exchange rates

Year	Czecho- slovakia koruna	Great Britain pound	Sweden krona	Switzer- land franc	France franc	Finland markka	Denmark kroner	Norway kroner
1935.....	\$0. 0416	\$4. 902	\$0. 2527	\$0. 3250	\$0. 0660	\$0. 0216	\$0. 2188	\$0. 2463
1934.....	. 0424	5. 039	. 2598	. 3237	. 0657	. 0223	. 2250	. 2532
1933.....	. 0382	4. 237	. 2203	. 2484	. 0503	. 0187	. 1907	. 2143
1932.....	. 0296	3. 056	. 1847	. 1940	. 0393	. 0155	. 1883	. 1800
1931.....	. 0296	4. 535	. 2525	. 1940	. 0392	. 0239	. 2506	. 2505
1930.....	. 0296	4. 862	. 2685	. 1938	. 0392	. 0252	. 2676	. 2676
1929.....	. 0296	4. 857	. 2678	. 1928	. 0392	. 0252	. 2668	. 2668
1928.....	. 0296	4. 866	. 2680	. 1926	. 0392	. 0252	. 2674	. 2669
1927.....	. 0296	4. 861	. 2682	. 1926	. 0392	. 0252	. 2672	. 2605
1926.....	. 9296	4. 858	. 2675	. 1931	. 0324	. 0252	. 2623	. 2233
1925.....	. 0297	4. 829	. 2685	. 1933	. 0477	. 0252	. 2113	. 1788
1924.....	. 0295	4. 417	. 2652	. 1822	. 0524	. 0251	. 1672	. 1394
1923.....	. 0295	4. 575	. 2656	. 1806	. 0608	. 0268	. 1836	. 1667
1922.....	. 9241	4. 429	. 2617	. 1906	. 0820	. 0216	. 2095	. 1750
1921.....	. 0126	3. 849	. 2254	. 1735	. 0745	. 0192	. 1780	. 1491
1920.....	. 0157	3. 664	. 2049	. 1690	. 0704	. 0342	. 1577	. 1653
1919.....	. 0343	4. 426	. 2554	. 1898	. 1366	. 0642	. 2328	. 2458
1918.....	.....	4. 755	. 3280	. 2289	. 1780	. 1208	. 3005	. 3033
1917.....	.....	4. 754	. 3263	. 2102	. 1730	. 1344	. 3008	. 3046
1916.....	.....	4. 759	. 2876	. 1913	. 1697	. 1383	. 2815	. 2855
1915.....	.....	4. 752	. 2589	. 1871	. 1798	. 1548	. 2580	. 2630
1914.....	.....	4. 905	. 2655	. 1950	. 1952	. 1883	. 2663	. 2660
1913.....	.....	4. 869	. 2680	. 1930	. 1930	. 1912	. 2680	. 2680
1912.....	.....	4. 870	. 2680	. 1930	. 1930	. 1919	. 2680	. 2680
1911.....	.....	4. 865	. 2680	. 1930	. 1930	. 1919	. 2680	. 2680
1910.....	.....	4. 869	. 2680	. 1930	. 1930	. 1918	. 2680	. 2680
1908.....	.....	4. 868	. 2680	. 1930	. 1930	. 1916	. 2680	. 2680
1906.....	.....	4. 857	. 2680	. 1930	. 1930	. 1916	. 2680	. 2680
1905.....	.....	4. 866	. 2680	. 1930	. 1930	. 1918	. 2680	. 2680
1904.....	.....	4. 870	. 2680	. 1930	. 1930	. 1921	. 2680	. 2680
1902.....	.....	4. 878	. 2680	. 1930	. 1930	. 1919	. 2680	. 2680
1900.....	.....	4. 871	. 2680	. 1930	. 1930	. 1915	. 2680	. 2680
1895.....	.....	4. 895	. 2680	. 1930	. 1930	.....	. 2680	. 2680
1890.....	.....	4. 868	. 2680	. 1930	. 1930	.....	. 2680	. 2680
1885.....	.....	4. 859	. 2680	. 1930	. 1930	.....	. 2680	. 2680
1882.....	.....	4. 874	. 2680	. 1930	. 1930	.....	. 2680	. 2680

## Appendix G

### LIST OF COOPERATIVE ASSOCIATIONS<sup>1</sup>

#### CZECHOSLOVAKIA

- "Centrokooperativ," svaz jednot hospodářských družstev republiky Československé.—"Centro-cooperative", Federation of Unions of Cooperative Agricultural Societies of the Czechoslovak Republic.
- Ústřední jednota hospodářských družstev.—Central Union of Cooperative Agricultural Societies.
- "Kooperativa," nákupní jednota hospodářských družstev.—Supply Association of the Cooperative Agricultural Societies.
- Svaz hospodářských družstev československých.—Union of Czechoslovak Cooperative Agricultural Societies.
- Central-Verband der deutschen landwirtschaftlichen Genossenschaften Böhmens.—Central Federation of German Cooperative Agricultural Societies in Bohemia.
- "Agrosvaz," Ústřední svaz českých hospodářských společností v Brně.—Central Union of Czech Cooperative Agricultural Societies.
- Ústřední jednota českých hospodářských společností úvěrních.—Central Union of Cooperative Credit Societies.
- Zentralverband der deutschen landwirtschaftlichen Genossenschaften Mährens, Schlesiens und der Slowakei.—Central Federation of German Cooperative Agricultural Societies in Moravia, Silesia and Slovakia.
- Jednota českých hospodářských společností.—Union of Czech Cooperative Agricultural Societies.
- Zentralverband der deutschen landwirtschaftlichen Genossenschaften Schlesiens.—Federation of German Cooperative Agricultural Societies in Silesia.
- Zwiazek Spółdzielni Polskich Českém Těšíně.—Union of Polish Cooperative Agricultural Societies.
- Ústřední družstvo.—Central Cooperative Society.
- Svaz rolnických vzájemných pokladnic.—Union of Rural Credit Societies.
- Zemský družstevní svaz.—District Association of Cooperative Societies.
- Ústřední svaz československých družstev v Praze.—Central Union of Czechoslovak Cooperative Societies.
- V. D. P., Velkonákupní společnost družstev.—Cooperative Wholesale Society.
- Všobecná družstevní banka.—General Cooperative Bank.

<sup>1</sup> This list is not intended to be exhaustive, but to identify the associations referred to in the list.

- Lidová pojišťovna "Czechoslovakia" akc. společnost.—People's Insurance Society.
- V. D. W., Verband deutscher Wirtschaftsgenossenschaften in der Tschechoslowakischen Republik.—Union of German Distributive Societies.
- "Gec," Produktions- und Grosseinkaufsverband für Erwerbs- und Wirtschaftsvereinigungen.—Wholesale Society of German Cooperative Societies.

#### DENMARK

- De samvirkende danske Andelsklubber.—Federation of Danish Cooperative Societies.
- De Danske Mejerforeningers Fællesorganisation.—Association of Cooperative Dairy Societies in Denmark.
- De Samvirkende danske Andels-Smørgæksforeninger.—Association of Danish Cooperative Butter Export Societies.
- De Samvirkende danske Andels-Kreatureksportforeninger.—Association of Danish Cooperative Cattle Export Societies.
- De Samvirkende danske Andels-Svineklæfterier.—Association of Danish Cooperative Bacon Factories.
- D. A. Æ., Dansk Andels Ægexport.—Danish Cooperative Egg Export Society.
- D. L. F., Danske Landboforeningers Frøforsyning.—Danish Seed Supply and Seed Growers' Association.
- F. D. B., Fællesforeningen for Danmarks Brugforeninger.—Cooperative Wholesale Society of Denmark.
- Ringkøbing Amts Vareindkøbsforening.—Ringkøbing District Supply Society.
- J. A. F., Jydsk Andels-Foderstoffforretning.—Jutland Cooperative Society for the Purchase of Feeding-Stuffs.
- Øernes Andelselskab for Indkøb af Foderstoffer.—The Danish Islands Cooperative Society for the Purchase of Feeding-Stuffs.
- Fyens Andels-Foderstoffforretning.—Funen Cooperative Society for the Purchase of Feeding-Stuffs.
- D. A. G., Dansk Andels-Gødningforretning.—Danish Cooperative Fertilizer Supply Society.
- Dansk Andels Kulforretning.—Danish Cooperative Coal Supply Society.
- D. A. C., Dansk Andels-Cementfabrik.—Danish Cooperative Cement Factory.



Andelsbanken.—The Danish Cooperative People's Bank.  
 Andels-Anstalten "Tryg."—Cooperative Life Insurance Society.  
 Mejerierne og Landbrugets Ulykkesforsikring.—Accident Insurance Society for Dairies and Agriculture.  
 Sogneraadsforeningernes Ulykkesforsikring for Landbrugere.—Farmers' Parish Union Accident Insurance Society.  
 Dansk Forsikringsforening mod Stormskade.—Danish Cooperative Storm Insurance Society.  
 Andelsforeningernes Sanatorieforening.—Danish Cooperative Societies' Sanatorium.  
 Danske Andelskasser.—Danish Union of Cooperative Credit Societies.  
 Danske Mejeriers Faellesindkøb og Maskinfabrik.—Cooperative Dairy Societies Joint Purchase and Engineering Works.  
 Det Kooperative Faellesforbund.—Cooperative Union.  
 De Samvirkende Brugsforeninger.—Union of Workers' Distributive Societies.  
 Faellesorganisationen af almenyttige Danske Boligselskaber.—Union of Workers' Cooperative Building Societies for House Building.

#### FINLAND

Fellervo-Seura.—"Fellervo," Central Union of Finnish Cooperative Societies.  
 Osuuskassojen Keskusliitto.—Central Union of Cooperative Rural Credit Societies.  
 O. K. O., Osuuskassojen Keakuulainarahasto-Osakeyhtiö.—Central Bank of the Cooperative Rural Credit Societies.  
 Keakusosuuliike Hankkija.—The "Hankkija" Agricultural Cooperative Wholesale Society.  
 Vainvientiösuuliike Valio.—The "Valio" Cooperative Butter Export Association.  
 Karjakeskuskunta.—Central Livestock Cooperative Society.  
 Vientikunta Muna.—"Muna" Central Cooperative Egg Export Association.  
 M. M., Metsänomistajain Metsäkeskus.—The Forest Owners' Central Organization.  
 Y. O. L., Yleinen Osuuskassojen Liitto.—General Union of Supply Cooperative Societies.  
 S. O. K., Suomen Osuuskassojen Keskuskunta.—The Finnish Cooperative Wholesale Society.  
 Keskinäinen Vakuutusyhtiö Elonvara.—Fire, Motor Cars and Accidents Insurance Society  
 Keskinäinen Henkivakuutusyhtiö Pohja.—Cooperative Life Insurance Association.  
 Eläkelaitos Elonvara.—Staff Insurance Fund of the Supply Cooperative Societies.  
 Keskinäinen Vakuutuslaitos Oma.—Insurance Office for Workers in Supply Cooperative Organizations.  
 Finlands Svenska Andelsförbund.—Swedish Cooperative Union in Finland.

Centralandelslaget Labor.—"Labor" Central Agricultural Supply Cooperative Society.  
 Centrallaget "Enigheten."—"Unity" Cooperative Butter Export Association.  
 K. K., Kulutusosuuskuntien Keskusliitto.—Central Union of Finnish Distributive Societies.  
 O. T. K., Osuustukkukauppa.—Cooperative Wholesale of the Central Union of Finnish Distributive Societies.  
 Keskinäinen Henkivakuutusyhtiö Kansa.—Mutual Life Insurance Company.  
 Keskinäinen Palo- ja Tapaturmavakuutusyhtiö Kansa.—Mutual Fire and Accidents Insurance Company.

#### FRANCE

Banque coopérative des Sociétés ouvrières de production de France.—Cooperative Bank of French Workers Productive Societies.  
 Caisse nationale de Crédit agricole.—National Bank for Rural Credit.  
 Chambre consultative des Associations ouvrières de production de France.—Chamber of Workers' Productive Associations.  
 F. N. C. C., Fédération nationale des Coopératives de consommation.—National Federation of Consumer Cooperative Societies.  
 Fédération nationale de la Mutualité et de la Coopération agricoles.—Agricultural Cooperative Union.  
 M. D. G., Magasin de Gros des Coopératives de France.—French Cooperative Wholesale Society.  
 Société Centrale des Coopératives de France.—Central Banking Society of French Cooperatives.  
 Société de Contrôle des Coopératives de France.—General Society of Control of French Cooperative Societies.  
 Union centrale des syndicats des Agriculteurs de France.—Central Union of Agricultural Syndicates.

#### GREAT BRITAIN, NORTHERN IRELAND AND IRISH FREE STATE

Cooperative Union.  
 Cooperative Wholesale Society, C. W. S.  
 Cooperative Insurance Society—(The Joint Insurance Department of C. W. S. and S. C. W. S.), C. I. S.  
 Cooperative Productive Federation, C. P. F.  
 The Welsh Agricultural Organisation Society, W. A. O. S.  
 The English and Scottish Joint Cooperative Wholesale Society.  
 Scottish Cooperative Wholesale Society, S. C. W. S.  
 The Scottish Agricultural Organisation Society, S. A. O. S.  
 Irish Agricultural Organisation Society, I. A. O. S.  
 Irish Agricultural Wholesale Society, I. A. W. S.  
 Ulster Agricultural Organisation Society, U. A. O. S.

#### NORWAY

N. K. L., Norges Kooperative Landsforening.—Cooperative Union and Wholesale Cooperative Society of Norway.

Forsikringsaktieselskapet "Samvirke."—Cooperative Insurance Society.

Livförsikringsaktieselskapet "Samvirke."—Cooperative Life Insurance Society.

Böndernes Bank.—Farmers' Cooperative Bank.

#### SWEDEN

K. F., Kooperativa Förbundet.—Cooperative Union and Cooperative Wholesale Society of Sweden.

Försäkringsanstalten "Samarbete."—"Samarbete" Cooperative Insurance Society.

Livförsäkringsanstalten "Folket."—Cooperative Life Insurance Society.

S. A. L., Sveriges Allmänna Lantbrukssällskap.—Central Union of Agricultural Cooperative Societies of Sweden.

S. L. R., Svenska Landtmännens Riksförbund.—Swedish National Farmers' Union.

S. M. R., Svenska Mejeriernas Riskförening.—Swedish Cooperative Dairies Federation.

S. S., Sveriges Slakteriförbund.—Federation of Cooperative Livestock Marketing Societies.

Skogsägareföreningarnas Riksförbund.—Federation of Forestry Cooperative Societies.

Svenska Ägghandelsförbundet.—Central Egg Marketing Society.

R. S. F., Riksförbundet Svensk Frukt.—Federation of Cooperative Fruit Marketing Societies.

Svenska Jordbrukakreditkassan.—Union of Cooperative Rural Credit Societies.

H. S. B., Hyregästernas Sparkasse- och Byggnadsföreningars Riksförbund.—Tenants' Savings Bank and Building Society.

#### SWITZERLAND

V. S. K., Verband schweizerischer Konsumvereine.—Union suisse des coopératives de consommation.—Federation of Swiss Consumers' Societies.

V. O. L. G., Verband ostschweizerischer landwirtschaftlicher Genossenschaften.—Union des sociétés coopératives agricoles de la Suisse orientale.—Federation of Agricultural Societies of Eastern Switzerland.

Verband der Genossenschaften "Konkordia" der Schweiz.—Fédération des sociétés coopératives "Concordia" de la Suisse.—Federation of Catholic Consumers' Cooperative Societies.

Vereinigung der landwirtschaftlichen Genossenschaftsverbände der Schweiz.—Fédération des Associations coopératives agricoles de la Suisse.—Union of Swiss Agricultural Societies.

Zentralverband schweizerischer Milchproduzenten.—Union centrale des producteurs suisses de lait.—Central Union of Swiss Milk Producers.

S. E. G., Verband schweizerischer Eierverwertungsgenossenschaften.—Fédération des coopératives suisses pour la vente des oeufs.—Union of Swiss Egg and Poultry Societies.

Genossenschaftliche Zentralbank.—Banque centrale coopérative.—Central Cooperative Bank.

M. S. K., Mählengenossenschaft schweizerischer Konsumvereine.—Minoterie coopérative des sociétés suisses de consommation.—Cooperative Flour Mills of Swiss Distributive Societies. (Cooperative Milling Society of Switzerland.)

Schuh-Coop.—Chausure-Coop.—Shoe Factory.

Zigarrenfabrik.—Fabrique de cigares.—Cigar Factory.

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