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1933

**CO-OPERATION
AND CHARLES GIDE**

International Institute for the Study of Co-operation

CO-OPERATION AND CHARLES GIDE

Edited

BY

KARL WALTER

THE HORACE PLUNKETT FOUNDATION

MEMBER OF THE INTERNATIONAL INSTITUTE FOR THE
STUDY OF CO-OPERATION

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CONTENTS

	PAGE
MEMBERS OF THE INTERNATIONAL INSTITUTE FOR THE STUDY OF CO-OPERATION	5
INTRODUCTION	9
By KARL WALTER, The Horace Plunkett Foundation	
CHARLES GIDE: HIS LIFE AND TEACHING	
CHARLES GIDE (1847-1932)	21
By PROF. CHARLES RIST, Lille.	
CHARLES GIDE, ECONOMIST AND SOCIOLOGIST	31
By PROF. WILLIAM OUALID.	
CHARLES GIDE, FOUNDER OF THE DOCTRINE OF CONSUMERS' CO-OPERATION	45
By PROF. BERNARD LAVERGNE, Paris.	
MEMORIES OF CHARLES GIDE	63
By A. DAUDÉ-BANCEL.	
CHARLES GIDE AND AGRICULTURAL CO-OPERATION	78
By LOUIS TARDY.	
PAPERS OF THE PARIS MEETING OF THE INTER- NATIONAL INSTITUTE FOR THE STUDY OF CO-OPERATION	
THE UNIVERSITIES' SERVICES TO CO-OPERATION	89
By PROF. DR. ERNST GRÜNFELD, Halle.	
RELATIONS BETWEEN PRODUCERS AND CON- SUMERS	104
By PROF. KARL IHRIG, Budapest.	
CO-OPERATIVE FINANCE IN CAPITALIST ECONOMY	127
By N. BAROU, Ph.D. (Econ.), London.	
CO-OPERATIVE METHODS IN TROPICAL COUNTRIES	153
By C. F. STRICKLAND, I.C.S.	
INDEX	177

INTRODUCTION

BY KARL WALTER

The Horace Plunkett Foundation

BOTH the personality and the teaching of Charles Gide have such attractive qualities that it should be sufficient to make them more widely known to English readers for him to take, in our esteem also, the high position which he holds in that discriminating section of European culture represented by the authors of this volume. To many co-operators and economists in the English-speaking world his name and doctrine are familiar, and his peculiar position in the world of social and economic thought is well illustrated by the fact that he does thus form a link, however remote, where links are only too few, between the academic mind and the practical demonstration of new economic laws which the Co-operative movement embodies. We have had nobody like him in England. No English economist has broken away as he did from the traditional school and, with data scrupulously collected year by year and doctrine developed in lecture after lecture, established a living body of knowledge and theory from which can be drawn not only instruction of unusual clarity and personal originality, but insight and courage in the face of present economic perplexities. Nor has our own Co-operative movement, though it overshadows that of France in material achievement, produced in our time any such academic or even propagandist champion as was Gide. The movement has had its distinguished interpreters and spokesmen, and chief among them Mr. and Mrs. Sidney Webb, whose first exposition of the practice and theory of Co-operation was contemporary with that of Gide and owed nothing to it. But in their mind, and that of other English writers, Co-operation never struck root as an economic tree of knowledge which could flourish alone or supreme in the garden of political economy; its roots and branches

in early growth became intertwined with those of Socialism, and were cultivated with a vague hope that somehow the two would grow together in Fabian unity; so that in these days the progressive thought of our movement seldom ventures outside shop or factory or warehouse without losing itself in mazes of related Socialist growth. The foreign seed of Kropotkin, sown for so many years in English soil, his repeated insistence upon the voluntary principle in Socialist economics, his view of the Co-operative societies as a possible basis of a new order, might have produced a doctrine of economics almost identical with that of Gide. But we do not like our seed to carry such conspicuous and alarming labels as Anarchist Communism, the paradoxical character of which, moreover, failed to attract even our one great lover of paradox. Shaw, indeed, did not apparently know of the existence of the co-operative movement when he wrote his *Guide to Socialism*—he barely mentions it. Bertrand Russell, though he accepted many of Kropotkin's ideas, has not evolved an economic theory for them.

Co-operation has been the Cinderella of English economic teaching and of the Labour movement, compared with Trade Unionism and Socialism, and has had no English fairy godmother, essentially the rôle of Gide, as will be recognised by those who can perceive the magic of his touch through the translated passages so frequently recurring in these pages. For anyone even approximating to that rôle in these islands we must look across the Irish Sea to where Æ, fusing poetry and economics, endowed co-operation with the spiritual wealth and material righteousness of his ideal. Horace Plunkett, too, though his interest in Co-operation often seemed one-sided, showed that his underlying view of the movement, in so far as he was ever concerned with statement of theory, was sympathetic with that of Gide when, in the Trust Deed of his Foundation, he wrote of the principles of agricultural and industrial Co-operation as providing "a growing and enduring bond of international sympathy based on the sure foundation of the democratic ideas

which underlie true Co-operation." And Plunkett, in one of his last writings on Co-operation, named Holyoake, Vansittart Neale, Tom Hughes and Alfred Marshall as the leaders who inspired his study of Co-operative principles.

Gide also was in some ways more in harmony with the views of the Christian Socialist Co-operative leaders of the middle of the century than with those who succeeded them; their Socialism was less contradictory to the voluntary principle than the State Socialism of to-day. Because Socialists have become more definitely authoritarian since she wrote, some of our present confusion between Co-operation and Socialism may be traced to Mrs. Webb's assumption, stated in 1891, that "we, like the early Co-operators, are Socialists." The truth of this depends upon the kind of Socialism implied. If it is the kind which the Archbishop had in mind in the famous saying that "we are all Socialists now," the assumption is obviously true; but to justify her by identifying Mrs. Webb with the Archbishop would be invidious. Professor Fay, in 1908, expressed Gide's conception of the independent position of Co-operation. "It is not the herald of Socialism, nor is it a means to combat it. The Co-operative synthesis lies deeper than this. It centres about a common and original impulse of man, which inspires him, whatever be his environment, to make his weakness strength by the simple plan of joining with others, who are similarly conditioned, in the pursuit of a goal, which can be attained in proportion as he is prepared to co-ordinate his own interests with those of his fellow-members." Henry Wolff in 1912 wrote of people "who consider themselves Socialists but make capital Co-operators," which is not only true of many English Co-operators to-day, but is also quite in the spirit of Gide's attitude toward the earlier Socialism of France. Leonard Woolf, writing in 1918, tried to clarify the theoretical position by saying that "State Socialism and the system of the Co-operative movement are two alternative methods of obtaining the same result aimed at by Socialism," and so seemed to align himself with Gide; ten years later,

however, as a member of the I.L.P. Co-operative Policy Commission, he subscribed, in company with other staunch Co-operators, to the statement that "where gaps exist between Socialist theory and Co-operative practice, their causes must be looked for, not in difference of principle, but in the circumstances which inevitably surround any practical living experiment in the making of a new world."

The actual course of events was not favourable to a disentanglement of ideas, nor did any of our English writers carry the economic investigation of the matter as far as Gide. The English conception of the Labour movement as comprising the Socialistic political parties, the Trade Unions and the Co-operative movement, emerged from the actualities of common membership in the three sections of social activity, and this pragmatic generalisation already had, as we have seen, the blessing of Fabian authority. It has it also in practical experience. In a public lecture last winter on Co-operation in Russia, Sidney Webb described the movement as still retaining its essential character and functions as one of the three great pillars of the Soviet State, the other two being the Trade Unions and the Communist Party—the three constituents of the English Labour movement.

We are not concerned here with the relative virtues of Co-operation and State Socialism, but only to observe the English lack of any such clear thought regarding their differences of economic and social character as constantly recurs in the writings of Gide. For him, Protestant always, the Trinitarian consummation of the Labour movement could only be regarded as a transitional and testing time for Co-operation, in which eventually the economics of Co-operation, by their own rightness of adjustment to human needs, would survive the more rigid system of State Socialism, a view which does not conflict with that of the Bolshevik *intelligentsia*—Lenin, Lunacharsky—for whom not State Communism but Kropotkin's Anarchist Communism was the ultimate aim.

Why, then, it may be asked, if the English mind has adopted the Trinitarian view, with Co-operation in a filial if not subordinate position, should it be attracted by the teaching of Gide who sees in Co-operation an economic phenomenon of supreme importance? Opinion, it is true, has not shown any tendency in Gide's direction; but events have. The vicissitudes through which the Labour Party and the Trade Unions have been passing have had no parallel in the Co-operative movement, which, on the contrary, has made rapid and unfaltering progress, even shared in a smaller degree by the agricultural movement, in spite of all adverse political and economic circumstances. We are slow, perhaps, to accept the significance of this fact, but it has already prompted many individuals, including some of those mentioned, to re-examine the economic purport of a movement showing such endurance and vitality through the storm that is rocking the capitalist world. Moreover, if the social reformer can find in Gide's economic doctrine a more practical and equally democratic alternative to what we used to call "Continental Socialism," which our Socialist leaders still reject with variable emphasis, it will be as much of a relief to those who deride for its lack of economic purpose the inevitability of gradualness, and those who apprehend the inevitability of Communism. They may be refreshed to find that there is nothing inevitable about Co-operation, but that its future depends upon their own clear thinking and daily practice. There is also a practical timeliness for a country striving to restore its agriculture and to put its farmers in more organised and direct relations with its consumers, in calling attention to a doctrine in which Co-operative relations between producer and consumer are an integral part and have been worked out in their essential economic implications.

One other aspect of Gide's life and work must be referred to before passing on to the creation of his last days, the International Institute for the Study of Co-operation, which this volume serves also to introduce to

English readers, and that is the important part Gide played in the foundation and development of the International Co-operative Alliance, a subject that deserves a chapter of its own. With characteristic modesty Gide attributed the first prompting idea of an International Alliance to his close friend and colleague at Nîmes, Émile de Boyve, who did in fact, in 1886, at the Plymouth Congress, first suggest its formation, though not without previously discussing it with Gide, we may be sure. Associated with him as sponsors of the scheme were Charles Robert of France, E. V. Neale, Thomas Hughes and E. O. Greening. These were all, as Gide points out, of the bourgeois class, and when it came to birth nine years later, at the London Congress of 1895, the name of the new body, The Friends of Co-operative Production, as well as its limited objectives, indicated in Gide's mind a character which led him to denominate the early years of the Alliance as the Bourgeois Period. Those were the days when profit-sharing, Christian Socialism and co-partnership were strongly represented by the initiators of the Alliance scheme; profit-sharing was eliminated from the outset by the influence of the C.W.S., co-partnership had no place after Aneurin Williams ceased to be chairman of the Alliance, and Christian Socialism gave way to the more militant creeds of Hardie and Hyndman. Gide, who joined the Central Committee in 1902, has described how the Alliance, not without his approval and assistance, entered upon what he calls the Socialist Period of its history. He has told how Henry Wolff, elected President in 1896, in his eagerness to increase the membership, was not dissatisfied by the Socialist schism in the French Co-operative movement, because this division, instead of a single adherent from France, brought him two. Indefatigable in his promotion of the Alliance, a good linguist and a man of sufficient means, Wolff became first, as he styled himself, the commercial traveller of Co-operation, and then virtually the founder of the Alliance in its present constitution. And, said Gide, in the apt translation of Mr. May, "when Wolff had

gathered his sheaf of wild flowers he found many red poppies amongst the cornflowers." Increased Socialist influence could not, however, alter the Co-operative doctrine in one important respect, which Gide maintained must always separate the two movements. "The class war cannot be included in the Co-operative programme for the obvious reason that the consumer does not represent any class." Thus Gide always checked his political sympathies by his economic doctrine, and in a critical period was foremost in preserving for the Alliance the independent position recognised by the Copenhagen Socialist Congress in 1910. From this year, writing with unabated confidence immediately after the War, Gide dates his third period of the Alliance, "the real International Period," courageously advocating resumption of relations with all its old members. "If this war has been the deluge, may the Co-operative movement be the ark," he wrote, a saying which has lost none of its significance in the present chaos. He remained a member of the Central Committee until the end of his days, and the high honour in which his memory and his doctrine are held in the international membership of the Alliance is a strong promise of wisdom in its future leadership.

Gide, however, even in his last days, was not one to remain satisfied with things as they are; he could not accept the inevitability of Co-operative progress even in face of a reunited and increasingly prosperous movement. His confidence in the future of the Alliance never faltered, but he noted the increasing number of persons not in any way officially connected with the movement who in their professional capacity, or as writers, are concerned with the study and teaching of Co-operation. Universities had opened their doors to the subject; books on it were appearing in all languages; but there was no common meeting-ground for these professors, lecturers and authors, nor any international centre for the exchange and study of data and ideas, for a really academic development of the subject. To provide this was his purpose in founding, in 1931, the International Institute for the

Study of Co-operation. Writing in the Swiss weekly paper, *Le Co-opérateur Suisse*, of October 21, 1931, Charles Gide gave the following account of the first meeting of the Institute in one of the last articles he was to write:—

Since it was in this journal that I announced in December the project of an International Institute for the Study of Co-operation, it is natural that it should be here that its birth is announced, more especially as it was in the town of Basle that the first meeting to found the Institute was held.

Eleven members were present. . . . It will be said perhaps that eleven are not many; but the number of members being as yet only 32 it is none the less more than a third, and whoever has had to call a meeting knows that there is always a number for whom it is difficult to attend, more especially when those summoned are scattered throughout Europe and the critical conditions of the moment do not encourage leaving home. . . .

We have already shown what is the object of this institution. It is in no way in competition with the International Co-operative Alliance, nor does it in any way aspire to the direction of the Co-operative movement. It is, as its title indicates, a study association among those whose work is the teaching of Co-operation whether in their professional capacity or by their books. It is to be noted that their numbers will quickly increase in proportion to the development of Co-operative teaching. Now they find themselves too often isolated from the Co-operative movement for a good number of them are not members of Co-operative societies, or at least are not members of their managing committees and consequently cannot be elected to the central committees or as delegates to the national and international congresses. They have therefore no opportunity of meeting the leaders of the Co-operative movement or each other. They are ignorant of their own capabilities and are not well known. It is to end this isolation that the new association has been created. Further, it is well for the development of Co-operation that, outside the elected councils which constitute the democratic government of Co-operators, there should be study associations for those who are qualified only by their scientific works and whom I may call the home-workers. No doubt this institution will be denounced as academic, but that is merely a word. We do not in any way aspire to create an élite of intellectuals, but on the contrary a society for mutual

help and work in common for our colleagues who have the responsibility of teaching and creating the Co-operative doctrine and find no place in the ranks of the existing organisations.

The papers read at the second meeting of the Institute in Paris, 1932, are included in this volume. They indicate both the quality and the scope of the studies undertaken by its members, and the subjects they deal with will be recognised as among the important current problems of Co-operation: its teaching, its place in the relations between producers and consumers, its financial problems in a capitalist world, its promotion among the peoples of tropical countries. It will be seen that these papers are not propagandist in the sense of assuming a conclusion and making the argument fit the end, but maintain the scientific spirit which permeates Gide's own studies, Mr. Barou, for instance, who treads more controversial ground than the others in his presentation of some of the problems of Co-operative finance, discussing whether Co-operation is to co-exist with capitalism, or to replace it, expresses, as others have done, a preference for the latter; but he is far from assuming that this is either the destiny or the present tendency of Co-operation; his statement of the situation is a critical comparison of capitalist and Co-operative banking, and while some of his deductions may be questioned, as they were in the discussion of the paper at the Paris meeting, no Co-operator and few economists will quarrel with his main conclusion, that Co-operation must integrate its financial organisation, nationally and internationally, if it is to serve as a basis for a planned economy.

Can Co-operation so serve? Is it the key to a more stable economic order, in which production will respond to need, in which distribution will distribute, in which national character will enrich and not thwart the diversification of a civilised life—to that better financial and commercial system which not only Co-operators are seeking to-day? That is the fundamental question which, following the practice of its founder, the members of the

Institute will repeatedly ask and answer. But each repetition will be preceded by stating the knowledge or investigation of the actual functions of that part of the economic body which is in question. Social discontent too often jumps to a hasty pathological view of the present functions of society. Gide's approach, and that of the Institute, is different; nor do they wish merely to add one more to the many doctrines of political economy; their aim is to promote the science of economics, the Physiology of Society which Kropotkin advocated in his *Conquest of Bread* and exemplified in his study of Mutual Aid. For Gide the perception and understanding of Co-operation was as important an advance in economics as the discovery of the circulation of blood in the progress of physiology, and it is observably a healthy stream of life in the ailing economic body of to-day. But economists naturally will not admit the importance of his discovery until the vital function of Co-operation is demonstrated beyond all question, not as a desirable system—propaganda is a part of the movement that is studied—but in all its technical working and capacities. This is what Gide meant by "teaching and creating the Co-operative doctrine," the aim of the Institute he founded.

CHARLES GIDE: HIS LIFE
AND TEACHING

CHARLES GIDE

1847-1932

(CHARLES RIST, writer of this account of a great personality, published here by courtesy of the *Revue d'Economie politique*, was joint author with Charles Gide of the *History of Economic Doctrines*.)

CHARLES GIDE breathed his last on March 12, 1932. The courage with which throughout his life he dealt with public matters, the determination never to allow himself any illusion which might cloud his freedom of judgment—these his eighty-four years found unfaltering in the face of death.

When, with a lucidity not to be beguiled by any tenderness of those around him, he saw death approaching, he did as he had done each year on the eve of a holiday: he put his study in order, gave instructions to friends regarding publications he still hoped to issue, then, accepting the refusal of his physical powers to obey any further his will to work, resigned himself to await the end.

Among the many sides of this strong and singular personality, the first thing to recall is the untiring continuity of his labours. Gide's powers of work are well known to the readers of this Review, which he founded and never ceased to animate with his own spirit. For forty-six years there has been no issue in which they have not found, signed by him, some chronicle, some article, or one or other of those reviews in which he knew so well how to pluck from a book that spark of novelty or paradox which had fascinated or startled him. A collection of such writings, if published, would form, in itself, a history of economic ideas. Evidence of his unremitting activities is given by the successive editions of his *Treatise*, each one enriched by his constant quest for new facts, of his *Manual of Social Economy*, comprising the articles which he contributed with admirable fidelity to the co-operative monthly, *L'Emancipation*, the diversity of his courses of lectures at the School of

Higher Social Study, the Faculty of Law, the Collège de France, the School of Social Service—lectures in which as orator and as moralist he was equally happy, which he lavished without stint on the gatherings of co-operators, at the Association of Social Christianity or of Faith and Life. Only a few months ago he issued, in collaboration with M. Oualid, an article on the cost of the War in that great economic history of the War which he edited personally. In February, the revised edition of his *Selections from Fourier* was published, furnished by him with a new introduction. This introduction ends with a sentence (doubtless the last from his pen which he saw in print) in which, again, he reveals the great preoccupation of his life: "Co-operation," he writes, "is the bodily daughter of Fourier, but she has also a soul, and this she did not receive from him."

To understand and interpret the soul of a book, of an institution, of a doctrine, was, with his innate literary gifts, both the great endeavour and the great triumph of Charles Gide. Re-read some of his studies; for instance, those on Ricardo and on Malthus. With what art he can dramatise these doctrines, giving to each the colour of its author's temperament! The story is seen by him, not as a succession of frigid theories, but as a vast colloquy spread over a century, between living men, confronting one another with their ideas, their experiences, their feelings on social affairs. If he seemed to turn his back on many ideas really closer to his own than others to which he devoted much sympathetic curiosity, it was that the former, in their dry and dogmatic statement, seemed lifeless to him, whereas the others, behind their clumsy and even impassioned expression, might reveal to those who knew how to listen a grain of truth or a fertile enthusiasm.

The hope of discovering such a spark amid the smoke of the Russian Revolution decided him, in spite of his seventy-six years, to undertake the journey to Moscow. In the same year he visited Palestine in order to see for himself the birthplaces of Christianity and to witness that moving event, which greatly impressed him, the

re-constitution of a new Jewish State after twenty centuries of dispersal. The origins of past greatness, as well as those things in which he foresaw a great future, had for him an immense attraction. The humble beginnings in which lie hidden the secret, spiritual sources of brilliant success, fascinated him by their mystery and their very humbleness.

The modesty of the French co-operative movement and absence of any Government support certainly helped to strengthen his attachment to it. He took a pride in discovering in an almost invisible germ the spreading tree it might some day become. His famous address on the Co-operative Commonwealth, in which his imagination conceived a social edifice destined in time to shelter so many happy families, is a model of such anticipations. How often would he tell, with a kind of rapture, the wonderful tale of the Rochdale Equitable Pioneers!

On the occasion of the International Co-operative Congress in 1902, he spoke at Rochdale itself, on the very spot where, fifty years before, amid the jeers of neighbours, the little grocer's shop was opened, embryo of the powerful English co-operatives of to-day. On that occasion he uttered some of those phrases in which reverberate with emotion the hidden cords of his being.

"In the days when the pioneers lived," he cried, "there was no lack of economists and eminent socialists. There were John Stuart Mill, Bastiat, Proudhon. They paid no attention to the great event which was preparing in Toad Lane, they never suspected its consequences. They would have been very astonished if they had been told that, some day when their social systems had no more disciples and their books scarcely any readers, the Rochdale Pioneers would count their followers in millions.

"O Pioneers, to you I return thanks, not only for having given us an organisation which for millions has obtained comfort and improved conditions of living, which, as an economist has said, was the only successful social experiment of the nineteenth century, but above all for having taught us an admirable lesson in modesty,

by showing us that all our knowledge, all the wisdom of the Scribes and Pharisees, all that is set down in books and in the law, all in the name of which we instruct and govern mankind, is not worth in foresight and motive power the action of a few humble workers who simply lived, laboured and suffered with no other teaching than is derived from manual labour, the thought of our daily bread and an unshakable faith in the advent of justice."

There you have the whole of Gide, visionary, evangelist, coming in spirit instinctively close to obscure English weavers and humble fishermen of the Lake of Tiberias, themselves the first listeners to words which, two thousand years later, would still move the hearts of men. As to "wise and intelligent men," to "the learned" and the Scribes, what disdain for their arrogance, and how he could make them feel it!

Is it to be wondered that they did not forgive him? Besides, could they not have retorted that in the world of to-day—as against his imponderables—the heavy guns of might and vested interests have not yet been withdrawn from the field? And Gide, in one of those changes to clear-sighted pessimism which ever mingled with his visions of the future, would doubtless have admitted they were right.

In the economic life of to-day, too, he wanted to find a soul. He did not resign himself to see it merely as a play of material interests.

Under the gravity of his mature and declining years, the living memory of childhood's impressions was never effaced. Deep in his heart he bore, throughout his career, together with a homesickness for the landscape of the Languedoc—its rocky highlands bathed in sunlight—the ideal, fostered by the associations of his Protestant home in the Cévennes, of what social life ought to be: free harmony founded upon voluntary discipline. Always by this did he measure the value of men and events. He had a strong aversion for social philosophies which make a principle of class warfare, for Darwinian survival of the fittest, for the martial antagonism of nationalism.

Such warlike ideas were repugnant to him. No civilisation worthy of the name was conceivable without a fair distribution of wealth, dignity assured to labour, and above all a common moral purpose. Economic liberalism, especially in the refined and abstract form Walras gave it, seemed to him to express a part, but only a part, of this ideal. Does not the presumed perfected competition between producers in effect automatically bring about that disappearance of profits, that return to the purchasers of the surplus wealth socially created, that "reign of the consumer," in which Gide saw a postulate of social equity?

But liberalism looks for a result from the free interaction of selfish motives, which Gide thought could be still better obtained through the solidarity and association of men of good will. Co-operation of consumers, respecting the autonomy and the initiative of its members, warding off the fatal enterprise of a Collectivist State and impressing its own guidance upon production, had, in the eyes of a moralist such as Gide, a decided superiority over any social structure *à la Walras*: such co-operation would breathe into the organisation of material life that divine afflatus of brotherhood which Christianity brought to the world—for that is what Gide meant by the soul which Fourier could not give to co-operation, that "soul of goodness" which for him was the essential.

That the French school of liberalism should not have discerned in him, from the beginning, a thoroughbred liberal, one of those who might have been among its founders had it still been necessary to fight for its foundation—this seems to us to-day an incomprehensible aberration. And that its hostility against an economist whose talents received world-wide homage from his colleagues should have been manifested by a sort of grand excommunication weaponed by silence is almost unbelievable in its pettiness. No, there was nothing grand about such a silence. What was really great, though quite useless, was the generosity with which Gide persisted in reviewing in his own journal the publications of

those who affected to ignore him. Not a book appeared by Leroy-Beaulieu, by Molinari, by Yves Guyot, but Gide would be at pains to notice it courteously, though not always without a touch of irony. Imperturbably, he would warn them of the "great thaw" in which their doctrines, already adrift, would soon be crushed between the menacing pack-ice of Socialism and Protectionism. Would to Heaven his prophecies had been less completely fulfilled!

Last June, the old and the new collaborators in the *Revue d'Economie politique* assembled for the first time in forty-six years for a friendly evening with their Chief Editor. They heard this grand old man, usually taciturn, relate with a caustic and ready wit, of which the memory will long stir our hearts, the origin of this peculiar boycott. His talk, published in the number of September-October last, has the value of a page of history, does infinite honour . . . to him who wrote it.

And yet! To hear Gide speak with affection of Bastiat, through whose *Harmonies* he had, as a young man, been initiated into political economy, or with admiration of Mill, to whom he was akin in their common tendency to reconcile a desire for social reform with a belief in economic laws—one could not fail to perceive how deeply identified his own thought was with that of these great liberal thinkers.

Who but Gide first had the courage to make known in France the work of Walras, that other notable victim of boycott? Who but he qualified as "grandiose" the simplified vision which the classical writers evoked of an economic world ruled by liberty alone? What publication ever gave a more clear and alluring account of the classical ideas (including the theory of Free Trade) than his *Manual*, which, for the first time in France, included the Austrian theories of value, and had a success, with all its translations and innumerable editions, comparable only with that previously won by the classicist J. B. Say? And who but he rendered to French political economy the invaluable service of driving it back into the broad

international current of scientific thought which it should never have been allowed to leave?

But, for Gide, liberty of mind—and it was just this that removed him from the official school—was inseparable from liberalism.

As a Professor (and he was proud of the title) he hated dogmatism, by temperament as well as by conviction. The ever alert curiosity of intelligence was to him the very atmosphere of science. When, in 1887, encouraged by the international fame his *Manual* had won him, he founded the *Revue d'Economie politique*, his first care was to open wide the windows without fear of draughts, and to welcome the representatives of all views and tendencies, French and foreign, those of the Austrian school, of mathematical economics, of the historic school, of the Catholic social school or of State Socialism. Those windows have never been closed. Let us hope they never will be. And let us not forget that, if to-day the teaching of economics in our Faculties of Law is so largely eclectic, we owe it in a large measure to him.

He carried into his work as lecturer and journalist the same intransigent concern for liberty.

A wide pulpit was never available for spreading abroad his ideas, such as any one of the great French reviews might have offered, could they have had the courage to face the digressions of his uncompromising frankness. Gide, a great commoner and democratically minded, nevertheless never joined any political party, never felt the call of any group. He did not care if he seemed too Liberal for the Socialists or too Socialistic for the Conservatives, as the case might be. His complete spontaneity led him to criticise even his own ideas, which was rather disturbing to that numerous class of people who demand consistency from an economist and especially consistency in keeping with their own prejudices.

Lacking a review with a big circulation, he spoke his mind on current events for forty years, in *L'Emancipation*, the excellent little monthly journal of the co-operators of Nîmes, where he was already sure of freedom and

sympathy. In this collection of articles we find the everyday Gide, so to speak, both eloquent and familiar, tackling the most varied and complicated subjects, simplifying them with the lucidity of his own mind, enlivening them with vivid images, and stamping them always with the mark of his sincerity and his intellectual generosity. Financial and commercial policies, international relations, social and monetary questions, problems of reparations and tariffs, he would approach them all with a perfect indifference to the ruling opinion of the day and in the sole thought of being true to himself. No noble cause left him indifferent. A great advocate of colonial expansion, he drafted striking appeals for the rights of natives. The War once over—that War which had robbed him of one of his sons and crippled the other—he began to plead without pause for a policy of reconciliation with Germany and of magnanimity towards the vanquished.

The best tribute to him (and this Review in agreement with the co-operators will promote it) will be to publish these articles, at least in part. Re-reading them, we shall be amazed by the variety of his interests and the correctness of his views. On monetary reform, for instance, on the inevitable defeat of the creditors by their debtors in any great crisis, he displayed, thanks to a wide culture from which he drew a keen sensibility to economic factors, a correctness of forecast which technicians might well have envied.

He himself never claimed to be a technician. He regarded it as his task to discern the nature of problems, to indicate the purpose to be pursued, to anticipate future tendencies, to make intelligible the irony or tragedy of the economic and social drama in which each of us is an unwitting actor. Men are little interested in any but their own economic destiny. This so absorbs their imagination as to leave them little time to look for any significance in social evolution. It needs the soul of a Proudhon or a Marx to see habitually, in every event, a link in the chain leading, as the case may be, to greater

justice or to greater exploitation; the soul of a Bastiat to worry about whether an event will favour or frustrate the natural harmony in which he perceives the secret of life. For Gide, too, social events revealed themselves on a higher plane where his vision of the future assigned to each its place in the scale of values. From this contemplative height he rarely came willingly down to the plane of everyday and specialised action where, of necessity and by inclination, most of us remain.

I remember a meeting of the National Economic Council when Gide was chairman at which the origin of the economic crisis and the remedies called for had been under discussion. The members were all anxious about the future, some for the agricultural syndicates, another for the co-operatives, a third for the mines, a fourth for the railways they represented. Gide spoke last. It was to express the perfectly sound opinion that, after all, an economic crisis is a wholesome thing, that an occasional cleansing is indispensable, and that, the commotion once over, its benefits would be apparent. Nothing was more true. Nothing more useful could have been said. Yet, looking at him and at his audience, one involuntarily thought of some great specialist called in by an anxious family, examining the invalid, and then, before pronouncing his awaited verdict, saying that the case, medically speaking, is of exceptional interest and will provide valuable lessons for the profession. This distance between the plane on which Gide's thought naturally moved and that on which were the thoughts of his listeners, explains perhaps that bluntness of expression, those words cutting like a punch into long silences, which in private conversation sometimes astonished his interlocutor. Others could not rise at once to the atmosphere in which he was at ease, and this created a certain isolation for him. But Gide, lover of mountain climbing, had no fear of solitude.

Still, there were some failures to understand him and certain bits of pettiness that did hurt him.

Official honours meant little to him; his omission

from them might upset his friends, but he remained indifferent to them, and we would not have him otherwise. On the other hand, the Faculty of Law of Paris need not have awaited his retirement before giving to the Chair of Social Economy, specially endowed for him by the Comte de Chambrun, all the advantages of an examining Chair, that is to say, the possibility of having at his courses not only the foreigners who crowded to his lectures, but the French students who, in the circumstances, through lack of time, were only a small though select group.

But what compensations he found—rewards of the only kind that a man of his standing could value! M. Millerand, in 1900, entrusted him with the Report on Economics for the Universal Exhibition, which Léon Say prepared for that of 1889; and when nearing seventy-five, the Institute having no use for him, he had to relinquish his Chair at the Faculty of Law, the co-operators, the moral aristocracy of the French social movement, made the generous and intelligent gesture of founding for him at the Collège de France that Chair of Co-operation he occupied up to 1930. When the Carnegie Foundation organised its great economic and social history of the War, it was to him they turned for its editor. He was aware of the prestige of his name among co-operators all over the world, and that he was held in international renown as an economist. But he was sensitive above all to the affection and respect with which he felt himself surrounded in all the open and ardent minds of the new generation of economists.

This journal owes everything to him; it was his name that brought to it so many devoted collaborators. It was the wide understanding and tolerance of its founder that gave it its distinction. To remain at the height, to which he wished to raise it, it has but to remember him. In a rather shaky hand he wrote to a friend a few weeks before his death, "Adieu, do not forget me too quickly." His work had already given the answer. Gide, economist, co-operator, writer, friend, is of those whom one does not forget.

CHARLES GIDE, ECONOMIST AND SOCIOLOGIST

BY PROFESSOR WILLIAM OUALID

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CHARLES GIDE was the greatest French economist of our times. It may be that the future will not confirm this judgment, that when it comes to an appraisal of his additions to knowledge, to an estimate of the part he played in the solution of the great scientific problems, his contribution will appear somewhat meagre. But the worth of a man of action, of a philosopher, of a savant is not to be measured only by the permanent elements of his thought and work. It is to be estimated by the influence which the writer and teacher had in his day on the formation and growth of ideas, on the discussions he aroused, on the progress he quickened. And, in this respect, there can be no doubt that Gide, of all French economists of the half-century from 1880 to 1930, is the one whose fame was most far-reaching, whose influence and scope were greatest. The proofs abound. The considerable number of editions and translations of the unforgettable *Principles*, long the only breviary of studious youth throughout the world; the circulation of his *History of Economic Doctrines*, in the success of which M. Charles Rist was no less concerned than the departed master, and especially in what we all, when we undertake the examination of our intellectual consciences, recognise is our debt to him in the formation of our minds.

Wherein, then, lay the power of Gide outside the incomparable charm of his style, the literary value of his work, the rare aptness of expression, in contrast with the dullness and monotony of economic dissertations, heavily charged with scholasticism, of the liberal "economists," his contemporaries? Whence comes the influence he exercised? Was he merely the timely interpreter of a state of mind, of a reaction against a doctrine then as

triumphant as it was tyrannical? Did he profit by the new audiences which the introduction of political economy in the programmes of the Faculties of Law provided for economic science? Did he share in the need of the moralisation of economics which Anglo-Saxon Protestants felt very early and Latin Catholics were not to experience until later, which Gide's own origin the better prepared him to grasp and to satisfy? Probably all these factors contributed to his intellectual and moral influence, as well as the growing taste of the uninitiated for the new science and the attraction of both form and substance which the *Principles of Political Economy* very naturally exercised, reinvigorating, brightening and embellishing the dismal science. We leave to others the task of settling these questions. Here we would especially define the place occupied by Gide in French contemporary economic thought by showing what he really was, that is, a kind of conscience for this thought at a turning-point in its history.

When at the end of 1883 Gide's *Principles of Political Economy* appeared, economic liberalism dominated the schools, the Press and the academies. It perpetuated, after the passage of more than a hundred years, the spirit of the "sect" of economists of the reign of Louis XVI. Like their predecessors, the French "economists" were, for the most part, "great citizens of cultivated minds and liberal outlook, statesmen, financiers, journalists . . . who formed a small group, a tribe, sometimes dynasties, around a trinitarian centre: the Institute, the Society of Political Economy and the publishing house of the Guillaumin Daughters, home of the *Journal des Economistes*. This universe was sufficient for them. They felt no need of extending it. Political economy, they said, is not taught in the lecture halls, but in the life of nations."

It was to be given to the young Professor to extend outwardly these views of political economy; first, by endowing it with a more eclectic organ, more hospitable to differing opinions, less in bondage to a unilateral

conception of science and doctrine; next, in restoring to economics the human and moral element which seemed to have little interest for the classical, naturalistic and quasi-mechanistic economists and the Socialists imbued with authoritarian organisation; finally, in imagining, midway between anarchist individual competition and authoritarian Socialism, a voluntary co-operation growing out of a conscious discipline freely accepted.

In a vivid and witty address delivered by him at the first dinner of the *Revue d'Economie politique* (which for him was to be the last), where already the melancholy of an uncertain future was gathering, the grand old man related the beginnings of the *Revue*, its aims, its difficulties, the scornful hostility it had encountered as well as the support it had found. In 1877, a decree of March 26th founded a course in Political Economy at the Faculties of Law. It was the consecration of a movement dating back sixty years and the completion of an evolution marked by some sporadic and spontaneous realisations. Was this young university subject, economics, still untried, to remain subject to the "School," or to win its own independence? Was it to fall back upon itself or enter into relations with foreign universities, particularly with the German universities which, on the pretext of their having formulated the socialising programme of Eisenach, had been boycotted in France? Gide did not hesitate. Science should have a theory, not a chapel. In 1887, the *Revue d'Economie politique* was started. Its title alone, as against Molinari's *Journal des Economistes*, is a programme. The preliminary declaration defines it. "Differing from all publications in France, this one will be the organ neither of a person nor of a school. It will be open freely to all doctrines. We hope that the bringing together of adverse doctrines may be fruitful." This programme was followed to the letter. The contemptuous silence of adversaries whom the *Revue* never regarded as such—giving to the pseudo-liberals a great lesson in true liberalism—did not hinder the success of the new organ. Its pages, now covering forty-five years, welcomed

all the great French and foreign economists, to name only those deceased among the latter: Brentano, Schmoller, Laveleye, Cossa, Walras, Secrétan, Wuarin, Rabbeno, Olozaga, etc.

This liberalism, this eclecticism, are symbolic. They well represent the scientific and doctrinal mind of Gide, the teacher.

The liberal school never missed an occasion to tax him with Socialism. Paul Leroy-Beaulieu, in mentioning him, always attaches to his name a formula to that effect.¹ In reality, Gide is a great and true Liberal in the political and economic sense of the word, but with him the love of liberty does not go so far as to accept all consequences, even the most untoward, and he seeks to correct them by the humanisation and co-operative organisation of economic life. This is proved by his conception of political economy itself and its psychological bases, his notion of international economic relations tempered by their social tendencies, his views on property, competition and co-operation. Also, if we wanted to indicate Gide's kinship with a classical economist whose system would be familiar to students, we should say that he is, as it were, a French John Stuart Mill, constantly divided between the scientific rigour of the *laws* of production and the relativity of the *facts* of distribution.

The true expression of Gide's thought must always be sought in his *Principles of Political Economy*. This was not in his eyes a mere manual for examination purposes, but a kind of synthetic picture, "a vision of the world and of the passionate efforts made by man to turn economic events to his best private advantage." Compared with his *Course in Political Economy*, intended for students, this work has the double advantage of manifestly preceding

¹ Thus he says (*Treatise on Political Economy*, Vol. I, p. 27, note): "Our thesis at first encountered some doubts, notably among writers of socialist tendencies, such as M. Gide (*Treatise of Political Economy*, 2nd ed., p. 575)." And elsewhere (*ibid.*, p. 371): "All writers of socialistic tendencies felt attracted towards the system (of Fourier). The idea of Fourier is not absurd, says . . . M. Charles Gide." And again: "There is also, says a socialistic economist (M. Gide, *Principles*, 3rd ed., p. 376)," *ibid.*, p. 44, etc.

it (the first edition is dated 1883, the twenty-fifth 1926, while the *Course* bears date of 1909) and of a greater freedom of exposition and expression. From the beginning the *Principles* go against the scholastic and theoretical economic views of the period. It was then a common saying that political economy is the science of wealth. Gide rebelled against this notion of ignoring the human element. This definition, he said, diverts attention from the true object of economics, which is man and his needs, to centre attention on objects external to man which are only means for the satisfaction of his needs. Not that he really disputes its natural character. To him, economics is at the same time human and natural; human, in that it has for its object not so much wealth as the needs and desires of men, so far as these desires create the value of things; natural, in that it supposes, in a series of events, the existence of laws superior to the human will. As Shakespeare says:

There is a tide in the affairs of men
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.

For this reason he gives first place to economic psychology, thus allying himself to Jevons, Menger and Gossen, who, when Gide was entering upon his studies, were scarcely beginning to be known. To our mind, one of his great services was the revival of French political economy and its infusion with new blood, which, but for him, might not have quickened it until much later. Little or much, all the economists of our country to-day, whether liking or scorning the exclusive or partial psychological explanation of economic activity, are deeply indebted to him even if they do not know it. Those who, like MM. Aftalion or Landry, explain phenomena or criticise doctrines in the light of a thorough analysis of the mental mechanism, motive force behind the individual and the crowd psychologically considered; those who, even while paying homage to the ingenious subtlety of

the theory of marginal utility of value, as M. Truchy, see in it especially "a key for the opening of doors behind which there is nothing very much," will doubtless realise that the first notions of these 'new formulae were learned from Gide. Nothing has contributed more to the diffusion of Menger's theory on marginal value than the classic example of the pails of water arranged in order of importance according to their use, of which the total value is determined, not by adding up their separate and decreasing values, but by the process of multiplication, having for multiplicand the number of interchangeable and identical units of the same kind and for multiplier the value of the last unit, the marginal unit, the least valuable of the series. The little story of the gardener upsetting the pail of water theoretically intended for drinking purposes and contenting himself with promoting by one place all the remaining pails, so that only the last requirement, the least urgent, need be sacrificed, has done more for the popularisation of this theory than the learned and inaccessible dissertations of German works, often, moreover, untraceable. The discussion of the notion of need, the use of the word *desirability*, in contrast with *utility* and designed to avoid the necessarily definitive acceptance of that term, testify to Gide's leaning towards the human being and psychological motives considered as the basis of individual and social economic life.

Again, with Gide, the object of political economy is not abstract man, *homo oeconomicus*, the economic skeleton stripped of flesh and viscera, of passions and feelings, and reduced solely to the bony framework of its interests. It is a complex being, moved not only by its interests but by its convictions. Besides, interest itself is the functioning of a multitude of factors, for there is not only pecuniary interest, the desire for profit, but also the desire for leisure, so potent in the campaign for the reduction of hours of labour, the desire for independence which leads to the insurgence of the working class against the rule of the professional class, the desire for security which lies at the bottom of more and more universalised

systems of social insurance; the personal interest, constantly expanding and passing from the plane of the egoistic individual to that of the corporation, the professional, the class interest, the national interest, even in its final stage the interest of all mankind.

He devoted himself especially to social man, regarded as acting in the mass, in order to discover, behind individual variations, the uniform and stable conditions alone worthy to be called laws, and he analysed, with subtle felicity, the economic motives of their action. He shows what is solid and durable in human needs and what is acquired, variable and social, thus allying himself to both the German historical school and the sociological school, restoring finally to human acts, considered in their reality, all their complexity and relativity. Nothing shows this better than the passage in which he explains the subjective and not objective character of the utility of possessions: "The fitness of the thing to our needs is not always due to nature; it may be imposed by social customs, by fashion, or by religious faiths. Relics, more or less authentic, have, in certain countries, for centuries, and still in our day, been considered as incomparable riches because of the virtues attributed to them. Certain waters and pharmaceutical products are in great request, although their curative properties are far from being proved. Costumes no longer worn, books no longer read, pictures no longer admired, coins no longer in circulation, remedies that no longer cure—what a long list might be made of these 'riches' of which the utility has been as ephemeral and fugitive as the need which created it. Nevertheless, even if by chance the desire of the collector, perhaps the most intense of all desires, happens to fasten itself on these defunct riches, it restores them to a new life and they at once resume an existence, new and far superior to their first."¹

From this time on, the theory and all the economic and social policy of Gide are to be dominated and justified by this conception of economic psychology. For example,

¹ *Principles*, 26th ed., pp. 48-49.

when it is a question of determining the final basis of value, writers are divided by two theories. For some, following the lead of Ricardo and Karl Marx, the basis—Socialists call it the justification and the limit of value—lies in labour, toil, cost of production. For others, the psychologists, the basis of value is in its utility defined by human desire. Gide did not hesitate. Certainly he does not fail to recognise that labour and toil are the price we pay for the satisfaction of our desires. But these desires are truly the *cause* of the effort, the limit of its intensity, and, consequently, the prime reason for value. To substitute labour for utility—or for desirability—as the fundamental element of value, is to confuse the means with the end. Logically and in practice it is the consumer who creates demand; consumption is the *raison d'être* of economic activity; the rest being only the allocation of motive power, the technique of production and exchange, with that end in view.¹

Does the consumer, then, this theoretical object of economic activity, play in economic life the part normally expected of him? What is he? Almost nothing. Isolated, ignorant, powerless, he is doomed to be exploited by the knowing, powerful producers, egoists ever more and more organised, locally, nationally and internationally. This Review is not the place in which to tell all that co-operation owes to Gide. But perhaps we may here recall the famous passage in which he describes the rôle of the consumer in order to link it up with his general economic conception. "What is the consumer? Nothing.

¹ Gide recalls in his preface to the *Principles* that a Socialist critic had reproached him with adopting the theory of utility-value while recognising that it satisfies morality less than the theory of labour-value. The latter, said this critic, must be preferred *because it is a weapon for the proletariat*. "Such a method," answered Charles Gide, "is far from us. In seeking the explanation of a fact, the solution of a problem, we are never prejudiced by the notion of whether it can serve or disserve such and such a cause which may be dear to us, or of what aspect truth may wear when it is unveiled." It would not be possible to give a better example of the high scientific probity and profound intellectual liberalism of the master.

Another example might be quoted, as related by M. Charles Rist (*Revue d'Economie politique*, 1932, p. 25).

What should he be? Everything. The actual social order is organised for production and in no wise for consumption, or, if you prefer, for individual gain, and in no way for social needs. The degree of power attainable by united consumers is not sufficiently realised; their power is irresistible, especially if it is supposed, as it should be, that these associations of consumers are recruited, not only among the working classes, but throughout the entire nation, including of course the wealthy. From the day when the co-operative societies could buy the sum-total of the annual production of France, it is evident they would be absolutely the masters, not only of commerce, that goes without saying, but of all productive industries, and would then have the choice of acquiring them, eliminating them, or, at least, controlling them. . . . The actual economic organisation will undergo a complete change. Instead of being ruled as it is to-day by the ends of the producer and individual profit, it will be ruled by the ends of the consumer and social needs. The pyramid which stood on its apex, giving it an unstable equilibrium, will be turned upside down and will henceforth rest on its base, which will give it a stable equilibrium. Production, instead of being master of the market, will again become, what it should never have ceased to be, the servant obeying with docility the orders of consumption. Thus production, working only to order and furnishing only what is required of it, will produce neither too much nor too little, except for the errors inherent in all human estimates, and consequently it should be possible to forestall all obstruction, overproduction, crisis, unemployment.”¹

On the national plane the organisation of consumers will assure the adjustment of production to needs and the just and equitable price everywhere. Further, under no pretext of extravagant protection for national industry must protection be established as a system, of which Gide readily demonstrates the sophisms. Otherwise there will be a systematic exploitation of the national

¹ *La Coopération*, p. 4-12.

consumer for the profit of the national producer, and not, as protectionists confidently assert, payment imposed on the foreigner. Does this mean that in the same measure it is necessary to adopt the opposite course of free trade and give free rein to competition between peoples, no less unequal than the competition between individuals? "No," replies Gide, "between nations as between individuals we must seek to establish relations which are neither antagonistic, as are those of nationalist protection, nor competitive, as are those of free trade, but which are truly co-operative."¹ That is what makes him dislike both egotistic protectionism—founded upon "each for himself," "each for his own country"—and free trade—with its *laissez faire, laissez passer*, the simple form of anarchical competition. But the system between nations most closely resembling that of association between individuals is that of *treaties of commerce*, whether these be reciprocal treaties between two countries, or, better still, *commercial unions* of several countries. By the restraints they impose upon excessive pretensions, by the reciprocity of interests they establish, by the solidarity which in the end they create between the contracting nations, treaties of commerce appear the wisest policy to be adopted. None the less, even here, consumers' associations could play their part. "Through them this terrible question of international competition which adds fuel to the hatreds of nations will be settled in the simplest manner, by an agreement between co-operative associations of consumers of different countries, dealing directly with one another for the products which they need and which they consider it more advantageous to obtain abroad than to produce themselves. *And why, then, since we see associations of producers in different countries, entering into agreements and becoming international with the object of raising the price of goods, why should not associations of consumers also become international and come to agreement for the reduction of prices?*"

These principles of systematic organisation and disci-

¹ *Principles*, 25th ed., p. 353.

plined production in themselves constitute an indirect criticism of the spontaneity, the perfection, the excellence of freedom and competition. But they also leave ample room for the individual, since they take into consideration, with good reason, his fundamental principles of the basis and object of economic activity. The study of *social economy*—that is, of both doctrines and institutions concerned with the distribution and utilisation of wealth—furnishes Gide with the opportunity of formulating his philosophy and social theory.

As regards doctrine, he ranges himself incontestably on the side of solidarity. In fact he is almost its creator, and his famous lesson on the *Ecole Nouvelle* (1890) antedates by six years *Solidarité* by Léon Bourgeois, generally considered the pioneer of the doctrine. Gide is not, in effect, satisfied to consider solidarity as an experimental idea, but as a principle of social organisation. Society is to become, as it were, a kind of great mutual benefit association in which natural solidarity governed by the good will of each, or, in default of this, by legal compulsion, will achieve justice and where each, for the benefit of all, will share in the common burden and receive his reward.

Solidarity, says Gide—and throughout his work he applies the results of making this distinction—is distinguished from Socialism in that it preserves the bases of the existing social order—property, heredity, freedom of disposal and the inequalities resulting therefrom—but extenuates these inequalities in binding the weak to the strong by the thousand ties of voluntary association. Thus Gide admits respect for property. But he justifies it solely by the social utility of the property holder and would expropriate him without hesitation if he fulfilled his function badly; he would tax whatever plus-value is due to social activity and not to that of its holder; in any case he would limit private property holding in the general interest in order to prevent its abuse, destruction, misuse or non-exploitation. And one has a definite feeling that he constantly hesitates between reason,

which dictates respect for personal property, and the sentiment or sense of justice which condemns it, because he is unable to regard it as entirely justifiable.

What is most lacking in classical political economy for him is justice, morality; and he refuses, for his part, to keep these separate. Most economists, he says, consider that, however extensive the domain of economics, it cannot pass the boundary that separates it from ethics. Their provinces must remain distinct. In the one, interest, in the other, duty; in the first, utility, in the second, justice. Gide holds it to be at once impossible and undesirable to respect this line of demarcation—arbitrary in any case. No doubt, as a matter of classification, it may be convenient to distinguish the two domains, as in a library the volumes treating of the two sciences are arranged separately. But neither of them must be lost sight of in the explanation of social facts. The study of modern economic questions—often called social questions—shows that inevitably we are led into a blind-alley where we lose track of economics and morality alone can supply a solution. But the morality of economics is justice.

Here are some examples. Pure economics maintains that the just price, the just wage, are determined by the play of supply and demand, by a system of unlimited competition. Very true, if the word “just” and the word “exact,” as in the matter of weights, are one and the same. But what theory of political economy would dare to eliminate justice, in the true and moral sense of the term, when seeking the “just” price and the “just” standard of wages? And how would it solve the vital problems of contemporary economics: the high cost of living and the remuneration of labour? Did not the authors of the Treaty of Versailles loudly proclaim, in Article 427, that labour must not be considered simply as a commodity or an article of commerce? Did they not thus affirm that labour conditions could not be treated solely according to the principles of pure economics?

How, then, may we secure this justice in economic

life? Certainly it has been in part achieved by voluntary association, and it would be unfair to deny the remarkable results obtained which augur well for any future achievements. But when voluntary association is found powerless to create among men this bond of solidarity, balancing the play of unrestrained egoisms, the intervention of the State must not be regarded with contempt. The State, as producer or contractor, certainly has its defects, though capable of correction. But the legislative and fiscal State is a mighty instrument for the realisation of compulsory solidarity. Whenever, by regulations as to labour, insanitary housing, adulteration of food, the law prevents the plunder of the masses, or, by certain obligatory forms of insurance pensions, tends to inculcate in the different classes of a nation the idea of solidarity, it contributes to its progress. After all, is not the State the most ancient and august form of human solidarity? Doubtless solidarity only acquires its full moral value as it becomes consciously willed, but solidarity, legally enforced, may be indispensable for preparing the soil in which free co-operation will presently bloom.

By the light of these principles, Gide's concrete and practical work is illuminated. Much more space than is here available would be needed to enumerate the endless tasks to which the departed master devoted himself, all of which he faced with his fine serenity and high moral perception. Never in his mind could he separate the useful from the just. Re-read his pages on colonisation, and you may notice that he recognises the right of advanced races to raise the more backward peoples to their own moral level. But notice that he condemns thereby the exploitative colony, "spheres of influence," covenants, the treatment of natives as inferiors. As President of the League for the Protection of Natives in the Colonies, he often protested against mischievous or iniquitous measures endured by the people of conquered or colonised territory. Likewise, at the end of his chapter on the wage-earning classes, examining the question of their future, he raises the problems which cannot fail to

confront anyone who reflects upon the system of to-morrow or even the systems already realised in Soviet Russia, or in co-operative production. What exactly is meant by abolishing the wage system? The only categorical method would be to make of each wage-earner an independent, autonomous producer, an artisan or a peasant. But this system would be incompatible with large industry, technical progress and the impetus of economic evolution. Besides, no one, Socialist or Liberal, asks for it. But if labour is to be organised collectively, whether by syndical, co-operative, municipal or national enterprise, replacing private enterprise, they would still have to direct and pay the worker. In the end, he will only have changed masters. The wage system will remain. Only the capitalist as employer will have disappeared. So be it, one might say, but at least the workers, working for an association of which they are members, or in a collective body, would work better? Yes, but are those on the pay-roll of the State, the municipality or the co-operative association less eager to press their claims or their complaints? In spite of all, something will be changed. Profit will be eliminated. The wage-earner will no longer have the feeling, which rightly or wrongly embitters him to-day, that his labour serves to enrich his employer and make his profits secure. Hence, by this psychological analysis of the worker's mentality, the conclusion brings us back to the premisses from which Gide started to find a basis of political economy. The noble harmony and continuity of his scientific and moral work thus reflects the ordering of a long and admirably full life devoted to the service of humanity.

CHARLES GIDE, FOUNDER OF THE DOCTRINE OF CONSUMERS' CO-OPERATION¹

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THERE is an impression, for which Charles Gide is largely responsible, that co-operative theory dates back to the beginning of last century and was the work of two thinkers to whom Gide felt himself most warmly attracted: Robert Owen and Charles Fourier. And naturally Gide was taken at his word, so rare is it to find an author giving to his predecessors the credit which is really his own due. We should like to restore here what we think is the historical truth of the matter and, this accomplished, to outline the main features of the co-operative doctrine which our esteemed master, for the most part, himself developed, and never wearied of teaching during his long and honourable career.

A very widespread tradition gives Robert Owen the credit for having been, by virtue of his writings published between 1812 and 1850, the father of the co-operative doctrine. But that opinion can be justified—and even then subject to a number of reservations—only in respect of producers' co-operation, of workers' producing associations.

If we take care, as we must, to distinguish consumers' co-operation from other sections of the co-operative movement, it will be found that the claims of the great English Socialist are non-existent as far as the former is concerned.

Owen, like all the Utopian Socialists of the first half of the nineteenth century, was imbued with the idea that "the solution of the social question" (for at that time there was thought to be a single simple solution) was to be found in the creation of a great number of small

¹ Report submitted to the International Institute of Co-operative Studies at its session of Paris, October 10-12, 1932.

self-contained groups, independent settlements or communities, which would be able to employ all the working energy of their members and would be, if not entirely self-supporting, at least able to dispense with all but a minimum of trade with the outside world. The creation of small independent microcosms was the dream of all social theorists and Socialists in the late eighteenth and the early nineteenth century, not to mention still earlier periods. It was a sort of harmless mania which afflicted not a few men who interpreted too literally the Utopian teaching of their masters and set out to found Communist settlements in Paraguay, in Argentina, in Northern Africa. Such an aberration was of little moment to the State, since the disciples of the scheme alone suffered from its defects. The harmlessness of these enthusiasms, viewed in historical perspective, throws into greater relief the excesses and errors of the Marxist doctrine which directly inspired the Bolshevik experiment and has created in every industrial country a feeling of class conflict which is no doubt to some extent in the nature of things when it is not emphasised and exalted to the detriment of the whole social fabric.

The Utopia of Thomas More (1516), the City of the Sun described by Campanella about 1607, the Phalanstery of Fourier (1829) and the Icaria of Cabet (1840), none of which passed beyond the stage of idealistic dreamings, were in many respects closely related to the New Harmony Settlement which was established in 1825 by Robert Owen in Indiana, U.S.A., but which survived only for a few years. Apart from certain details, these brilliant imaginative structures had no practical value in actual experience, and in this respect Owen's dreams may be said to have been completely out of touch with reality. On the other hand, he has an infinitely greater claim to fame as the precursor of industrial and labour legislation; his preaching fired the imagination of the workers throughout the first half of the nineteenth century, and many of his disciples founded workers' producing associations and sometimes even, like the Equitable Pioneers

of Rochdale, distributive co-operative societies; but they did not attain to the ideal of consumers' co-operation except in so far as they broke away from the teaching of their master.

"The co-operative association, in so far as it aims at doing away with profit, will stand as the most important result of Owen's work and is worthy of his fame," wrote Charles Gide in his *Histoire des Doctrines économiques*.¹ But in the following lines he explains that the term "co-operation" was formerly used in quite a different sense from its present meaning, and Owen meant by it nothing less than Communism. "As for consumers' co-operative societies in the form of shops, Owen not only did not claim paternity for them, but expressly disowned them as representative of his system."² The case seems sufficiently proved; to hail Owen as the father of the modern co-operative movement, even on its producing side, is a very daring and, for Charles Gide, a very generous assertion.

Have the claims of Owen's contemporary, Charles Fourier, any more ground in this matter? Charles Gide, who has a sort of filial veneration for this author—for on his own showing it was Fourier who decided him to become an economist—always regarded the French Socialist as the inventor, or at least the precursor, of the idea and the doctrine of co-operation. It always seems to us that Gide's gratitude to the famous Utopian led him to undue admiration. Here again his excessive modesty can be demonstrated by referring to some of his own statements.

Gide wrote somewhere that "while we may not find in Fourier's works the terms 'co-operation' or 'consumers' societies' we find something better, namely, the actual definition of a consumers' co-operative society, under another name, it is true, that of 'Community Store.'" The Community Store was to provide everybody with all the home and foreign produce they required at the lowest possible price, cutting out all middlemen's

¹ First edition, p. 279.

² *Ibid.*

profits.¹ Surely, said Gide, in this he foresaw the distributive co-operative movement. It is true that Fourier allotted only a subordinate place in his system to the Community Store, for "in his opinion it was merely a transitional method, a step on the way to the final realisation of the Phalanstery, to the system of harmony, to the complete community."² Meanwhile, an association which would be joined spontaneously by all persons in the district (so obvious would be its manifold advantages) was to render very great services even though it would not lead its members to renounce individualism and form "collective households" in which, for economy, all production and consumption would take place in common—once again the idea of self-contained Communist settlements. Thus, as a makeshift until such time as the Phalanstery was established, Fourier did foresee and advocate the formation of real consumers' co-operative societies.

Like all that comes from the pen of Gide, this argument is most attractive; yet we are not convinced. Fourier, we note, prescribed for the Community Store the same distribution of social profit as for the Phalanstery: five-twelfths to labour, four-twelfths to capital and three-twelfths to the services of the manager. This distribution of the profits, though still interesting and meeting certain very just desiderata, has nothing whatever in common with the principle of a dividend on purchases which is the kernel of co-operative practice. This fact alone, in our opinion, is sufficient to destroy any real analogy between the Community Store and our co-operative societies. Unless we are to deny the most characteristic features of the latter, we cannot give the name of distributive co-operative society to an association which devotes seven-twelfths of its profit to capital and

¹ Charles Gide, *Fourier, Précurseur de la Coopération*; lectures on co-operation delivered at the Collège de France, 1922-1923. *Association pour l'enseignement de la Coopération*, 85 rue Charlot (now 5 Avenue de la République), Paris, p. 189.

² *Ibid.*, p. 189.

management, the remainder to the employees and nothing to the purchasers.¹

It is true that in Fourier's definition of the Community Store he seems to indicate quite a different distribution of the profits, since its purpose, he says, is to provide its members with goods at the lowest possible price. But somehow the author, after having had a vague presentiment of co-operation, immediately allowed himself to be sidetracked and to return to the anti-co-operative distribution of profits described above. The reason doubtless was that, not happening to light upon the idea of dividend on purchases, he was obliged to return to the beaten track of a proportional distribution between capital and labour, which has been quite frequently advocated since that date.

This was in fact recognised by Gide when he continues: "Not only did Fourier fail to conceive this idea (of dividend on purchases), but if it had occurred to him he would have rejected it. Fourier, indeed, was not opposed to (capitalist) profit,² since he even promised his shareholders 36 per cent interest on their shares."³

The historical truth seems quite simple. Neither Fourier nor Robert Owen had any inkling of what consumers' co-operative societies might be. But, by their ardent preaching and, in Owen's case, by living example, both of them in the early years of last century inspired

¹ It should be noted that even in Gide's opinion Fourier conceived the Community Store as implying all that is meant at the present time by "a consumers' society, a rural bank, a savings bank, a loan office, an employment exchange and an insurance company" (*Fourier, Précurseur de la Coopération*, p. 196). The idea overreached itself. Fourier, absorbed in his dream of a complete community, had no vision of the distributive co-operative society.

² *Ibid.*, p. 191.

³ Ernest Poisson, General Secretary of the French National Federation of Consumers' Co-operative Societies, shares the opinion of the writer concerning Fourier. He has written: "Fourier had no knowledge of consumers' co-operative societies, and they are nowhere mentioned in his writings. It is true that at first sight Fourier's Phalanstery might seem to be a co-operative society, but that is only a surface similarity. None of the rules which are now fundamental for the innumerable consumers' societies which have been set up are to be found in Fourier's plan—neither the dividend, nor equality of members, nor the idea of a fair price, nor the idea of indivisible reserves" (*La République Coopérative*, Paris, Grasset, 1920, 2nd ed., p. 154).

the working classes of France and England with an enthusiasm for association which led to the foundation of all kinds of communities of more or less collectivist tendencies. Gropingly, after innumerable extravagances and failures, the idea of co-operative distribution, which was to become the keystone of the new structure—after having been dimly glimpsed but immediately lost sight of by two workers in Lyons, Reynier and Derrion, followers of Fourier—was defined and clarified by a disciple of Owen, Charles Howarth, in 1844. Can Owen or Fourier be given the credit for having invented consumers' co-operation because their disciples, actually in discarding their ideas, were to discover this new mechanism of society? Such a claim would be too far-fetched.

For fifty years little attention was paid to the new institution. Even John Stuart Mill, notwithstanding the interest he took in his later years in the welfare of the working classes and his inclination towards a moderate Socialism, cast only an idle glance at the consumers' co-operative societies. He knew and described at length in his *Principles of Political Economy* (Book IV, Chapter 7, section 6) the Equitable Pioneers' Society, but he was far from realising the originality of the system of distribution which it practised. He considered the Equitable Pioneers merely as a workers' association whose sole purpose, like that of the producing co-operative societies of 1848, was to provide work for the share-holding workers and to distribute the profit between them. In short, Mill did not get beyond the old idea of profit-sharing by the workers. It is surprising that a man of his standing as an economist should thus have confused producing societies and consumers' societies, and it shows how very difficult it is for contemporaries to gauge the importance of new institutions founded under their very eyes.

Some forty years ago, two contemporary writers, Charles Gide and Miss Beatrice Potter (Mrs. Sidney Webb), struck by the success of these bodies, realised the true originality of the new system and, as a result of

their studies, were the first to formulate the doctrine of consumers' co-operation. . . .

Miss Beatrice Potter, in her book *The Co-operative Movement in Great Britain*, published in 1891,¹ devoted considerable space to describing the progress of distributive co-operative societies in England; in the last two chapters, entitled "A State within a State" and "The Ideal and the Fact," she boldly tackled co-operative theory. In these pages she puts forward a number of very suggestive ideas which are all the more remarkable when one remembers the date at which the book was published. Since then, in collaboration with her husband, Mr. Sidney Webb, who held office in Mr. MacDonald's first Socialist Cabinet, Mrs. Webb has published two volumes, *A Constitution for the Socialist Commonwealth* (1920) and *The Consumers' Co-operative Movement* (1921).² These works expand and strengthen in many respects the doctrine which she had already stated in 1891. Nevertheless, vastly interesting as are the works of this English writer, co-operators throughout the world have for a long time been practically unanimous in recognising Charles Gide as the originator and chief exponent of the theory and doctrine of consumers' co-operation— one might even say of a general theory of co-operation, since Gide, although he preferred to keep to the study of consumers' co-operative societies, described with sympathy and affection all forms of co-operative organisation. The present article, however, is concerned only with a study of Gide's ideas on consumers' co-operation.

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Charles Gide first expounded his co-operative theories in his *Conférences de Propagande sur la Coopération*,³ which are justly famous and in which he endeavoured to foresee the changes which the co-operative principle, if extended

¹ New edition, London, Swan, Sonnenschein, 1904, 250 pp. French translation, Paris, Cornély, 1905.

² Both published by Longmans, Green & Co., London.

³ Paris, Larose & Sirey, 1900. The fourth and last edition was published by Sirey in 1922.

ad infinitum, would bring about in the economic structure of society. Of these twelve lectures, all of which, with one exception, were delivered between 1885 and 1900 and were later collected in a published volume, three are of particular importance: those which deal with *The Future of Co-operation*, *The Reign of the Consumer*, and, above all, *Reforms in the Economic System to be Effected by Co-operation*. He thereby firmly laid the foundations of co-operative theory, but the somewhat narrow limits of a lecture did not permit any complete development of it. The same ideas were taken up again and the technical mechanism more fully described in his classical work *Sociétés coopératives de Consommation*.¹

From 1921 to 1930, Gide continued these studies, in his own capable and masterly fashion, in a course of lectures at the Collège de France. There is no question but these contain the most complete exposition of his doctrine, and it is to them that reference will most frequently be made here. In a study as short as this we cannot attempt to describe in detail all the views and opinions of the author, even on the limited subject of co-operation. We must deal merely with his main arguments.

Our friend and colleague, G. Pirou, in an illuminating article on "New Aspects of the Co-operative Movement," which appeared in 1928 in the *Revue de Métaphysique et de Morale*,² clearly showed that "the most definite characteristic of this school (the school of Nîmes, of which Gide was the acknowledged leader) was the moral, even religious, inspiration by which its founders were animated."³ That is profoundly true. Whatever may or may not have been the personal religious convictions of Charles Gide, it was to his moral ideals, derived from the purest Protestant faith, that this apostle of co-operation owed his power to break away both from the liberal and classical school of political economy and from the Marxist school.

¹ First edition, 1904; fourth edition, 1924; Paris, Sirey, 328 pp.

² Later reproduced in the volume, *Doctrines sociales et Science économique*, published by G. Pirou in 1929; Paris, Sirey, pp. 73-105.

³ *Ibid.*, p. 73.

To claim for co-operative theory an independent place midway between the liberal school and the school of Karl Marx was the fundamental tenet of the new teaching, and for those of us who are disciples of Gide and have entered into his intellectual heritage it still remains the core of our social philosophy. Gide's aversion both to Marxism and to liberalism had its roots in the strong moral convictions by which he was constantly inspired.

How, indeed, is it possible, for anyone imbued with the Christian ideal of charity as a duty towards all, with belief in the infinite value of every human being (which democracy, merely secularising the idea, makes the basis of all its political and social edifice), how is it possible to accept the harshness of the liberal school, its indifference to human suffering? Well might Gide be revolted by the terrible saying of Charles Dunoyer in the middle of last century: "It is well that there should be the lower depths of society into which families who behave ill may fall; poverty is that fearsome hell."

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Gide's first and most notable service was that he effected a breach between the liberal school and co-operative doctrine. For it must be remembered that, until about 1885, when the first national congress of consumers' co-operative societies met on the initiative of M. de Boyve, the ambition of these societies was extremely modest: they wished merely to procure at low prices a few simple foodstuffs for small groups of persons. The other forms of co-operative societies aimed at promoting the professional work of the farmer and certain classes of craftsmen, and at procuring work for associated workers. The liberal economists naturally approved this modest programme, in which they saw a possibility of facilitating popular thrift, for the dividend at the end of the year was an automatic means of saving by which the workers would more readily acquire house property or land. For these economists never forget that by increasing the number of small property owners one increases the

number of citizens who are content with the existing system.

But Charles Gide was to upset this relationship from his first lecture on co-operation, with his lucid thought and style. From that time onwards co-operators aimed at nothing less than the complete transformation of society by the gradual creation of an infinite number of new associations. They hoped to abolish the wage-earning system, to bring about profound changes in private property by doing away with capitalist profits and in time to socialise production as a whole.

With his first course of lectures—the lecture on *Reforms in the Economic System to be Effected by Co-operation* dates back to 1889—to have deliberately broken with the liberal and classical school and immediately placed co-operative teaching on quite a new footing, that was the everlasting glory of Charles Gide and his chief claim to the gratitude of co-operators throughout the world. And one can also understand that, in revenge, economists of the strict school, such as Paul Leroy-Beaulieu, Yves Guyot and Pantaleoni, should ridicule the co-operative movement, comparing its ambitious talk to the babbling of children or referring to the fable of the frog and the ox.

To declare war on the classical school, which was then at the zenith of its power, indicates exceptional courage on Gide's part; nor was this all. The new doctrine could not be firmly established until as clean a cut was made from Socialist teaching as from liberal ideas. Obviously the independence of the co-operative doctrine called for frontiers both on the left and on the right. In defining and thereby limiting the new programme on both sides, we can now see that Gide was nothing less than the real founder of modern co-operative doctrine, which has nothing in common with the vague ideas occasionally referred to under that title before 1880–1890.

We may now examine, in the light of Gide's writings, the extent of his agreement and disagreement with the views, first of all, of the liberal school.

The liberals, as we have already seen, from that point fell out with the co-operators. The latter, however, and chief among them Gide, always made a point of doing full justice to all that was worthy in classical economics. "The history of the liberal school is a mighty chapter in economic history," he wrote; "in spite of all the criticisms which it has launched against us we will continue to pay tribute to it."¹ Gide further declared that these great economists deserve infinite credit for having been the first to establish "economic science simply through their faith in the existence of natural laws which govern economic phenomena and which we should accept, try to understand and utilise as best we can. In particular we, as co-operators, owe a debt of gratitude to the liberal school for what it has done to lower the cost of living and to facilitate international relations by free trade and the abolition of tariff barriers. . . . The co-operative school has the same general aim as the classical liberal school: an abundance of wealth, cheapness and all appropriate measures for giving the maximum satisfaction to each individual."² A little later he writes: "The co-operative school is thus like a younger sister of the liberal school. It accepts all the main principles and all the chief laws of classical political economy: the hedonist principle that man always seeks to realise the maximum satisfaction with the minimum of effort, the law of supply and demand as determining prices, and the theory of rent.

"The co-operative school is still more closely related to the liberal school in that it believes equally in liberty and does not wish to reach its goal by any other means than voluntary association among men of good will. It desires the fewest possible regulations and has adopted as its own the saying of Fourier which I have so often quoted: Whatever is done under constraint denotes a lack of inspiration."³

¹ Gide: *Le Programme coopératiste*. Lectures delivered at the Collège de France, 1923-24, second edition. *Association pour l'enseignement de la Coopération*.

² *Ibid.*, p. 30.

³ *Ibid.*, first edition, p. 27; the second edition has almost the same text on p. 31.

Although there are undeniable points of contact, it would be a great mistake to disguise the fundamental divergences between the two doctrines. These consist essentially in the fact that "while agreeing as to the existence of the chief economic facts and laws they (the two schools) do not view them from the same angle."¹

In the first place, co-operators "cannot believe (as do the liberals) in the existence of a natural order and a natural organisation which make it unnecessary for us to seek a more rational one. They cannot believe that the law of supply and demand is sufficient in itself to guarantee the just price, or that competition, even if unfettered, can bring profits to a reasonable level, or that conditions automatically tend towards equality. When co-operators consider what happens in the world they see conflict much more frequently than harmony; or that strife is much more natural than mutual aid. Consequently, they do not believe that a remedy can be found in competition, which is, after all, merely a form of strife, but in solidarity."² That is the crux of the matter. The co-operators mistrust the spirit of competition, the scramble for profits, as they like to call it—whereas the liberals advocate it and consider it an essential factor in economic progress. The very genius of co-operation, as Gide points out, consists in combining and identifying the interests of the individual with the interests of the community, since, by its structure, it unites persons in two capacities which are normally distinct—that of producer and that of consumer. In the case both of consumers' and credit co-operative societies, the same members are both sellers and buyers, lenders and borrowers. We thereby do away with a conflict which is as old as the world and endlessly troublesome.

Nor can co-operators agree that the just price can be achieved through supply and demand, for "all prices contain a fraction, and a very large fraction, which is due solely to the pressure of necessity or to the ignorance of

¹ Gide: *Le Programme coopératiste*. Lectures delivered at the Collège de France, 1923-24, second edition, p. 33.

² *Ibid.*, pp. 34-35.

the consumer" because "the purchaser has no means of estimating the fairness of the price he pays."¹

Finally, there is a divergence between the two doctrines as to the legitimacy of profit. Since co-operative dividend returns profit to the purchaser, co-operation practically abolishes profit, "a real revolution in economic practice." And as Gide remarks, this is a fundamental difference and undoubtedly the greatest divergence from the teaching of the liberal school, "which, on the contrary, affirms the necessity and permanent character of profit."²

Such are the main differences between the two doctrines. Numerous as are the points of contact between the two schools, the disagreement between them is at least equally important.

There are also real points of similarity and actual divergences between co-operation and the doctrine of the adversaries of Adam Smith and John Stuart Mill, namely, the Socialist Movement. Socialist thought, however, must be divided into at least two main branches: associational or semi-liberal Socialism up to 1848, and Marxian Socialism.

The Socialism of the first half of the nineteenth century, which was mainly French, since side by side with Robert Owen we find the names of Fourier, Louis Blanc, Proudhon and other Frenchmen, had much in common with the co-operative movement. Neither was revolutionary, for co-operation, like pre-Marxian Socialism, "has never at any time demanded the expropriation of the possessing classes or of capital already acquired. What it wants is to create fresh capital in sufficient amounts to be able to dispense with having recourse to older capital, so that the latter may waste away unused in the hands of those who possess it. But this result it looks to attain solely by virtue of the superiority of the co-operative system and without any act of forcible expro-

¹ Gide: *Le Programme coopératiste*. Lectures delivered at the Collège de France, 1923-24, second edition, p. 37.

² *Ibid.*, p. 42.

priation. The co-operative movement has retained the character, what I might almost venture to call the kindly character, of French Socialism before 1848."¹

Like the pre-Marxian Socialist, the co-operator does not believe that society can "come to a desirable state of things unless it reacts against the natural order with a rational and well-thought-out system . . . and he holds even more strongly than the Socialists of whom I have been speaking that the system must be in the form of an association."² Finally, co-operators and the earlier Socialists are in agreement as to altering the rights of property, that is, to abolish the appropriation of capitalist profit; the dividend on purchases, in fact, does away with the dividend on capital. Thus "co-operation is very close to French Socialism of last century—so close that one might even say that it is its most faithful expression at the present time."³

In comparison with such a similarity of ideas, the differences between the two schools are relatively slight. The first is that co-operation has not, as have the Fouriers and Proudhons, a plan for the integral reconstruction of society, in which they offered a weak spot to the merciless criticism of Karl Marx, who made cruel sport of the Utopian ideas of his Socialist predecessors. Co-operation has nothing Utopian about it, since it limits its aspirations to a steady extension of membership in the hope of eventually reaching a position of prime importance in the economic system.

But there is one divergence that goes deeper. The associational Socialists, like all Socialists of every age, considered man solely as producer. The co-operators whose doctrine is being examined here think of him only as consumer; for the interests of the consumer are those of the whole community or at least tend to be identical with them.⁴ To transfer economic control from

¹ Gide: *Le Programme coopératiste*. Lectures delivered at the Collège de France, 1923-24, second edition, p. 54. ² *Ibid.*, p. 55. ³ *Ibid.*, p. 56.

⁴ On this point co-operative doctrine seems to call for certain reservations, for the general interest and the interests of the consumer are not always entirely identical.—B. L.

the realm of the producer to that of the consumer! But that is the very essence of the co-operative movement, the only way of bringing about the reign of concord among mankind in the far but splendid future; for in spite of the hopes of the pre-Marxian or Marxian Socialists, so long as economic control turns on the interests of the producer, not only will the conflict between producer and consumer continue, but, moreover, since there are infinite degrees of ability and merit among producers, their system will necessarily be hierarchical, and internal conflict will be carried to a maximum. That is the fundamental divergence which, in spite of their close spiritual connection, separates pre-1848 Socialism from co-operation.

We must now compare the Marxian doctrine with that of co-operation. Here the dissensions are definitely more important than the points of contact.

Gide has said that he could discover only two points of resemblance. For one thing, co-operators, as well as Marxians, are led by their principles to do everything within their power for the removal of national frontiers and class distinctions, since unity and peace are to the advantage of the consumers in every country. It may be said that truly these are to the advantage of all men in whatsoever capacity they may be considered, yet it does happen that, thinking of himself as a producer, a man sometimes reckons that the misfortune of one—a bad harvest or a slump in production—is the good fortune of others. That is a mistake which no consumer could ever make. Thus Gide, for whom all his life pacifism was a master principle, could say with joy and pride, “there are no more sincere internationalists and pacifists than the co-operators of every country.”¹

“Co-operation can accept also the socialisation of the means of production, for that is exactly what it effected. All those millions of capital invested in co-operative stores, do you say they belong to private organisations

¹ Gide: *Le Programme coopératiste*. Lectures delivered at the Collège de France, 1923-24, second edition, p. 69.

and not to the State or municipalities? What does it matter? They are no longer under the capitalist system."¹ They have been socialised. Co-operation has the advantage of abolishing that capitalist surplus value against which Marx railed. But "the surplus value taken from the worker is restored to him, not indeed as a worker, but as a consumer."² The difference is unimportant; the essential point is its abolition.

But, as against these real points of agreement, there are fundamental differences which put Marxism on a plane far removed from co-operation.

"Co-operation is really individualistic, for it implies the steady, unceasing activity of individual efforts with a goal in sight and moving towards it with a stubborn will," Gide wrote on the same page of this admirable lecture on *The Co-operative Programme*. To our mind, it is just because the co-operative system retains intact the individualist mainspring at the basis of all economic activity, with its spontaneity and inexhaustible resources of invention and renewal, that co-operation has proved fruitful and beneficial, whereas State Socialism, the inevitable end of Marxism, is proving daily more sterile both in economic productivity and in the provision of public and private freedom. Co-operators are quite different, Gide continues, from Marxians, who believe themselves to be always activated by the inevitability of historical materialism. "The Marxian revolutionary heroes think they are obeying an urge, a process of evolution which dominates them, whereas in co-operation it is its own high desires which make and guide evolution."³

Finally, one other equally serious disagreement: the problem of the class war irremediably divides the two schools of thought. Co-operators do not deny that the class war exists, but they do not consider that co-operation need have anything to do with it. Regarding man as consumer, they see that unity and mutual aid in the co-operative system can take the place of class conflict, and

¹ Gide: *Le Programme coopératiste*. Lectures delivered at the Collège de France, 1923-24, second edition, p. 69. ² *Ibid.*, p. 70. ³ *Ibid.*, p. 71.

thus their pacifism is given the widest possible range: far from limiting it to international relations as the Marxians do, the co-operators extend it also to class relations. We are therefore bound to say that the co-operators have reached quite a different moral level from the Marxians, ardent for the class war.

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Thus sketched in broad outlines we must leave our picture of that co-operative doctrine which Gide, to his inestimable credit, formulated, drawing it out of the void, one might say, by his own efforts, some forty years ago. What was his contribution to the living doctrine which inspires us? Rather must we turn the question round and ask what there is in the co-operative programme that was not his. To have proudly pitched our camp facing on the one side the liberal school of the classical economists, and on the other the Marxian doctrine in the ascendant for fifty years among the Socialists of every European country—that was the great achievement of the leader we have just lost. Unaided, he was able to give to our inspiring doctrine its groundwork and its limpid precision of detail which have counted for so much in its success. Although we may personally be inclined to revise certain points of Gide's analysis—for example, his conception of the just price, or his theory of the disappearance of profit in co-operative organisations—these are not fundamental parts of the doctrine, and many co-operators do not follow us in such revision. The edifice which Gide has raised still stands; all of us, each in his own way, draw from his teaching the sap that nourishes our own social faith.

Let me end, then, by repeating what I have written elsewhere. Gide was not only an economist and a co-operator. If he had limited his work to these fields, wide as they are, he would not have been the great man he was. He would not have so let his light shine before all men as to become—without seeking to be it, internationalist that he was—one of the finest interpreters of

French thought. Tender-hearted as he was high-minded, he was open to every human approach. In the vast sphere of moral, social, economic and political questions, all that he touched on he illuminated with his lucidity of thought and coloured with the charm of his style. And it was because his mind was universal and his heart was generous, because he always intermingled, as every great Frenchman can do, his patriotism and his love of the human race, that he was one of the most typical and worthy representatives of our race. It was for these qualities, through the 200,000 copies of his *Principes d'Economie politique* translated into every language through his innumerable speeches and articles, that he was able to make a French name known and loved as much as, if not more than, any of his contemporaries.

Co-operator because he was Protestant and idealist; social encyclopedist because his heart and mind were always awake—such was Charles Gide. Retiring, even shy, somewhat unsociable, because at the same time timid and intimidating, hiding beneath a rough exterior a heart of gold, this confidant of Charles Fourier, with his deep, serious voice and rather awkward and distant manner, inspired respect and fear, though his public speaking, a sparkling and lively style, was a delight. To many of us who knew him, he seemed to be a man from another age, from a period when human beings were nobler and much less self-seeking than we are; he seemed a patriarch from the heroic past, the most authentic descendant both of the Christian ascetics and of the Socialist idealists of last century. He has gone to his eternal rest, but his name will assuredly live in the memory of our Western world, crowned with the respect and little by little adorned with same traditional splendour as those of his great predecessors and friends of the early nineteenth century in France, whose faith he enriched and whose torch he has passed on.

MEMORIES OF CHARLES GIDE

BY A. DAUDÉ-BANCEL

CHARLES GIDE was born at Uzès (Gard), June 29, 1847. He died in Paris, March 12th, and was buried at Nîmes, March 16, 1932. He was thus nearly eighty-five years old.

CHILDHOOD TO ADOLESCENCE

He was the son of Tancredè Gide, at first Judge, later President, of the Civil Tribunal of Uzès, from 1831 to 1867. He was educated at the Communal College of that town and particularly by his father. He has given, in the *Cigale uzégoise*, a little journal published at Uzès, some entertaining details of his life as a schoolboy. With his young companions he learned only French, Latin and Greek, with a smattering of history and even less geography. Practical courses of land surveying took the place of any lessons in science. "There was no question of teaching philosophy or foreign languages." His teachers gave no comments or explanations. The pupils were confined to reciting their lessons and to written tasks. These tedious daily recitations were aggravated and increased at the end of every term by a full recitation of all those previously recited separately.

Exercises such as these, although their pedagogic value may be contested, provided the young scholar with a prodigious memory, with the result that it was enough for him to hear a lecture or a lesson once in order to repeat it later, almost word for word.

The result of this almost too mnemonic teaching was that the young student at the Faculty of Law in Paris—as he became later—could write Latin with the same ease as he could write French and that he was, all his life, a man of letters; but, on the other hand, he failed lamentably at his B.Sc. examination.

After the college at Uzès, he continued his studies at the Faculty of Law in Paris, where his brother, Jean-Paul-Guillaume, his elder by fifteen years, was Assistant Professor of the Chair of Roman Law, which he adorned as one of the founders in France of the historic method in the study of Roman Law.

HIS PROFESSORSHIP

"Charles Gide was, in his youth, a big fellow full of life and laughter, a great walker, body and mind always active, in turn and often simultaneously photographer, botanist, geologist: a hard worker with clear intelligence perpetually directed towards research."¹

He would have liked to devote himself to natural science, to history or to the arts, for he had a passion for drawing and painting; but the College of Uzès gave him none of the necessary instruction and, as his father and brother were the one a professor and the other a magistrate, he entered reluctantly upon a legal career. But this is why, as a student in Paris, he frequented the Sorbonne lectures more than those of the Collège de France and even more the Schools of Art than the Faculty of Law.

In 1872 our student took his degree of Doctor of Law, with a study of the Rights of Association in Religious Affairs. Two years later he entered for the competitive examination for a legal fellowship, which left him with bitter memories as he was paralysed by his nervous temperament and an unhealthy distrust of himself. At this time the tests were only given in Roman and Civil Law, both of which were far from exciting his enthusiasm.

So there he was, a Fellow, burdened with the teaching of subjects he disliked; for he had not, and never would have, the jurist's temperament. His elder brother, however, decided to interest him in economic and social questions and had the happy thought of presenting him

¹ *Cigale uzévoise*, March 1927.

with the complete *Works of Frédéric Bastiat*, just published by Paillottet, through Guillaumin, in 1864.

In remembrance of this, Charles Gide, knowing my fellow feelings towards Bastiat, gave me those seven volumes at the end of February 1932, with the words: "Souvenir of a long campaign," telling me he had often consulted them, notably the *Little Pamphlets* (4th and 5th vols.) and the *Economic Harmonies* (6th vol.), which are all scored with notes by Charles Gide, especially on matters relating to value.

We may guess with what ardour this neophyte in political economy, buried until then in a literature very little to his taste, fell upon the famous "Petition of the makers of candles, tapers, lamps, chandeliers, reflectors, snuffers, extinguishers, and the producers of tallow, oil, resin, alcohol, and generally of all that concerns lighting," the "Chinese Tale," the "Broken Window," "Choked Rivers," the "Negative Railway," the "War against Chairs of Political Economy," "What one sees and what one doesn't see," the "Balance of Trade," etc.

In his *History of Economic Doctrines*, after some criticisms and reservations, Charles Gide says more particularly of Bastiat, ". . . his moderation, his good sense, his clarity, make an unforgettable impression. I do not know any better book than his *Harmonies* and his *Pamphlets* to recommend to anyone attacking for the first time the study of economics." In short, the alert, soaring, penetrating and incisive writings of Frédéric Bastiat bore fruit, so much so that the youthful Fellow, from that time on, became interested in economic and social questions, with a view to teaching these subjects.

Charles Gide himself testifies to this in his *First Notions of Political Economy*. "I have the very distinct recollection that it was the mystery of money, which, as a schoolboy, first drew my attention to political economy. Steeped as a child in fairy stories and knowing by heart the story of Aladdin and his wonderful lamp which he had only to rub to obtain all kinds of riches, I said to myself: but with money one may obtain all that the lamp gave—

sumptuous repasts, precious stones, a royal palace, black and white slaves—everything one can wish for—even the hand of a princess.”

In 1874, then, he was nominated Professor of Political Economy at the Faculty of Law of Bordeaux. He became the holder of this Chair in 1879, after arousing a certain notoriety in this town through lessons and lectures on the most fanciful subjects, given with such brilliant form and ingenious turn of mind that he made a great impression upon his listeners and particularly upon the women in his audiences. He lectured notably on the History of Fairies, the Mormon Church, the Source of the Nile. *La Gironde* of March 16, 1876, published, on his lecture on the Revolution in Japan, given under the auspices of the Philomathic Society of Bordeaux, a report in terms of high praise, of which here is a characteristic extract:

With rare originality of mind, perfect ease and a thorough knowledge of his subject, M. Gide impressed upon his audience the details, as curious as they are little known, of the customs, manners, character and social and political organisation of Japan before 1868. He then led them to imagine the radical transformation which suddenly took place in this strange people, not from below, as with us, but from above, under the influence of foreign contact and thanks to the contrivances and the energetic will-power of a clever statesman. It was difficult to show clearly all that was truly marvellous in this revolution, carried through by one man in the heart of a population which for centuries had been looked upon as passive and immovable, to paint, with consummate art, a picture of that Japanese society suddenly relinquishing all its traditions, cutting, as he put it, all its cables to fling itself headlong into the great flood of European civilisation. Large and liberal opinions, lofty perceptions, humour and eloquence, grace and delicacy, a simple but elegant style, these are the chief qualities united in M. Gide, making of him one of the best lecturers one could possibly listen to and applaud.

HIS INTELLECTUAL AND MORAL DEVELOPMENT

The whimsical spirit was always in evidence even in Gide's most severe labours. It was his natural reaction

against the influences to which he was subjected, in youth, in his family circle.

At that time, college discipline was very severe. "In every class," he says in the *Cigale uzégoise*, "the unfortunate students were pelted with the order: one hundred lines! five hundred lines! and although the delinquents resorted to various tricks, notably to fastening three nibs to one holder, a large part of their lives was given up to these impositions. Fortunately, thanks to a now forgotten system of dispensing justice which I have always thought admirable, the good pupils escaped them: every time they performed a task well, they were credited with 'exemption marks,' the value of which was in proportion to merit, say, one hundred, two hundred, five hundred lines. These exemptions were stored up, stowed away in portfolios and nothing more was needed than to turn in such a credit, against the equivalent number of lines imposed."

In the same article, Charles Gide explains how, in his own courses and lectures, he would often compare with these exemptions, pieces of money by means of which their fortunate possessors escaped from the "condemnation to labour to which, nevertheless, according to the Bible, all men are subject."

This absurd system of punishment by writing out hundred of lines, even of copying them over and over—a most useless waste of time—was rounded off by slaps and blows briskly administered to big and small boys alike and often resolving themselves into scuffles and fisticuffs between masters and pupils who would not quietly submit to be sent away from the classrooms.

Charles Gide retained "a horrifying memory" of these fights and the scandalous scenes they gave rise to, for he always disapproved of "acts of violence."

Also when he was freed from restraint, he took, in a certain measure, his revenge. Thus, having been mobilised during the war of 1870-71, he one day drew up an absurdly violent proclamation against the Germans of which, sixty years later, he never spoke without depre-

cation and unqualified ridicule. This proclamation was all the more ill-timed, in that his military service happened to have relieved him even of handling a gun (he never went into the firing line) and, on the day of his demobilisation, this fierce "warrior"—always more or less absent-minded—lost both gun and kit and only escaped court martial owing to the extreme disorder which then swept the whole Army, even to its auxiliary services.

We have seen how a painful distrust of himself always handicapped Gide and even tortured him during his examination for a degree. What was the reason for this? Because from his earliest youth up to his twentieth year, he had always been repressed, both at home and at school. In this matter, contrary to the usual habits of the French Midi, where life and feeling are generally thoroughly external, his life at home was essentially internal. He was constantly turned in upon himself and so he remained. His far too strict upbringing in his father's house definitely repressed his nature and gave him a shyness which he admitted he could not shake off, even at an advanced age. The constraint from which he suffered at school was due to the harsh system of teaching of his young days. The severe and austere attitude of his parents towards life, even towards their children, came from an ancestral heredity easily understood in considering the persecutions to which the Huguenots were so long subjected. He never shook off his shyness, even during his career as Professor, for which he was well adapted.

Because of this invincible timidity, amounting to torture, some have taken for haughtiness what in Gide's case was only lack of ease. But this keynote of his character was so little known and admitted, that many, even among his former students whose relations with him never passed beyond the stage of student and professor, examined and examiner, will not find it easy to accept this estimate of Gide, which is, nevertheless, accurate.

He was a clever artist as well as economist and sociologist, but, except to a few friends, he never showed his drawings or his extremely delicate water-colour sketches.

He strove to make known in France many foreign writers, particularly those who had a special talent for deeply moving their readers or hearers. Among these was Maurice Maeterlinck, whose verses and poems he was one of the first to read in cultivated circles. And very often when he interpreted passages from these poets, writers or dramatists, he gave such free play to his own emotion and exquisite sensibility, he entered so wholly into the mentality of the characters evoked, that he would shed tears under the stress of a real emotion, to which, when deeply stirred, he would give way.

But in his personal relations Charles Gide made it a rule to hide his deeper feelings under his severe and frigid air of the Cévennes Huguenot. For that reason, even when he felt the keenest sympathy with certain persons, it would often happen that they were left with the impression that they had been displeasing to him.

It has often been said that Charles Gide was not a practical man of action. He lacked the qualities for such a part. A marvellous teacher, an incomparable theorist, he was wanting in the self-assurance which harbours no doubts. He was especially diffident about the success of causes that he upheld, and often during a discussion (particularly if this became somewhat bitter) he seemed even willing to lean in the direction of his opponent. But that was because he did not consider success the proof of truth. He was one of the first to quote, when it was not so well known, the motto of William of Orange: "No need of hope, for venturing, nor of success, for persevering." Some have reproached him for this conciliatory attitude as evidence of half-heartedness. He was never half-hearted, but a little too sceptical of the results of individual effort, of his own in particular, or, at least, he let this be seen too plainly.

HIS ATTITUDE TOWARDS LIFE

Because of his lack of confidence in himself and his instinctive dread of violence and strife, Charles Gide was

ill-prepared for civic and civil life. When he left the Faculty of Law of Bordeaux for that of Montpellier he yielded to his natural liking for his native province, the Languedoc. He willingly quitted the Gironde, which, with great humour, he reproached for its rainy climate. In his inaugural address at the Co-operative Congress in 1923, he declared, as if in ill-humour: "When I arrived in Bordeaux in 1874, it was raining. To-day, half a century later, I come back and it rains."

In 1880, the year of his appointment to the Chair of Political Economy at Montpellier, he married a young Swiss girl of Schaffhausen, Mlle Im Thurn, and settled down in his charming villa of St. Martin de Prunet at Montpellier. There he had a handsome, large study and would receive, with the most exquisite kindness, tempered by his cold and apparently distant manner, the many students who came to him from all parts of the world, attracted by the originality of his teaching. There, as a student, I often visited him, and the merits of co-operation were brought home to me.

Many professors of foreign universities also came there. But whether they were professors or students, by skilful questioning he excelled in getting out of them all the "marrowy substance" they could produce about the situation in their countries and the things that interested them.

A little-known event determined the course of his life in practical matters. Not long after his marriage he undertook to draw up plans for a pigeon-house on the family estate. He put so much conviction and so much sympathy for the birds into this task that, after the contractor and masons had been at work for some months, the very expensive pigeon-house was still unfinished, to the great despair of his wife's family, who, from that day, thought none too highly of his practical aptitudes. In the circumstances, Madame Gide took over the management of their property, so that when anyone asked him about it they were regularly referred to his wife. He, at heart, was well content not to have to devote to it precious time

which he could put to much better use for the good of his pupils, readers and hearers.

This sensitive man of letters and somewhat disabused, but highly cultured, philosopher, held in utter disdain whatever was bourgeois in the sense that Flaubert used the word. He had a keen scent for the "bourgeois," or the "swanker," and would soon "settle" them. A lady of Montpellier society called one day at his villa, but had, in fact, nothing to say. She showed this by talking to him about rain and fine weather. But as Gide did not keep up the conversation on this banal subject, she reminded him that it was raining. Without abandoning his icy calm, he replied: "You have already said so, Madame!"

Another characteristic anecdote of his manner is told. At a large reception he retired to a corner of the drawing-room, buried himself in the day's issue of *Le Temps*, which he read from beginning to end; when he had finished it, he turned to his neighbour and asked: "Do you happen to have yesterday's paper?"

He was fond of reading this newspaper, not certainly for its general policy, but for the wealth and variety of its news. One day a journalist from *Le Temps* went to interview him. After the interview, the conversation turned upon the newspaper itself, Gide asking who were the heads of departments of the august journal. At one point the interviewer pressed Gide to give his opinion of a certain department which, in fact, Gide thought particularly tiresome and bourgeois. Started on the trail, Gide spoke his mind freely, but, as he went on, his questioner kept changing colour. Seeing how the journalist took his remarks, Gide asked him why he was so moved. "Because, sir, I am in charge of that department." Gide, describing this painful scene, would laugh, it is true; but in fact he was very sorry to have hurt the feelings of a fellow writer whom he liked in spite of his excessively "academic" and traditional outlook.

The indifference he always showed to popularity is explained by the fact that he never sought to "arrive." He was not an adherent of any political party; he never

figured at any great manifestations or big public meetings, and, though often urged to do so, he would never write for any great journal. He took part only in the infrequent reunions, banquets or congresses of the many societies of which he was member. On the other hand, he frequented societies of secondary importance, such as the Co-operative Union of French Consumers' Societies, the Practical Association for the Study of Social Questions, the Union for Moral Action (when it was first started), the National Jewish Fund (Kéren Kayemetz) and, during the War, the Society of Critical Studies on the War, etc.

He wrote by preference for journals, reviews or bulletins with only a small public. It is well known that his favourite review was always *L'Emancipation* of Nîmes, which, in fact, he managed up to the time of his death.

Even in teaching he seems to have chosen courses which he knew hardly anyone would attend, courses outside examination programmes, which offered students no practical advantages. Foreign students, not concerned with passing examinations or obtaining diplomas, were fairly numerous, frequently attending on the advice of professors in their own countries, but they were amazed to find themselves sitting often almost alone at the feet of their revered master.

HIS CANDIDATURE FOR THE INSTITUTE

In such circumstances it was not a little surprising to some of his friends to see him, in his declining years, offer himself as a candidate for the Institute, which in France has a great fascination for professors, scholars, writers, artists, and even men of the world, by reason of the prestige which the coat, embroidered with green, seems to confer upon those permitted to wear it.

Knowing Charles Gide's modesty, one may be sure that in any case it was not the famous coat that tempted him, but, if he yielded to the persuasion of a truly liberal economist, M. Colson, to let his candidature be put to

that august body, it was doubtless because he thought the co-operative and solidarist school which he represented had a right to take its place in the Academy of Moral and Political Science where, previously, the individualist school alone had been admitted. Moreover, if he had not faced the issue, he might obviously have been the subject of reproach and criticism for a kind of affectation of eccentricity and open contempt of this illustrious company, which he had rough-handed in various articles, although not more so than certain writers towards whom it harboured no ill-will and whom it wisely received as members. He had, however, presumed too much on the liberalism of the venerable Academy. It persisted in justifying his low opinion of it by showing, three times in two years, a preference for candidates whose names and work were little known but whose opinions were "sound" and "decent."

COMPENSATIONS

Charles Gide was certainly compensated for these repulses by the tokens of sympathy he always received from the workers. Those who are involved, as was Gide, in the social activities of their day, are generally more or less opposed by the workers, eager for social emancipation, and with good reasons for such impatience. To this rule Charles Gide was always the exception.¹

Yet he did not flatter the workers any more than the

¹ On this subject, it seems well to reproduce here the humorous letter that Citizen L. Brizon, Socialist deputy, wrote to him, August 15, 1913:

"SIR,—I want a man's head. Yes, of a 'man' who is (in my opinion) the most brilliant theorist of the Co-operative Republic, the most noble opponent of the collectivism which I profess—a learned man, kindly and eloquent in his scientific outlook—a teacher no less than a writer, far above those of the Academy, with the exception of Anatole France—a man of feeling, an honest man, one of those who still are guided by the stars while others keep their noses in their mess-tin. Will you send me yours—in the form of a photograph—for the volume *Socialism and Co-operation* (in the *Socialist Encyclopaedia*) which I am editing with Poisson and excuse the tone of this request because of its sincerity?"

"L. BRIZON,
"Socialist Deputy."

bourgeois. His arguments often shocked them. For example, he always criticised the Marxist theory that labour alone creates value. He stood against not only the "dictatorship of the proletariat," but even the fundamental thesis of Socialism that the public interest is solely the interest of the working class. While strongly affirming the benefits of shorter working hours and even of labour holidays, he did not accept the optimistic thesis that such reforms would not reduce but would even raise the output of industry.

If the Institute of France did not open its doors to him he was, on the other hand, elected, and without offering himself as a candidate, member of the Academies of Rome, Brussels, Budapest, Madrid and Naples. In 1913, the Royal Academy of Belgium conferred on him the Laveleye Prize, awarded every six years by an international committee to the economist or lawyer "whose work as a whole has contributed most to the advancement of science." At its Jubilee, the University of Lausanne conferred on him the degree of Doctor of Social Science, *honoris causa*.

When he reached the age limit, Gide was named honorary Professor of the Faculty of Law of Paris. But the co-operators, at their Congress of 1919, decided to create for him with funds of the French co-operative movement, a Chair of Co-operation in the Collège de France. He occupied it brilliantly until 1930, the year of his retirement, when it was abolished.

CHARLES GIDE AND HIS OPPONENTS

Paul Leroy-Beaulieu and his friends, as everyone knows, would not admit that co-operative solidarity could be an instrument of social regeneration. Having said so, said it again and repeated it *ad nauseam*, their attitude brought about memorable encounters between them and the co-operators. The most impetuous of all the orthodox economists was undoubtedly Paul Brelay, Vice-President of the Society of Political Economy, an ani-

mated, incisive and sometimes too pungent writer and speaker. As we know, Charles Gide had a morbid dread of violence, even verbal. Once when Brelay was pressing him too hard towards a sharp, and moreover fruitless, controversy, Charles Gide shrewdly replied to him: "I cannot carry on a discussion expediently with my adversaries, for while they are speaking I weigh in my own mind all that can be said for their point of view, so that at the moment of answering, I cut the sad figure of a miserable converted opponent."

An extravagant reply, certainly, but it clearly revealed his attitude towards his opponents, whose views, in all honesty, he strove to fathom, and to whom he was kindly disposed to give way, at least for the moment. His most determined opponents did not fail to pay homage to him in this respect. Thus, in the *Monde économique* of January 27, 1894, Ernest Brelay said of him: "If the eloquent Professor of Montpellier often offends us by his attacks on classical political economy—to which we most loyally adhere—on the other hand he charms us by the audacity and the frankness of his logic, as well as by the fairness with which he reproduces the arguments of his adversary."

Nevertheless, in spite of his pessimistic estimate of the value of his own interventions, his source of replies and suggestions was never exhausted. Ernest Brelay paid him this signal tribute: "If twelve opinions are delivered at a meeting where Gide is present, he is sure to find a thirteenth, always more original and interesting than the twelve others."

Discovering the grain of truth to be found in every doctrine, Charles Gide, in some critical thought often of a fanciful originality, did not hesitate to plunge into paradox, for which, moreover, he always had a strong predilection.

Some time before his death, Emile Cheysson—one of the last great bourgeois liberals whose absence is keenly regretted in the circles in which he moved—said to me in speaking of him most sympathetically: "M. Gide is

an extremely clever man (*spirituel*) and he knows it. He has a way of his own of presenting doctrines and ideas which is most seductive. But, even when he agrees with you, he often does it by the use of arguments which you would rather he did not advance." Cheysson was alluding to comments Gide made on certain French Socialists which obviously could not be to their taste, or that of French liberals, in the form in which he uttered them.

CHARLES GIDE ON HOLIDAY

He had a horror of travelling because of the formalities and distractions that every journey involves. Still, he never failed to spend part of his holidays every year with his relations, especially with M. and Mme. Espinas, his daughter and son-in-law, a sociologist son of the eminent Professor at the Sorbonne. They used to go for long visits to the Haute-Loire or the South of France. Then he would leave them and spend some time at a modest *pension* at the Grau-du-Roi, a small bathing resort on the Mediterranean, a few miles from the famous Aigues-Mortes, where Saint Louis embarked for the Crusades. When the vintage season came, he went to *les Sources*, the family property of Bellegarde-du-Gard, managed by Madame Gide.

In 1925 I spent part of my vacation close by his summer residence in the Haute-Loire. We saw each other quite often and our families took pleasant walks together. But one morning we set out early for a long day in the mountains, where climbing is made difficult by boulder falls and tries the patience and endurance of even the most hardened mountaineers. In the scree, constantly encountered, you very soon lose ground gained by patient effort. We undertook to ascend the mountain, for which we were both badly equipped, Gide, in addition, being over seventy-eight. At first the excursion went fairly well; the ascent of the peak was hard but we managed to get along. But at a certain point, the climb became more and more difficult, the scree more frequent,

and instead of the triumphal ascent we anticipated, we found it necessary to consider returning by the quickest way (if one may speak of a speed in such circumstances), for a threatening storm was gathering over our heads, which, however, fortunately blew over. Mountain climbing does not admit of haste, but rather excludes it. It is the time to recall and practise the old Italian proverb: *Chi va piano, va sano; chi va sano, va lontano*. We did nothing of the kind; to escape from the hornet's nest in which we had landed, we plunged deeper and deeper. Finally, Gide said in despair: "Go on alone and leave me!" To which I replied: "What about solidarity?" "You are right," said he. We then did the wise thing—coolly examined the situation, took a rest, and then, refreshed in mind and body, made our way quietly and sedately, though not without some difficulty, away from those infernal scree falls and the torrid heat reflected from them.

When Gide was at *Les Sources*, he did a great deal of work, but nearly every week he went to Nîmes to see his friend Affre, director of the Co-operative Union of the Gard, and especially our friend Claude Gignoux, president of the union, manager of the co-operative press, *La Laborieuse*, and editor of *L'Emancipation*, who was particularly dear to him. The death of Gignoux greatly affected him; it was the result of an accident, and changed his plan of going to end his days at Nîmes. In vain Affre offered him special quarters all to himself. To him, the loss of Gignoux was irreparable, for they held identical views on all fundamental questions and notably on those of war and peace.

GIDE AND AGRICULTURAL CO-OPERATION

By LOUIS TARDY
Caisse National de Crédit Agricole

THE loss of Charles Gide has been an occasion of sorrow to co-operators throughout the world. In his earlier years he devoted himself almost exclusively to consumers' co-operation, but later he extended his interest to cover all co-operative forms, and, in the last part of his life, devoted himself to studies which were of peculiar interest to the agricultural side of the movement.

Charles Gide was the most eminent theorist of the co-operative movement. His influence was very great, not only in France, but in other countries. Before establishing his co-operative doctrine he carefully examined the teaching of economists as different as Fourier and Le Play. He admired especially the spontaneous and persevering initiative of the Rochdale Pioneers, and he always taught that the lesson which might be derived from their example was worth more than "all the science of the learned and the scribes, the science which is formulated in books and laws." It was this attitude of mind, enthusiastic for the ideal but never losing sight of realities, which led him to study the development of co-operation in agricultural production.

What in Gide's view should be the programme and the correct development of co-operation? He had been struck with the fact that all men, whether workers or of the middle classes, employees or officials, the co-operators in fact of all countries, are first and foremost *consumers*. Since consumption is a necessity and production is only a means of satisfying the needs of consumption, it is possible to enquire whether production should not be placed at the service of consumption. In such a case, consumers would themselves have the responsibility of organising production. The co-operative programme would fall into three stages:

(a) Co-operative societies grouped in strong central and regional organisations reserve as large a portion as possible of their profits in order to establish wholesale societies and so make large-scale purchases of the products they require.

(b) The capital thus amassed and the economies realised make it possible to purchase all raw materials direct from the source and to carry out all the processing necessary in order that they may be used by associated consumers, by establishing tailoring departments, boot-making shops, jam factories, mills, bakeries.

(c) Finally, at a later stage, it may be possible for the co-operative societies to buy estates and farms and themselves produce from the land all the agricultural products required in consumption.

At first Charles Gide hoped that this last phase in co-operative evolution, agriculture carried on by the consumers' societies, would succeed and be generally adopted, but later on, like Albert Thomas, he admitted, with the frankness of a great scientist, at the Congress of Tréport in 1924, that up to the present results had been very disappointing, and with his usual lucidity explained the causes.

What are in fact co-operative consumers' societies? Associations generally composed of townspeople who because of their urban occupations have no opportunity of specialising in agricultural technique or of acquiring any adequate knowledge of agriculture. It is true that they frequently are also without the necessary knowledge for carrying on a factory industry or a commercial undertaking. But in those cases they employ engineers and business managers.

Charles Gide recognised that agriculture could not be carried on so readily as industry by managers and technical experts. The failure of the great majority of capitalist farms created in the form of limited companies would alone be a proof of this. Further, in most European countries, the technical and social disadvantages of *latifundia*, of great estates held by those who do not work

them themselves, have been sufficiently assessed. Such countries have been obliged to transfer the land to the hands of those who cultivate it, and especially to favour the grant of rural holdings to agricultural labourers.

Would it be desirable to replace the owners of great estates by consumers' co-operative societies? The workers and staff of such estates would remain wage-earners and, as Charles Gide observed in his lectures on agricultural co-operative association, given at the Collège de France, "they will put no more heart into their work than the labourers on private estates."

More, the apostle of co-operation, who wished to do away with the proletariat, to make private property accessible to all and to reduce capital to the position of a servant, was naturally led to an appreciation of the results obtained by various agricultural co-operative organisations: Agricultural credit societies, which form the most numerous category of co-operative societies throughout the world, and which in our own country during a period of twenty years have made it possible for nearly 80,000 agricultural workers (of whom 25,000 were disabled ex-servicemen) to acquire a rural small-holding; marketing societies; societies for the manufacture of agricultural products; co-operative farming societies. Charles Gide, like Albert Thomas, recognised that in the present state of agricultural production it was better to secure understandings and direct exchanges between agricultural societies and consumers' societies.

At the Congress of Consumers' Co-operative Societies held at Nancy in 1925, he said: "I can bear witness that I have always thought that consumers' co-operative societies could not do without the help of agricultural societies."

It is true that he did not minimise the practical difficulties of an understanding between the two parties. Producers and consumers are agreed on the necessity of suppressing the parasitic exactions of the middleman; but the first, he used to say, wished to suppress him by increasing the selling price, while the second hoped to

arrive at the same result by diminishing in the same measure the purchasing price. "This recalls," said Gide, "the words of Charles VIII to his cousin, Sforza, 'We agree well together since we both want the same thing: Milan.' They both wanted to seize it." Producer and consumer are well agreed to appropriate the profit.

At the same time one must not forget that the agriculturists are consumers, that they even amount to 50 per cent. of the consumers. This estimate suggested to Charles Gide a neat solution for a conflict which is perhaps more apparent than real: Induce the cultivators to become members of consumers' co-operative societies; create joint organisations; let the members of consumers' societies also become members of agricultural co-operatives.¹

Charles Gide considered that such an understanding could only usefully be established between strong unions, especially between the large central organisations. Such unions could be created more easily if M. Chanal's Bill, recently adopted by the Senate, were passed by the Chamber of Deputies.

At the present moment this question is of capital importance owing to the general economic crisis. Attempts have been made to palliate the crisis by measures such as protective tariffs and quotas. But a true remedy lies rather in following the way, indicated by Charles Gide, of an organised understanding between producers and consumers.

The intensive propaganda which the leader of the School of Nîmes carried out in favour of co-operation in the Mediterranean region of France could not fail to make easier the development of the associative idea amongst wine growers. All the same, Charles Gide was himself somewhat sceptical as to the development of producers' co-operation in the vineyards. He described

¹ Extremely interesting results in this direction have been attained during the last few years through the extension of consumers' co-operatives to agricultural districts, especially in Lorraine and the Creuse. Agricultural members also supply 50 per cent. of the wheat used in the combined co-operative mill and bakery of Doubs.

his scepticism very charmingly, and there is no picture more expressive than that which he has given us of a wine grower making his own wine which formed part of a lecture at the Musée Social on the "Wine Crisis in France and the Wine Growers' Associations."

"A reason for the slight development of co-operation in wine growing must no doubt be sought in the first place in the very individualistic and suspicious character of the French peasant, and even the French landowner, but also in a better sentiment, in the pleasure which the French proprietor finds in making his own wine, making it lovingly, and always making it better than his neighbour. This operation is, as it were, the crown and recompense of the year's labour, and it is with religious solemnity that the proprietor tastes in a silver cup the wine from his first vat. He doesn't taste it all at once, he looks at it, turning and bowing towards the north, like the Mussulman who prays towards Mecca. (This is because the light is better, as it is for the painter's studio.) He gives it a rotary movement, he sniffs it, he calls his 'mate' to look at it with him. He rolls it round his tongue in order to savour first the bouquet, then the body and then the flavour. Finally he spits it out, not, you may well imagine, in disgust, but because such is the ritual, and he concludes, 'Splendid, my wine!'" Then a little farther on, Charles Gide said prophetically: "But on the day when the co-operative member, tasting the society's wine, feels the same satisfaction as in tasting his own, the day when he can say, '*our* wine has succeeded,' as proudly as he now says '*my* wine has succeeded,' not only great economic but great moral progress will have been realised."

Under the influence of co-operative ideas and also, it must be recognised, as a result of the crisis of low wine prices between 1905 and 1910, a number of co-operative cellars and distilleries were established in Languedoc. Later the movement spread to the whole of the Midi, and then to the other wine-growing districts, Champagne, Bourgoyne and Touraine. The vineyards of Bordeaux

have until quite recently resisted this movement, but the formation of several co-operative societies is going on there at the present moment. The hopes of Charles Gide have certainly been surpassed. No one would have foreseen that on January 1, 1931, the total number of co-operative cellars would be 499 and that of distilleries 319. In the Midi alone there are 419 co-operative cellars and 163 distilleries. In the Department of Var, half the wine comes from co-operative organisations. Many wine growers can now say, with legitimate pride, "our wine has succeeded." For co-operative wine is usually better and better made than that of individuals.

Charles Gide, whose best thought was reserved for co-operation, was not perhaps able to devote himself to it as much as he would have liked during the twenty-five years in which he taught comparative social economy at the Faculté of Paris. For there he had to discuss all aspects of social economy. But in 1924, thanks to the initiative of the National Federation of Consumers' Co-operative Societies, and at their expense, a Chair of Co-operation was founded at the Collège de France and was entrusted to him. He held it until 1930, and his teaching penetrated and evoked a response all over the world. His lectures were collected and published.

He developed his ideas on agricultural co-operative associations more especially in the lectures which he gave from December 1924 to March 1925. Striking examples, profound and subtle comparisons, which in no way diminished the austerity and clarity of his exposition, make them easy and fascinating reading. No one knew better than he how to observe and depict the agricultural groups: • syndicates, credit banks, mutual insurance societies and agricultural co-operatives for production, processing and marketing.

On several occasions, but unfortunately less often than we could have wished, we had the pleasure of hearing Charles Gide address an audience almost entirely composed of the representatives of agricultural associations.

In 1930, for example, at the Revisionary Course which each year closes the school given by the section on Agricultural Mutual and Co-operative Organisations at the National Agronomic Institute, he gave, at our request, a striking lecture on the principles and history of co-operation. It was one of the finest lectures which he gave, and also one of the last. Unfortunately, it was never taken down. He gave an admirable exposition of his ideas of co-operation in general and the parts to be played respectively by agricultural and consumers' societies. After setting out the facts, he did not attempt to hide that the interest of the consumer seemed to him a basic one, but that it was necessary at the present time, in order to attain practical results, and in the general interests of co-operation itself, to establish an understanding and direct exchange between consumers' and producers' co-operatives, and, perhaps for choice, to create special consumers' and producers' co-operative societies of the kind proposed by the Chanal Bill.

Thus Charles Gide, theorist and apostle of co-operation, which he wished to see organised by the consumers themselves, was always at the same time keenly interested in the agricultural co-operative societies. After a period of formal doubt, he never ceased recommending, through his lectures and writings, a union between the agricultural producers' co-operative societies and the consumers' societies, a union in which he justly saw the only remedy for the economic crises from which we so often suffer and for the present crisis which has assailed the whole universe, and which results in great measure from the bad organisation of production and exchange.

I had the good fortune to be one of the pupils of Charles Gide, and one to whom he was good enough to give many evidences of friendly affection. I had many opportunities of paying the homage which was due to him, especially at the Congresses of the National Federation of Consumers' Co-operatives. At the Congress of Nancy in 1925 I said: "It is always a pleasure to me to come and take part in your annual gathering and to find

there my revered master, M. Charles Gide. I was going to say my old master, but he is younger than all his pupils, as he has just shown us by making, without fatigue, such a long journey as that to Palestine, of which he has been speaking. It is a delight to me to express, whenever I have the opportunity, not only my personal gratitude, but that of all his pupils, first for the teaching which he gave, but also for the example of a life entirely devoted to the propagation of the idea of solidarity and to the defence of co-operation."

In the general reply which he made to the delegates who had spoken, Charles Gide said: "I thank M. Tardy for the kind things which he has been good enough to say about me. It is certainly the best reward to an old professor to think that he is leaving behind him, I will not say such pupils, but such successors."

It is then, for his old pupils, drawing their inspiration from his ideas and his example, to contribute as far as they are able to the development of co-operation in all its forms.

The results attained in agriculture in less than fifty years give good measure of encouragement. There are at the present moment more than 12,000 agricultural syndicates, the greater number of which undertake co-operative purchase; more than 27,000 agricultural mutual societies—the number increases daily—are engaged in co-operative insurance. There are more than 6,000 co-operative producing, processing and marketing societies, and about 6,000 agricultural mutual credit banks. It is true that these institutions were founded by men of various points of view, some actually opposed to one another, several of whom did not share on certain points the ideas of Charles Gide. But, as a whole, all these institutions are inspired by those co-operative principles which found a place in the law of August 5, 1920, on Credit and Agricultural Co-operation, and they all have as their result the grouping of agriculturists in institutions for mutual help, in which profits are not divided merely in relation to capital invested, and where

collective, often even indivisible, reserves are almost invariably established.

As with the names of famous authors, so will the memory of the Master of the School of Nîmes be handed down from generation to generation. It will remain especially dear to co-operators. As the years pass his doctrine and his ideas will only spread farther and wider, and the work which he began will only develop everywhere where men desire to improve their welfare through freedom and the application of those principles of mutual aid and solidarity which, as Charles Gide liked to point out, are at the basis of all religion and are the principles of civilisation itself.

PAPERS OF THE PARIS MEETING
OF THE INTERNATIONAL INSTITUTE FOR
THE STUDY OF CO-OPERATION

THE UNIVERSITIES' SERVICES TO CO-OPERATION

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I. CLAIMS AND POSSIBILITIES

THE co-operative societies have again and again requested the universities to introduce courses and lectures on co-operative problems. Such requests are differently expressed according to the form of co-operation typical of the country in question. In some countries one single form of co-operation prevails (the farmers' co-operative in agricultural States, consumers' co-operative societies in Great Britain). In others, however, all types are strongly developed, as, for instance, in Germany.

Three demands may be distinguished:

- (a) Propaganda,
- (b) Technical training,
- (c) Research.

Frequently, the desire for propagandistic results is embodied in the two others.

(a) The pressure for *propaganda* has to some extent already passed, as in most countries the co-operative movement has grown so strong that a professorship, or a number of university lecture courses or seminars cannot do much for its promotion. If it continues it is because the co-operatives demand scientific appreciation of so important a movement and its inclusion in the curriculum of universities. In many cases, however, the demand springs from an insufficient knowledge of the means and possibilities of these schools. Facilities are lacking for the study of so many important social and economic subjects; and it is not only financially impossible to create them, but the universities which are gradually becoming preparatory schools for certain pro-

fessions and careers are unable to devote much of their time to special courses.

Another reason for claiming university recognition for the co-operative societies is either that prominent co-operators, successful as teachers in co-operative schools or as publicists, themselves wish to put their experience at the disposal of the universities, or that the societies demand that such highly esteemed members, friends or employees should be given the privilege and publicity of a university professorship.

It is still more common for the co-operatives to wish the universities to help acquaint the general public or certain classes with the co-operative movement, or even to win them over to certain co-operative ideas. This would mean that students of agriculture, for instance, should be shown the importance of the farmers' co-operatives, but it might also mean that the universities should propagate the idea of consumers' co-operation and even of co-operative Socialism. In such a case agitation would not only influence students of professional subjects, economics, law and civil service, but school teachers, clergymen, journalists, etc.

Such claims, in so far as they demand the dissemination not of knowledge but of opinion, seem to me unjustifiable, since they are not in the spirit of university teaching. It is, however, quite justifiable to demand that as important a subject as the co-operative movement should not be neglected in general instruction wherever it is desired. Co-operation should certainly be given a proper place and due consideration in courses on economics, law, business management and perhaps sociology.

(b) *Technical training* must frequently supplement general instruction in co-operation.

Naturally, agricultural co-operation must be thoroughly studied at agricultural colleges and schools; future judges and civil servants must have an opportunity of studying the legal status of co-operation, with which must be included sufficient information on its

economic aspects; courses in business management must give consideration of the special needs of co-operative societies of all descriptions.

This technical instruction belongs in the first place to professional training where it is an obvious necessity. The agricultural schools have already been mentioned. In others it can only be optional. Though all economists, jurists, journalists, sociologists and business students ought to have some definite instruction in the subject, only part of the students may be expected to have special interests in this direction. We shall, therefore, have to be satisfied if all such have sufficient knowledge of co-operation to complete their professional education.

An adequate number of universities should, however, offer facilities for specialisation. Students of economics ought to be given the opportunity to attend special courses and perhaps to pass special examinations, or to make the co-operative movement the subject of graduate work for a doctor's degree. The same facilities should be available for students of business management, at least for those who wish to specialise as auditors or accountants in the co-operative movement. In other professions there will only be an occasional demand for special training in our subject, though, for instance, students of architecture should have their attention called to building societies.

The realisation of these claims depends on the organisation of the universities in the country in question. In some universities occasional special courses would seem sufficient. As a rule they should be in charge of professors of economics. But for technical instruction specialisation on the part of the teachers and adequate facilities for study (libraries and other material for research and demonstration purposes) being indispensable, it seems desirable to establish special institutes or seminars and professorships at one or more universities. Also, the courses on the various aspects of co-operation should be concentrated at one school, so that the teachers of economics, business management and law are able to

collaborate. The study of marketing is a new subject at our universities and ought to be included in the programmes of schools offering courses on the co-operative movement.

2. THE EXISTING UNIVERSITY FACILITIES FOR INSTRUCTION AND RESEARCH ON CO-OPERATIVE PROBLEMS

The claims on the universities made by co-operators are as numerous as the response, up to the present, has been limited.

My material is probably very incomplete, but particulars may be given for a few typical countries. As always in the co-operative movement the best scientific achievements in this field are the result of individual effort. Instruction in the co-operative movement is most highly developed in agricultural colleges. In some of these schools this instruction is given by specially appointed professors, in others by the regular teachers of economics. Occasionally, practical men connected with the co-operative societies have been asked to undertake the teaching of this subject. This is the case at the German-speaking universities with agricultural departments and at the corresponding schools abroad. In the United States, especially, very thorough instruction is given in the farmers' co-operatives. The United States is also responsible for the study of agricultural marketing which has been introduced into Europe in the last few years. The Landwirtschaftliche Hochschule in Berlin has for some years had a special Chair and a special institute for this subject. One may say that the study of co-operation at the universities has developed with the growing dependence of the farmers' co-operatives on the State and with the increasing desire to give the rural population the benefit of such instruction.

It is interesting to know that in some countries the clergy, the school teachers and even the veterinary surgeons are given courses on the farmers' co-operative movement, since these professions represent the *intelli-*

gentsia of the country-side, and their members are indispensable as honorary advisors of the co-operatives. This form of instruction in co-operative problems is undertaken in Hungary and Rumania.

Special institutions in the form of endowed Chairs for the benefit of economics studies are found at the free University of Brussels and in Paris (Collège de France). The former is in charge of Professor Louis de Brouckère, the latter has lapsed since the resignation of Charles Gide. Both Chairs were established and endowed by the consumers' co-operative organisations.

In Germany, the first seminar for the study of co-operation was organised at Halle in 1911, originally for the benefit of the co-operative societies of the rural and urban middle classes, as the university has a very old and much-attended institute for agricultural instruction. In time, a special Chair of co-operative economics was attached to this seminar which I am the first to hold. I previously had charge of the studies connected with the seminar, besides which regular courses were offered in co-operative law and co-operative business management. At the University of Berlin a professor *extraordinarius* offers courses in the co-operative movement, and a number of seminars deal with the subject, especially at the *Handelshochschulen* (business training colleges) which, as new institutions, are interested in this new branch of instruction, but also at two universities proper, namely those of Cologne and Frankfort. Here the majority of teachers are practical men devoting part of their time to lecturing. The Co-operative Institute in Frankfort (Institut für Genossenschaftswesen) established in recent years specialises in auditing. Further, any student in Germany may prepare his doctoral thesis on a subject connected with co-operation. This also obtains in Switzerland, France, England, etc.

Many universities offer special lecture courses on the co-operative movement. In France, this is done under the patronage of the Society for the Dissemination of Co-operative Knowledge.

At the University of Halle the subject of co-operation may be chosen as a major subject for the degree of *diploma rerum politicarum*, and at Lille University for the licentiate.

What have been the results of these arrangements? Little has been published on the subject.

In Germany, instruction in the co-operative movement at agricultural colleges is not sufficiently appreciated. Only part of the students, whose time-tables are, in any case, much too varied, avail themselves of the opportunity. Moreover, I have often found that unfortunately the farmers' co-operatives, when engaging university men as their employees, do not require them to have taken special courses in co-operation. This may be different where there are compulsory examinations, or where studies prepare for definite careers. It is well known that as a rule lectures and seminars are not very religiously attended, unless there is some form of compulsion. On the other hand, those voluntarily taking an interest in special subjects are the most valuable students.

I am sorry to own that courses in co-operation for economists are not popular either. A small number of students are interested and work well. For the majority, participation is dependent upon whether or not the course helps in the compulsory examinations. As prominent teachers as Professor August Müller in Berlin and Charles Gide (who taught at a free university) have confirmed my experience in this respect. Where the attendance is better at business colleges, this is usually due to the fact that students may obtain minor credits in the subject. If in this case the examination happens to be fairly easy, there will be numerous participants who in this way at least become acquainted with some facts and ideas on the co-operative movement. Conditions are still better, of course, where special training offers good prospects for future careers, such as for the career of co-operative auditor. Therefore much depends on whether the co-operatives need and employ university graduates or not.

In conclusion, one may say that there really is only one profession where the study of co-operation is professionally indispensable: that of agriculture. Since secondary education has come to mean professional training, and the co-operatives as a rule cater for classes excluded from secondary education, co-operative instruction not of an agricultural character finds no definite place in the university curriculum.

The research work carried on alongside actual instruction has certainly had good results. The numerous doctors' dissertations on the subject of co-operation have greatly added to the literature of the subject. Among these dissertations there are the valuable contributions of Fay and Lavergne and many others. The universities have also been responsible for many excellent individual lectures, which have been printed.

It is of no avail to discuss conditions in Russia, for the co-operative movement there is as little free as are instruction and research. But we may mention that the subject is taught at fifteen co-operative colleges and universities, at one academy and one paedagogical institute, and also at the workmen's colleges, if they may be counted among the universities. In Russia, both co-operation and instruction are class matters like everything else, and therefore one can be imposed on the other.

A number of other countries, too, have special colleges for the teaching of co-operative matters. In Prague, a free Ukrainian university giving co-operative instruction and a Russian co-operative college have existed for some time and draw students from Poland and the Balkan States. Italy also has a special college for the study of co-operation.

Now we are acquainted with the claims for the study of co-operation at universities and with the realisation of these claims up to the present, consideration must be given to the problems of instruction and research in our subject.

3. THE PROBLEMS OF UNIVERSITY INSTRUCTION IN CO-OPERATIVE MATTERS

Propaganda by universities may be disregarded, as it goes without saying that scientific institutions cannot broadcast opinion or acts as the servant of any propaganda.

Thus, our first question would be: for whom must the universities provide instruction in co-operation? And since we have already circumscribed the class of students, the question now becomes what services may the co-operative world expect from people with university training?

Technicians may be disregarded in this connection. We are only concerned with those university men and women who find permanent positions in the service of co-operatives or their central organisations. Only large co-operatives, and especially their central organisations, are able to offer such appointments. University graduates may be engaged as business managers, and advisors, secretaries, journalists and teachers at co-operative schools, or as general auditors. But a glance round the co-operative world reveals little inclination to appoint university men, one reason being that leading positions, even in the educational and publicity departments, are mostly occupied by people who have worked themselves up from small posts and have acquired the necessary knowledge in the process, and another that the co-operatives and their unions are not very well disposed towards the appointment of university men. The middle classes and the proletariat, the mainstay of the co-operatives, admire university education from afar and recoil from university men the more they flaunt their own self-confidence. A stray university man, who has by chance or design entered the employ of a co-operative, is easily pushed out again. And one must admit that the co-operative movement owes its great achievements to personalities without university education.

However, conditions are not as they were. As long as

co-operative societies and the co-operative movement were of small or moderate size, their best functionaries, rising with them, were able to pick up all knowledge required. And special abilities, even to-day, can do without a university education, because they are able to educate themselves. But affairs to-day have become much too complicated for the self-taught man, and the number of the naturally gifted is smaller than we may think. In any case, natural endowment alone cannot supply acquired knowledge. Thus, we notice everywhere that exceptions are readily made for activities recognised as experts' tasks even by the uneducated: for legal matters solicitors and barristers are engaged. Even highly qualified business men are accepted by the co-operatives, and frequently no stress is laid on a co-operative attitude. Economic experts are less sought for, since the man in the street does not believe that economics or sociology can or indeed must be "learned" in schools. It is qualification enough to have written a number of leading articles or to have read or, better still, to have written one or two books. Admittedly, convictions suffer through critical analysis, and consequently scientists are objects of suspicion to all practical men (not only to those connected with co-operative societies): one never knows when they may change their opinion; in a word, they cannot be trusted.

This must be taken into consideration in a discussion of the problems of teaching. It is not the number of professorships for co-operative studies that is important, but the number of students from classes sympathising with the co-operative movement. Once the co-operative world comes to the conclusion that a university education is essential for the holders of its leading positions, the universities will readily give this education.

In any case, neither practical co-operators nor the universities themselves should be in doubt about the true purpose of university education. There once was a belief that it offered the necessary training for *all* kinds of co-operative functionaries. This has been shown to be

an error. Co-operative organisations have mostly developed their own system of schools in charge of special teachers and offering courses up to six months, a task which cannot be transferred to the universities. The universities may indeed offer short courses covering days or weeks as so-called university extension courses, which, however, cannot be embodied in the regular curriculum. The peculiar service of the universities will always lie in their manner of instruction, through which they give a fundamental professional training on the broad basis of general theory and knowledge, giving, for instance, the co-operatives a place in the development of history, economics and sociology, showing their legal status as part of the legal thought of the country, their auditing as part of general business management.

This raises the question whether "co-operation" is itself a science. In practice, it is sometimes so treated. For the scientist the interrelation of all facts and their ordering in a system of knowledge is a commonplace. The establishment of such a synthesis must be assumed before scientific treatment—always opposed to exclusion—becomes possible. The data offered by the co-operative movement give material to recognised branches of learning: economics, sociology, law, business management, and perhaps history and marketing. The unity is created by the material and not by the scientific classification. It is often said that it is a product of the co-operative outlook. This may be true for the practical man, though we should not be misled into believing that the co-operative outlook is as common among practical men as is supposed; but for science this outlook itself is just one more object of research.

Another problem of university teaching: who should be in charge of courses on the co-operative movement? The regular professor of economics, etc., a special professor of co-operation, or a practical man engaged by the university, who might be appointed as lecturer or professor, according to his abilities and education? In my own opinion one should, if possible, choose professional

teachers and endeavour to find among the professors of economics, law, etc., such specialists as will give expert attention to the co-operative movement in their capacities as teachers and research workers. Especial Chairs for the co-operatives should not be established, as the subject is no self-contained branch of learning. A professor asked to specialise all his life solely in co-operation may easily lose contact with the wider aspects of economics, and in time his teaching will cease to be scientific in spirit. Where the funds permit a professor of economics to be put in charge of the courses on co-operatives at a university, he should be given the opportunity of devoting himself to other economic subjects as well.

In some cases it will be desirable or inevitable to engage practical men as university teachers. But they are apt to be too preoccupied with the interests of their societies to be able to devote all their energies to scientific work. They should be asked to give extension courses, occasional lectures and special lecture courses. But, in the interest of scientific objectivity and thoroughness, the training of the student should on the whole be in charge of professional teachers.

The methods of university teaching are: general courses giving consideration to the co-operative movement, special courses on the history and economic importance of the co-operative societies, on the law of co-operatives, etc., seminars, and extension courses for the students and the public. These institutions cannot be dispensed with in the teaching of co-operative subjects. The curriculum decides in what measure they should be used. From my own experience I advise that special courses should not be too long. Two hours a week on the history and importance of the co-operative movement, for instance, should be adequate. In addition, there should be lecture courses on special co-operative forms and their economic significance; for instance, on the relations between the housing question and the building societies, between co-operative societies and personal credit, etc. If a student wishes to specialise still further,

he must do so by private study in the seminars. The main thing, I believe, is that all methods of teaching mentioned, which of course should be supplemented by demonstrations and inspections, retain university standards.

Perhaps practical men will find this form of training too theoretical. But the relation of theory to practice is the subject of an old controversy. Practice must be evolved from precedent to precedent by those directly concerned. And it is true, also, that the art of applying knowledge to actual life can never be taught or learned; no university graduate without a feeling for the adaptation of theory to practice will ever succeed in life. Therefore the universities must lay greatest stress on teaching the student to think and not only give him factual information. The student must bring practical sense with him when entering a practical career, otherwise he will be no more than a disastrous doctrinaire.

Only teachers who have themselves the true scientific spirit can pass it on to their students. The proof lies in the method of scientific research.

4. THE AIMS AND PROBLEMS OF RESEARCH IN CO-OPERATION

Among scholars few words are needed to characterise the aim of scientific study: research is the search for knowledge which can only be found through the greatest possible inward and outward independence—that is, through objectivity, critical thought and scientific methods. They are the only means of comprehending reality.

In the social sphere, and therefore in the sphere of co-operation, the dry critical spirit of scientific research often gives rise to conflict between scholars and practical men. In the practical world there are subjectivity, enthusiasm and partiality, all of which are essential for practical achievements. Hence the critical attitude of the scientist is often misunderstood, because he gives analysis where he is asked for enthusiastic approval.

Nevertheless, both parties must learn to understand one another, and this is one of the great educational tasks before us. The scholar is aware of the difficulties encountered by the practical worker, but the latter does not always understand the aims of science. This is perhaps inevitable, because there are new business men continually coming in contact with the world of scholars who are naturally grieved to find their achievements subject to critical examination. A better understanding will be possible when contacts are continually renewed. Neither party can do without the other; the practical worker needs guidance and training in scientific method, the scholar needs inspiration and help in the organisation of continually changing data.

Unfortunately, science often needs material assistance as well, for the study of so many co-operative problems is impossible without the collection of extensive data. There are mountains of annual and general meeting reports, statistics and periodicals, all of which must be analysed, organised and, above all, collected. Illustrations and diagrams are needed for teaching purposes, funds are lacking for secretarial work, for premises, book-binding, cataloguing and, finally, for the publication of results. Such needs are long provided for in the older branches of learning, for instance, in philology; and the technical, including the medical, departments are more readily provided with funds, because it is easy to convince people of their practical importance. But the need of training in the social sciences is not clearly appreciated by a public used to hearing these things discussed by practical men. Consequently money is lacking. One is naturally tempted to ask the co-operative world to give financial assistance to instruction and research in co-operation. But societies granting such assistance are apt to demand unconditional recognition of their co-operative ideas and ideals and extensive and sympathetic consideration of their special activities. If they are disappointed, they turn away in disgust.

The practical world is known to have two views of the

professor: (1) the professor conforming to one's views is the "famous scientist" who is quoted as witness in one's own cause on every occasion; (2) the professor holding a different view is an "unworldly scholar" with no idea of practical matters.

A professor studying the entire subject of co-operation, which means dealing with agricultural and industrial societies, traders' as well as consumers' societies, will find it difficult to satisfy all his students and readers. The consumers' co-operatives want him to condemn the traders, the traders will not hear a mention of consumers; the farmers demand protective tariffs, while the consumers are free traders. How is the unfortunate scholar to please them all? Will there not come a day when the co-operatives begin to see that science cannot be expected to play the part of referee?

Conditions are worse even where there are differences of opinion and organisation between societies of one type. If a doctoral thesis deals with one school of thought, the writer is suspected of not doing justice to the others. Even the foundation of the Institute, exclusively devoted to the scientific aspects of the co-operative movement, has led to misunderstandings, since it naturally excluded and thereby supposedly slighted practical men. But perhaps it will be the Institute which will finally succeed in showing the practical world that scientific objectivity does not mean hostility—that, on the contrary, theory and practice must co-operate, though both must be both independent and magnanimous in their mutual relations.

The tasks before co-operative research are much greater than is usually supposed. It is necessary to enter upon a detailed investigation of the co-operatives. There are already a number of rather inadequate statistics, but what, for instance, do we know of the official of the co-operative societies? What is the contribution of the co-operatives to production and distribution in the various countries? How are the co-operatives in different countries related to one another, to national economy, to the various trades and professions? On these and

other important matters we know little. The necessary research can only be carried on by the united and financially secured efforts of scientists of all the following faculties: economics, social science, social politics, business management, statistics, law and marketing.

The existing scientific institutes suffer from lack of means and lack of place. Effort is dissipated among many universities, endowments and co-operatives. Individual scholars, such as Mrs. Beatrice Webb, and private institutions, such as the Horace Plunkett Foundation, have done excellent work. But the task of the future is collaboration and a concentration of forces.

Collaboration between university teaching and research, based on the trust and generosity of the co-operative world, will, it may be hoped, meet the just claims of science as well as the demands of practical co-operators.

Both parties must not only get to know one another better, but must provide the opportunities for doing so. The practical world has the more difficult task. Science is used to going her own way, and professors wish nothing better than to be able to teach and to study. But the business world, which has yet to get used to the idea that science has to do with the understanding and not the emotions, must in return give confidence even where it does not understand, and in time it will come to see that scholars best serve the practical world by retaining their independence and offering science and not propaganda.

Once the *rapprochement* has taken place, both parties will profit. Science has much to give: it is also prepared to learn much from the practical man. But there is one thing which the practical man must create for himself, and that is enthusiasm, without which, in the words of the dying St. Simon, no great achievement is possible.

RELATIONS BETWEEN AGRICULTURAL AND CONSUMERS' CO-OPERATIVE SOCIETIES

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I

THE problem with which we propose to deal touches only one of the different types of relation which exist between the principal co-operative groups. The possibilities of inter-co-operative relations are, in fact, multiple:

Relations between consumers or supply societies and credit societies.

Between consumers or supply societies and workers' productive societies.

Between consumers' societies and craftsmen's marketing societies.

Between marketing societies, whether of agriculturists or craftsmen, and credit societies.

Among all the possible relations, those which have assumed the greatest importance are the relations between consumers' societies and agricultural marketing societies. If one seeks an explanation for this fact, one must first of all take into account the general tendency towards rationalisation in modern economic life. In the distribution of goods also, the greatest possible measure of rationalisation is envisaged. It is towards this end that technical improvements in the means of communication and the gradual perfecting of other institutions for the promotion of trade—currency, credit, markets, advertising, price bulletins—are all tending; the aim is to obtain, at the minimum cost, the maximum results and to avoid wherever possible any loss which might impair economic efficiency. With this object trade is so organised that goods, in order to pass from the producer to the con-

sumer, go through as few hands as possible. That is to say, in order to fulfil an economic function, which is to bring real wealth to the consumer, as few intermediaries as possible are employed. Subordinated to this general tendency, other considerations play their part, which may have in practice an even greater importance. The economic crisis causes a continual reduction in purchasing power and obliges the consumer either to restrict or completely to abandon his consumption. The producer complains in turn that he is unable to sell his products except at a loss. Both believe that the relatively small number of persons who act as intermediaries between them are those who suffer the least from present conditions.

If they could be eliminated no great social danger would result, since their number is relatively limited, and if the part which they play could be more adequately filled without them than by them, doing without them is a step in the direction of rationalised economy. Moreover, since their profit would go either to the consumer or the producer, the purchasing power of the first and the profits of the second would be increased, and the result would be a stimulus to industry.

Consequently, one must not see in these efforts to establish direct relations between consumer and producer, a spirit hostile to trade. It is an error to regard this movement simply as an attack on the profits of the trader. It should be perfectly clear already to any informed person, that in what is called "middlemen's profits," which commerce claims for itself, is included a whole series of costs, in particular payment for services which are indispensable to the transit of goods. It is only what remains after these charges have been subtracted which can be considered as profit.

According to the principles which they adopt, men decide in what measure profit may or may not be recognised as justifiable. But the experiments with which we deal here and which were made in order to establish direct relations, were not based in the first instance on a

negation of the legitimate character of profit. The argument specially used has been that the services referred to could be more economically provided if no third person were allowed to intrude between producer and consumer, whose interests do not coincide with those of either, and whose interpretation of his part as intermediary is inspired principally by his personal advantage.

Undoubtedly such efforts should not be considered as attempts to abolish commerce as commerce—that is to say, as a function or a method of organisation.

For the craftsman such a step is perhaps unnecessary, since the producer is there in direct touch with the consumer. In agriculture, such contact is rarely present, although in order to attain it there have been advanced different methods of direct selling by the agriculturist to the large towns, as, for example, by parcel post. To establish a direct link of this kind by eliminating the functions of commerce would be a return to a state of primitive economy. There have been, it is true, attempts of this kind whose object was to make the economy of the family the typical form of economic relations, but the history of the origins of the co-operative movement itself indicate a considerable number of failures in this direction, *phalanstères*, harmony settlements, etc.

In every economy based on a division of labour some commercial function must exist and act through an organisation. As the division of labour becomes more widespread, the organisation of trade extends its ramification. It resembles more and more a system of lateral and central canals for the circulation of goods. This system may be divided into two parts: in one part goods are assembled, in the other they are distributed; between the two, wholesale trade constitutes a junction canal.

But while goods are travelling from producer to consumer, they pass through not only different canals, but a considerable number of hands. It might indeed be possible to reduce here and there the number of canals, but the essential is to reduce the number of intervening hands, to abolish altogether the introduction of alien

interests between producer and consumer. In so far as success is attained, a direct link will be established by that very achievement. The canals will remain, but they will be controlled not by outside interests but by those of the consumers and producers themselves.

It can readily be imagined that it is precisely with agricultural products that the most frequent attempts have been made to achieve these conditions. In the first place, they constitute undoubtedly the most important form of wealth; further, they play a preponderant part in the consumption of the masses; finally, agricultural production is much more fragmentary than industrial production. The large unit, the factory, is typical of the latter, while in agriculture the small unit is the true representative. This also explains why the commercial system handling agricultural products is the most complicated, and is subject to the greatest number of alien interests. Further, it is geographically the most extended since the mass of purchasers are specially removed from the producing districts, and it becomes a case of town and country. All these reasons make it important for both sides that a direct link should be forged; here also there are the greatest possibilities of rationalisation, since in industry the bridge is already half built and the centralisation secured by factories has already done its part in the circulation of wealth.

The direct link between producer and consumer means that the circulation of wealth comes under the control of one or the other or possibly both at once, and that consequently, at some point, reciprocal interests confront one another and there achieve, or at least should achieve, a compromise. In this way wealth should find in its passage from producer to consumer no branch road leading to territory not subject to the interests of either. Consumer and producer should thus join hands without being forced to seek the help of commerce. It follows that there are three possible types of direct relation. Either the consumers may take control of the entire transit of the goods, including collective commercial functions, and

may even extend their influence as far as production; or the producer may control transit and eventually make a conquest of retail trade to the consumer; or, finally, producers and consumers may each occupy a part of the route and meet one another at some point on the road.

As at the present day it is not possible to conceive such direct relations without the intervention of a distributive body, it follows that in each of the cases above mentioned the interested group must be organised. On the consumer's side, such an organisation is always, and on the producer's side whenever agricultural production is in question, an organisation of co-operative character. Thus, the types discussed may be characterised more exactly by the following formula: either the consumers' co-operative societies directly undertake agricultural production, or agricultural marketing societies organise themselves to supply to the ultimate consumer, or, on the other hand, each, while engaged in the circulation of wealth, goes forward under the guidance of its own interests, to a certain point at which the two are in direct contact.

II

The attempts made by consumers' organisations to carry on production have led to very different results in industry on the one hand, and in agriculture on the other. As is well known, they have achieved great success in the sphere of industrial production, but have achieved little where they have encroached upon the territory of agriculture.

This last point alone is of interest to us, but even here it is necessary to make a distinction between agriculture in the strict sense and the exploitation of plantations. Experiments in the latter direction have succeeded, at least as far as concerns the English Co-operative Wholesale Society with its tea plantations, in many ways an unique case. This may be explained by the special character of the enterprise. A great plantation has certainly many of the characteristics of an agricultural

enterprise, but in a less pronounced fashion, and regarded as a whole, it comes much nearer to a big industrial undertaking than do the farms of temperate climates.

England also gives us an opportunity to observe consumers' societies embarking on agricultural business in the strict sense. Outside this country the only other case is in Switzerland, where the Swiss Union of Consumers' Societies has five or six farms, consisting almost entirely of alpine pasture.

The results derived from the agricultural enterprise undertaken by consumers' co-operative societies in England and acquired under the Shillito Plan have not been satisfactory. In the period between 1913 and 1922 they suffered an average loss of £2 per year per hectare, and these were precisely the years of greatest prosperity in agriculture. In 1928, co-operative societies to the number of 122 owned 41,000 acres, and the two Wholesale Societies (English and Scottish) 21,000 acres of agricultural land. The deficit increased in 1928-9 to £4.5 or £3.5 per acre for the local societies, and £2.8 or £3.7 per acre for the Wholesale Societies. There has thus been an increase in loss. Equally unsatisfactory have been the results of cheese making undertaken by the Scottish Wholesale Society in Canada.

The English themselves admit their failure. At their Congress in 1925 the following causes were enumerated: (1) farms were acquired at a moment when the price of land was high; (2) most of the farms were created at a period of prosperity, but shortly afterwards there was a fall in prices without precedent in agriculture; (3) it had been difficult to find managers of general capability; (4) the co-operative societies had been obliged faithfully to preserve their altruistic character even where salaries and social institutions were concerned, and consequently production had been burdened with excessive charges as far as personnel was concerned.

Further, it must not be forgotten that in agriculture the personal interest of the farmer in the results obtained is an important consideration. For this reason, the com-

pany form is undoubtedly not favourable to agricultural enterprise, and the co-operative form even less so, since the manager is the employee of a many-headed body where many intervene to give their opinion on his work and where he has to take into account many points of view not of an economic character. The third point mentioned above should thus be looked on somewhat as follows: What is difficult is not to find a suitable manager, but a competent executive committee which will take into account the peculiarities of agricultural as compared with industrial enterprise, and which will permit a necessary freedom to the manager of the undertaking.

In any case, the question of agricultural production by consumers' co-operative societies is already closed, owing to the impression left by the English experiments. The English themselves would probably abandon their attempt if they did not fear a loss of prestige. Moreover, they claim that the outlay is balanced by the experience gained, since they are able to check the statements of farmers and still more of traders. Their own production is, moreover, comparatively unimportant. Out of a turnover of £323 million in 1929, only £1·7 million represented agricultural goods, excluding tea, which they had themselves produced.

There is yet another case in which the whole transit of agricultural produce is controlled by consumers' co-operatives; this occurs when they buy direct from the producer. The nature of the products varies with the country and often also with the district. In any case, the circle covered is not very wide and will probably contract with time.

We see the opposite process at work when agricultural co-operative societies, not content with undertaking the collection of produce, advance into wholesale and finally into retail distribution. Such a process is general amongst dairy societies which sell fresh milk, but this is the only case in which such a form of co-operative marketing has given good results. It is different when the co-operative society makes it its main business to sell its own produce

wholesale, but also opens retail shops either to act as a check on retail trade or to regulate its market according to the variations in public taste, as is done, for example, by the co-operative bacon factories in Denmark.

To-day it is an opinion universally held that co-operative marketing should not be carried into retail trade. On this subject Breullmann gives us an account of American experience. "Money is lost because the cost of agencies or salesmen on large consumers' markets is very high, the specialised or seasonal character of the greater number of co-operative societies makes it impossible effectively to utilise these last organisations. Specialisation is one of the strong points of co-operation, but only when it is found before the point of junction between the business of assembling and of distribution." This author also cites a similar opinion of Professor Weld.

III

Thus, the two extreme attempts which have been made to solve this question have not been crowned with success. In comparison with them, the third type of direct link appears to be fairly easy to realise. Both consumers' co-operative societies and those organised for marketing have proved capable of giving excellent results in certain stages in the circulation of goods, and beyond all doubt they can sustain competition with private trade. Consequently each should undertake to carry goods as far as its own frontier, and there abandon to the other organisation all responsibility for the further conduct of the business. Although this idea has been gaining ground for a decade and has become one of the principal problems of co-operative life, attempts towards its realisation have a protracted history even in the international sphere. It was first raised at the International Congress of 1896, and there has scarcely been a Congress of the Alliance which was not occupied with the question. It only remained in abeyance during the ten years following the Congress in Budapest, at which strong disagree-

ment was apparent between agricultural and workers' co-operative societies. But as early as 1913 at Glasgow, H. Kauffman dealt with the subject in a report. In 1921, at Basle, A. Thomas touched upon it in his resolution on the policy of international co-operation. In 1924, at Ghent, A. Thomas once more presented a report on the question. In 1927, at Stockholm, it was treated in a report by B. Jaeggi, and in 1930, at Vienna, the whole position was set out to the Congress in a much more than incidental fashion.

Other economic bodies have accorded equal attention to the question. The International Institute of Agriculture in Rome published in 1926 a work which formed a prelude to the debates of the League of Nations on this subject. The League itself placed the question on the Agenda of the International Economic Conference in 1927, which later drew up a resolution of considerable scope. This resolution advocated direct relations as one of the principal means of rationalising world economy. Finally came the International Commission of Agriculture which at the Congress at Bucharest in 1929 also declared itself in favour of this solution.

The Committee which it was proposed should meet within the framework of the League of Nations was never constituted; on the other hand, in 1931, the International Co-operative Alliance and the International Commission of Agriculture came to an understanding regarding the formation of a Joint Committee which has since held several meetings and has, amongst other things, advised the different national organisations to form joint organisations in their own spheres. At the same time the problem continues to hold a place in the agenda of the co-operative organisations of different countries. "

Thus the question of direct relations may be regarded as a leading idea amply discussed on all sides. The position taken up by the International Economic Conference is particularly important, for it expressed a point of view which is not exclusively a co-operative one, but a point of view held by economists generally, and consequently one

which may convince those who are strangers to the co-operative movement, since it is not concerned with an attack directed against certain economic circles, but of a necessity of rational economy.

It is obvious that the author of the resolution of the World Economic Conference is under the impression left by these numerous resolutions when he observes that the question has been sufficiently discussed from a theoretical point of view. A. Müller, in his inquiry into direct relations, takes this conclusion as his starting-point, and claims that on the contrary, as soon as one goes deeper into the question, one comes up against many theoretical difficulties. It is undoubtedly true that these resolutions only express aims without giving any practical lead. All the same, it is not necessary to subscribe to the assertion of Müller and go so far as to say there are real theoretical difficulties.

The formula which most exactly describes the situation is perhaps the following: There are practical difficulties, and up to the present the theory itself has not succeeded in pointing out an absolutely satisfactory method of avoiding them.

IV

Theoretically the problem should be solved as soon as the mechanism has been set up which puts the two co-operative organisations into communication and which makes possible mutual transactions on conditions which both parties recognise as just. The principal question is that of the just price, but the majority of the resolutions mention it without saying precisely what is to be understood thereby.

It is possible that the consumer as well as the producer recognises as just either the current price or an average price determined in relation to it. In such a case, undoubtedly, the difficulties disappear.

To Gide must be given the credit of having clarified this idea of the just price. By this he understood in a general way a price from which all elements of profit

have been subtracted. According to the theory of the consumers' co-operative society, this amounts to saying that the price should be equal to the cost of production in its widest sense, including the costs of distribution, but that the cost of production should only include the wages of labour and a strictly limited interest on capital.

But in the case in which we are interested, we have to consider the parallel system of agricultural marketing societies whose members are, correctly speaking, business men (whether big or little makes no difference) who have no intention of surrendering the business man's profit. In their eyes a price which takes no account of anything but the wages of labour and the interest on capital is in no sense just. Any experiment which fails to take into account this point of view is doomed in advance to failure. It is for this reason that the idea of the just price, of which we spoke above, cannot in this case be applied. The producer will not recognise as just any price which does not permit him to reap his business man's profit. On the other hand, he is agreed in any measure which aims at subtracting from the price the profit of the business man who is a middleman between himself and the consumer.

If the consumers' organisation or the producers' organisation alone succeeds in eliminating the middleman, no problem is raised. In such cases the organisation in question keeps for itself the proceeds of any economy which it has realised. On the other hand, difficulties occur at once when the elimination is so complete that the two organisations come into immediate contact with one another and each claims to draw a profit from the suppression which has taken place.

Equity would suggest that each should obtain out of the former middlemen's profits a portion corresponding to the economy effected by the energy of its own organisation. But in practice things are not so simple. It is not always possible to establish irrefutably which middleman has been suppressed by which co-operative society and which by the other. But it is still more difficult to say what economies have been realised by each as a result of

the elimination it has produced. For such a calculation supposes a recognition by both parties of a price holding good at that point in the circulation of goods where the two organisations meet.

Moreover, there are also difficulties of principle. The consumers are usually ready to admit that the producers' profit should go back to the members of marketing societies, principally because they are usually small producers whose income consists to a large if not to a preponderating extent of the wages of labour. On the other hand, consumers are not usually ready to allow the producer those elements in the profit which he has won from the middleman through co-operative action. They appeal to the natural point of view of the consumer, for whom direct relations have no meaning unless they offer a method of satisfying his needs more economically than through the commercial middleman; if the producers claim for themselves the middleman's profit, it follows that the consumers' co-operative society is obliged to pay to the marketing society the same price as it has paid to the merchant.

Further, the consumers are of opinion that middlemen's profits do not change their nature because instead of being carried off by merchants they go into the pockets of the producer; little they care who it is that is seeking profit, that is an appetite which it is not the object of co-operation to satisfy.

Where direct relations are established on a basis of the usual market price, the consumers' co-operative society is spared these worries as it has not the responsibility of fixing prices. But in cases where it has a decisive influence on price fixing, it maintains more energetically the point of view that as far as middlemen's charges are concerned it is prepared to pay everything that can be regarded as costs, that is to say, payment for services, but not that which is middleman's profit.

When everything is taken into consideration, the co-operative producer would not in such a case be any worse off than if he had sold to the trade. He is not, at

bottom, a victim of any injustice, but in practice he will never be satisfied with this solution, because he too wishes to secure some individual advantage from direct relations.

But even if we admit that the two organisations might come to an understanding on the basis of a price agreeable to the consumers' co-operative societies, certain difficulties would still remain. The price suggested consists of the cost of production plus the cost of distribution. The producers' profits enter into the cost of production. If the two parties want to fix the just level of this price in any way which can be described as mathematical, they will have to find the two component parts of the price. In other words, it will be necessary for them to determine what is the just price, that is to say, the cost of production adapted to circumstances, and the level, equally relative, of the costs of distribution.

This, however, is anything but an easy task. In agriculture, and here we are dealing with its products, it has not been possible to establish precisely the cost of production of different articles. It is not possible because farms are complex undertakings which provide many kinds of produce with the same means of production and the same expenditure of labour in such a way as to make it impossible to say exactly what part of the joint cost must be attributed to each different branch of the undertaking. For example, if a certain proportion of costs has been absorbed by, for example, the tillage department, I shall still be unable to say exactly what represents the cost of producing wheat. Valuations are possible, of course, but they are never incontestable. This means, then, that two properties worked under the same conditions and with the same total expenditure might make very different estimates of the cost of producing a single product, according to whether they attributed to it a greater or smaller share in the general expenses.

Thus, from the only point of view which can be determined by strict accounting, it is difficult to get at the exact cost of production. Further, costs differ widely, even within the same economic area, as a result of the

important part played by nature in agricultural production. Even if it were possible to determine the cost of one product among others, it would be impossible to say which amongst the different costs obtained in the same area are equitable—that is to say, those which correspond to average conditions, and should be used as a basis for fixing a price to the consumers' co-operative society. If the marketing society wished to give satisfaction to all of its members, it would take as a basis the highest costs, as otherwise some of its members would not derive any profit from the agreed price. The price will inevitably be higher than that offered by certain agriculturists not members of the co-operative, but whose costs of production are medium or low, and this the consumers' society will not endure for long. It is well known that producers are familiar with such differences, even when they sell on the market—that is to say, at a "normal" price. But a price which is imposed on you by an inflexible market is one thing, and a price which is accepted by your own organisation is quite another.

In short, even in a case where an understanding has been reached in principle as to a basis for calculation, there are bound to arise divergences of opinion. Nor can it be otherwise with the cost of transporting goods from producer to consumer. To the man who has large sales and a complete organisation, and who uses his personnel to the best advantage, costs are lower than to others. But the costs of the latter are as equitable (in the sense in which the word is used here) as those of the former. Which must be taken as a basis for calculation? One might be tempted to choose as a basis the highest cost, at least the marketing society would be tempted to adopt that point of view, but that again would detract from its competitive power. Thus there is some reason in Müller's declaration that the idea of the just price was born of collectivist idealism, which is undoubtedly present among consumers' co-operative societies, but which is entirely lacking on the other side.

Augé Laribe shows that he is aware of these difficulties

when he says that it is at the moment when it becomes necessary to estimate the price due to the producer that the problem of the producer's remuneration arises. Digby also underlines the fact that producer and consumer are mutually dependent, but when it comes to a question of the just price, the opposition between these two factors remains complete. Moreover, Gide himself saw the difficulties in direct relations.

The idea of the just price cannot be theoretically formulated in a way that will satisfy both parties. It is impossible to translate into reality any formula of this idea which will prevent insoluble difficulties from arising. On the whole it is preferable to isolate the search for this solution from the other problems concerning direct relations. Since there is a market price fixed for almost every article, it is needless to attempt to establish an abstract price or to cudgel one's brains as to what may occur at a future period when relations will be so complete that there will be no market price independent of the co-operative societies. Poisson also adopts this simple common-sense point of view. A price corresponding to the natural conditions of the market, that is to say, a price which is not influenced by one-sided interests, is the price which is most equitable for both, if not from the point of view of abstract co-operative idealism, at least from the point of view of economic ethics, owing to the fact that the price has been established as it were by the judgment of an impartial third person.

V

In discussions on the problem of direct relations, the following question has never so far been put: Apart from the purely mechanical distribution of goods, does not commerce perform certain other functions? In fact it assumes such functions, and this assumption claims our attention in the order of ideas which we are now examining.

In the first place, commerce grades goods into types

and qualities. The marketing co-operative must in this connection be able to compete as regards both the care devoted to this operation and the expenditure which it demands. But up till now, the co-operative societies have not been able to go in most cases as far as is needed, or even as far as their attempts would indicate, although they already understand that it is a fundamental condition of the success of their activity. But their task is in many ways more difficult than that of the trader. For one thing, they have to accept any goods which are offered to them, otherwise they run the risk of annoying their members if they act too rigidly in the matter of quality. It follows that they are unable to do their duty as far as quality is concerned without causing friction, at least unless they have already well educated their members and unless the latter understand that any severity is ultimately in their own interests. This is the only way in which they can oblige their members to undertake to satisfy in production itself those imperative conditions which the market imposes in the matter of quality—demands which they in turn transmit to their members. But in those cases where such results have not yet been obtained, or where it is difficult to compete with private trade in this respect, it will be impossible to establish direct relations. Hence the following formula: the standard of quality achieved by the members in production and by the co-operatives in marketing, decides whether or not it is possible to sell direct; when the conditions indicated are not yet fulfilled, the claim to establish a direct understanding is at least premature.

Another function of commerce is to pay an advance price to the producer which is afterwards collected from the consumer, thus providing the financial basis for the circulation of goods.

This is more especially the rôle of commerce where agricultural products are concerned. In so far as the marketing societies have not the same capital resources as private trade, they are unable to assume in the same degree the finance of marketing, and consequently they

are unable in their relations with 'consumers' societies, as well as in other respects, to compete with private trade. At the moment marketing societies have little opportunity of acquiring capital resources equal to those of private trade unless they are supported to a considerable extent by the State. This raises thorny questions, of which the Congress at Vienna gives evidence. It was there proposed that enquiry should be made if it would not be possible to use the capital of consumers' societies to finance the marketing of agricultural co-operatives. There were immediately energetic protests, and it was said that such a question should not be discussed, since the consumers' co-operative societies themselves had need of their own capital.

The two last difficulties are not as complicated as those connected with prices. All the same, they constitute in practice a formidable obstacle. Finally, there are difficulties which have perhaps a purely temporary character: For instance, the efforts of the consumers' societies to buy from the individual producer and to ignore the marketing societies; in some cases mutual distrust or opposing general ideas, one collectivist, the other individualist; the hostility of town and country, etc.

VI

The different existing cases of direct relations may be classed according to different points of view.

In the first place, it is possible to consider the nature of the organisations with which we are dealing. Omitting the case where a consumers' society buys from individual producers, there is the method of purchase through "centrals," when the wholesale society buys from the central marketing society; there is also decentralised trade, when the retail consumers' society purchases from the marketing central or even from retail marketing societies. The outline scheme drawn up by the German co-operative societies in 1918 lays down the principle that perishable goods are more suitable for decentralised

handling and transportable goods for centralised trade. It is also necessary to consider whether the goods are sold by whole truckloads or in smaller quantities, if they are subject to sharp variations of price, and if there are local customs or differences in taste which influence the price of the product as between one district and another.

Finally, the position differs according to whether the two organisations exist in the same or different countries. Naturally, it is the second case which is the most complicated, as Poisson points out in his article. This may seem surprising at first sight, since the best-known direct relations are those between the English consumers' societies and the Danish marketing societies, which link two different countries. But in this case relations have not taken on an organic form, and the difficulties do not begin in earnest till this has occurred.

The question most often discussed is this: how can relations be established on a solid and durable basis without exercising pressure on one of the two groups or binding them more closely than is absolutely necessary? The object to be attained is to replace purely casual transactions due solely to a favourable competitive offer by regular transactions independent of the market. In certain cases the attempts made in this direction have led to success; thus side by side with chance understandings there are others based on contracts to deliver or those which have been translated into the constitution of a joint organ.

The simplest are the casual understandings. In these cases there is no problem because the two parties simply want to strike a good bargain and, in addition, have the pleasure of gratifying their co-operative tastes. The question of price is settled by accepting the market price, and no one takes the trouble to find out if the profit realised as a result of direct relations is equitably shared between producers and consumers.

Dreger claims that in these cases all the advantages of the understanding go to the consumers' society. This, however, does not seem to be universally true, especially

to-day, at a time of general overproduction, thanks to which the co-operative consumer has a real advantage whenever he has not got to confront strong producers' organisations (cartels); while if the marketing society itself is also strong it would not appear to lose any of its advantages through direct relations.

It is in this form that the greatest number of direct transactions are effected, for example, in the first place, the purchases of the English and Scottish Wholesale Societies from the Danish marketing societies and the Canadian Pools. It must be understood that there also exist similar internal relations in various countries; the German co-operative societies have even drawn up outline schemes for such relations. A first step is realised in these somewhat loose relations as soon as the consumers' society announces its readiness to purchase its supplies from the marketing society whenever the latter can make an offer which competes with those of private trade. That is the position of the Scottish Wholesale Society and the Pools from whom it purchases up to 80 or 90 per cent. of its supplies.

With regard to the scope of such relations, up to the present the most exact statistics available are those relating to Germany. A. Müller has carried on research into them, the results of which are published in the article already mentioned. (1) The direct purchases made by consumers' societies from marketing societies represent very small sums, for example, in the Central Union, less than 1 per cent., and in the National Union from 1 to $1\frac{1}{2}$ per cent. of the total turnover of the affiliated societies. (2) That between 1926 and 1927 these relations decreased. By what figures can we represent the state of affairs in Germany and in general in those countries which take the lead from the co-operative point of view? We have only very limited data on this point; the indications, however, are not favourable.

Permanent understandings reinforced by contract are more rare. The most familiar are those of the dairy societies and consumers' societies in Lorraine: the first

undertake to deliver and the latter to accept all the milk supplied by the producers; accounts are made out on the basis of the market price. It is claimed that on a balance the producers receive 10 centimes more and the consumers pay 5 centimes less than would have been the case in private trade. Similar relations exist in Sweden and Norway.

The relations which exist between the Danish Wholesale Society and the producers' co-operatives are worthy of note. A convention which is renewed every year fixes the quantity of grain which the producers are allowed to sow. They are obliged to deliver this quantity to the Wholesale Society, which, in return, is obliged to accept delivery and may only supply producers' co-operatives with seeds, while the latter may not deliver to other merchants. As regards quality, the question is submitted, where necessary, to a third party, deeply interested—that is to say, the agriculturists themselves, through a committee elected by their own organisation. This committee has a controlling voice over both co-operative societies.

The price is fixed from year to year by a mixed commission formed from both societies. The agriculturists receive, through their seed-supplying societies, an average price over the whole year calculated annually, which is, in the majority of cases, to their advantage.

In this case the producers of seeds and the "consumers" of seeds are both agriculturists, and the members of one of the two organisations are in most cases also members of the other. In the same way, dealing with the case of the societies in Lorraine mentioned above, Gide has calculated that the members of the consumers' societies are agriculturists to the extent of about 80 per cent.; he considers that the conflict between the interests of producers and consumers is in this case transferred to the bosom of the individual co-operator and is consequently considerably softened. In our opinion such circumstances rarely occur, for in the majority of cases the co-operator who sells agricultural produce is not interested in its price as a consumer because he supplies himself with the

product in question as far as he has need of it and consequently does not purchase it; what is and remains essential to him is a satisfactory selling price. The conflict of interests may be reduced, but it never disappears. The same objection may be made to the proposals of Smith-Gordon, who would like to see consumers' and marketing societies grouped in a single co-operative central.

There are cases where consumers' societies have come to the aid of marketing societies to make good their lack of capital; an outstanding instance is the action of the English Wholesale Society in aid of the Australian Pools, and the small English agricultural societies. From this participation it naturally becomes interested in an assured and profitable sale for the produce concerned.

Direct relations take on an organic form when the two parties themselves form joint organs. Such organs only interest us, of course, if they undertake commercial activities. The mixed committees which have been constituted in the majority of countries to promote these tendencies can only be regarded as representing progress in the realm of ideas.

What would seem to be the simplest step, the constitution of mixed commissions for price fixing, has, in fact, very rarely been taken because the activity of such commissions is expended on the most delicate part of the above problem, and the attention of both parties is concentrated on that point. They are only useful when the interests in the two parties are not diametrically opposed, as they usually are in the case of urban consumers' co-operative societies and agricultural producers.

It is much simpler to take one step farther and to found a joint commercial organisation. Producers' societies, as well as consumers', only enter into purely commercial relations with the joint organisation—that is to say, it receives no order from the consumers until it shows itself capable of competing, both for purchases and for sales. Accounts are kept on the basis of the market price. In the division of profit received by the joint commercial organisation both sides receive something, and the sums

returned represent for one a better price and for the other a cheaper purchase.

In this way, the point of greatest difficulty is turned. There are several cases in which such a solution has been adopted. The Central Dairy of Morawska-Ostrava, a limited company, obtained its capital in equal parts from the Czech Agricultural Co-operative Union of Silesia and the consumers' co-operative societies of Morawska-Ostrava and neighbouring places. On the Executive Committee the producers had five members, and the consumers four; a chairman appointed by the former has no vote. On the supervisory committee, the seats were distributed in the opposite proportion. There was an exclusive contract between the two parties. The market price was used as a basis both for the price to the producer on delivery and the price to the consumers' co-operative on sale. The following extract from the Report gives an idea of the results obtained in the first year:

At the outset both producers and consumers hoped that the enterprise would produce in a short time sensational results. This very conviction raised difficulties at the beginning. In the course of time it has been possible to overcome them, since both parties have come to understand that advantages must be sought less in improved prices than in the guarantee to the producer that he has an assured sale for his milk at reasonable prices, and to the consumer, that he will be continuously supplied with good quality milk.

It is on a similar basis that in France the National Federation of Consumers' Co-operatives and the National Association of Wheat Producers are considering the establishment of mills which will be their joint property. On this subject Poisson should be consulted.

Among all the experiments of this type, the best known is that of the New Zealand Produce Association, which was founded by the English Wholesale Society and the New Zealand Producers' Co-operative Association. This Society is also characterised by equal participation in capital and control. But here neither one side nor the

other is obliged to deal with the Society. On the contrary, if private trade has anything better to offer, the producers' society will sell to and the wholesale society purchase from it. Market prices are used as a basis. The Society receives a commission on all business effected, the net profit is divided, after the necessary contribution to reserves, according to capital holdings and consequently in equal amounts. Thus this is a case of the application of that principle which Fauquet, among others, describes as the most satisfactory solution.

The Society also sells to the trade, and according to the latest figures these sales represent about half of its total business. Up till now the results have been satisfactory; recently the activities of the Society have been extended and the English Wholesale Society has entrusted it with the purchase of mutton and lamb on commission; in this branch it has reached a turnover of £500,000.

In the same category it is usual to include the Russo-British Grain Company. Amongst the participants on the Russian side, *Exportkhleb* (society for the exportation of cereals) is founded jointly by *Centrosoyus* and *Selskosoyus*. These are not strictly speaking co-operative, being monopolies subject to the State, which is entirely responsible for financing them. Consequently, the conditions of export, delivery, etc., in the case of *Exportkhleb* are entirely different from those of a co-operative society with financial autonomy. The State also participates directly in the Grain Export Company and is further interested through the intermediary of a State organ for the export of cereals. On the English side, the Wholesale Society is only interested to the extent of one-fourth of the total capital, the other shares being held by an English shipping company and an English grain merchant. Co-operative participation being thus only partial in its complete make-up, the organisation is outside the scope of our investigation. The same may be said of the *Ratao*, founded to carry on Austro-Russian trade.

CO-OPERATIVE FINANCE IN CAPITALIST ECONOMY

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I. INTRODUCTION

WHEN analysing the position and the policy of co-operative institutions one must always have in mind the ultimate objects and aims of their activities. There are two main views on this subject: one regards co-operation as the tool for the complete transformation of the capitalist system; the other expects co-operative institutions to serve merely as a remedy for capitalist abuses. Transformation or amelioration of capitalism are, therefore, the two rival views of the aims of co-operative activities.

Even if it aims only at the betterment of the present system, the co-operative movement must investigate and discover the abuses of capitalism in order to correct them. If, on the other hand, co-operation sets itself the task of replacing completely the capitalist system, it must decide under what conditions such replacement will be successful. It becomes more and more difficult to see ahead what these conditions will be; for the capitalist system is undergoing a continuous process of transformation and change by becoming more centralised and complicated in its national and international organisation. These changes are taking place not only in the economic structure but also in the technique of capitalist enterprise in all spheres of human activity. Co-operation, therefore, must be prepared to take into consideration these consistent changes of the system for which it is endeavouring to find a substitute.

In dealing with co-operative finance as a part of the financial system of capitalism, the foregoing remarks seemed necessary in order to make clear my own position. I regard co-operation as a method of organisation for economic activities, which is different from and opposed

to capitalist methods. I consider that, by employing the co-operative method, certain economic groups—the wage-earners and small producers—are able to strengthen their bargaining position and to escape to a certain extent from some of the abuses of capitalism. They are also able to build up a new type of enterprise—the co-operative enterprise—which can be in many respects more efficient and economical than capitalist enterprise.

The eighty million members of co-operative organisations represent, with their families, nearly one-eighth of the world's population. Co-operative organisation is helping to improve the economy of their household or productive activities amidst the hardships of the capitalist world. However, the deepening and spreading of the international economic crisis and the terrible suffering which accompanies it show clearly that the extent to which co-operation is able to remedy capitalism is a very limited one.

The explanation may lie in one of two directions: either the present co-operative activities, though widespread, are too superficial and scattered to count for much in the capitalist system; or the remedial possibilities of co-operation are themselves limited by their place within the capitalist system. If the first explanation is true, then the task of co-operation is to find the ways and means of better organisation and deeper penetration into the existing economic system. If the difficulty lies in the limitation necessarily imposed by capitalism on co-operative activities, then it must be considered, whether co-operation can serve as the basis of a new system, how far such a system can be built on co-operative principles and what are the functions of the existing co-operative organisations in this process. The transition period from one system to another is always the most difficult and testing, and it is important to ascertain how co-operative institutions would have to operate during such a period.

Let us analyse the present conditions of co-operative finance and its prospects in the near future under the assumption that co-operation has to continue its activities

in the midst of capitalist economy and to play an important part in the transition period.

Our task will be (1) to formulate the characteristics of co-operative finance, (2) to draw a comparison with capitalist finance and (3) to make clear the position of co-operative finance in the general financial machinery of capitalist society. Further, it will be of interest (4) to show how co-operative banks and credit institutions have withstood the present crisis. Finally, (5) to compare the special position of co-operative and capitalist credit institutions and the relation of co-operative banks to central banks and to their policy. After discussing all these questions, we will (6) consider whether a co-operative credit system will be able to replace the capitalist one, and (7) how the existing co-operative financial institutions have to be rebuilt and combined in order to be prepared for the part which they have to perform in the transition period.

II. THE CHARACTERISTICS OF CO-OPERATIVE FINANCE

Co-operative finance deals with co-operative capital, its accumulation, employment and management. What are the main characteristics of co-operative finance?

1. Co-operative capital serves as one of the two main pivots of co-operative activities. The definition of co-operation "as a union of persons and not of capital" is not a complete one. It cannot be denied that the personal element plays the foremost part in co-operative organisation and that the personal bond existing between the members is the greatest asset of co-operative financial institutions, especially of the banking and insurance sections. But co-operative organisations are unions of persons for the conduct of business enterprise, and they had to learn "to appreciate, if not the merits, at least the advantages of capital."¹

2. Co-operative capital does not admit the division between shareholder and client. *Every member is at the*

¹ Gide, *Political Economy*, p. 85.

same time a shareholder and a customer of the co-operative organisation, which is not concerned with "clients" and does not operate for them. The only exception is the case of the depositors in co-operative institutions who are often non-members. As the funds deposited by them are used for granting credits to members, the admission of non-member depositors does not alter the co-operative character of the institution.

3. Co-operative capital operates for a defined but not limited group of members and can build its activities on lines of a planned economy.

4. Co-operative capital is managed collectively by the members of co-operative organisations through their elected board, each individual member having one vote in general meetings.

5. Co-operative capital is used to achieve co-operative aims in trade, production, banking and insurance for which co-operative institutions have been formed. Therefore the financial policy of co-operative organisation is inextricably bound up with its general policy and aims. Thus, the interests of co-operative finance are subordinate to the general aims of the movement.

6. Co-operative capital can be accumulated in unlimited amounts, since co-operative institutions are built on the principle of unrestricted membership; thus, the total issue of shares is not limited, as it is in capitalist concerns in order to maximise profits and dividends.

7. Co-operative capital is formed by the shares paid by the members, by their deposits and loans, and by reserves accumulated from surpluses. Co-operative capital is withdrawable with due notice. But nobody can take out of a co-operative organisation more funds than he has brought in. The reserves and surplus are collective funds of the co-operative institution itself; thus, they form a new financial power which serves the co-operative community and not the individual interest of its members.

8. Co-operative capital does not aim at being an instrument of profit-making. A co-operative organisation treats the whole capital of its members rather as capitalists

treat debenture capital: the members are paid a limited rate of interest on their shares or deposits. The real reward received by membership for personal and financial participation aims at taking the form of service and not that of money return.

9. Co-operative capital does not serve as a basis for the *distribution of surpluses* gained by the organisation. Surplus is distributed among the members in proportion to their participation in the creation of that surplus by making use of the institution.

10. Because of the three foregoing conditions, it follows that speculation in co-operative capital is impossible.

III. THE FINANCIAL POSITION OF THE CO-OPERATIVE MOVEMENT

Recent information published by the International Co-operative Alliance gives a general picture of the distribution of the main items of the liabilities in the joint balance-sheet of those co-operative organisations all over the world which have answered the questionnaires of the I.C.A.

The figures relating to the trading and producing organisations can be seen from the Table No. 1 (page 132).

If we add to the totals of Table No. 1 the amount of funds accumulated by the co-operative credit and insurance organisations, we obtain the figures given in Table 2 (page 133).

The analysis of the resources accumulated by the co-operative organisations all over the world indicates that they have been able to mobilise nearly a milliard and half pounds sterling. This sum, large in itself, is only a very small figure in comparison with the resources of the whole system of capitalist finance; regarded as savings, however, it is an important fraction of the resources mobilised by the savings institutions throughout the world.

The study of the structure of the working capital of

TABLE No. 1
STRUCTURE OF THE LIABILITIES OF CO-OPERATIVE ORGANISATIONS
(In Sterling)

	Paid-up Share Capital and Reserves.	Savings Deposits.	Loan Capital, excluding Saving Deposits.	Total.
1. Consumers' Societies	208,978,728	37,889,811	148,793,736	429,704,399
2. Wholesale Societies	69,851,938	12,833,054	243,187,351	347,446,011
3. (a) Workers' Productive Societies	3,658,280	206,706	3,576,627	7,819,714
(b) Productive Societies affiliated to Consumers' Organisations	4,811,359	12,129	4,300,027	10,194,194
4. Agricultural Societies	22,178,113	1,568,318	56,375,390	190,815,469
5. Diverse	509,894	1,012,898	548,3706	7,073,537
Total	309,988,312	53,522,916	461,716,837	993,053,324

TABLE NO. 2¹
(In Sterling)

	Paid-up Share Capital and Reserves.	Savings Deposits.	Loan Capital, excluding Savings Deposits. ²	Net Surplus.	Total.
Co-operative Trading and Producers' Organisations	309,988,312 (161)3	53,524,916 (68)	461,716,837 (159)	72,182,970 (158)	999,053,324 (165)
Co-operative Banks and Credit Institutions	72,308,408 (48)	205,487,077 (48)	178,348,365 (42)	1,945,049 (41)	458,088,899 (47)
Insurance Societies	2,358,930 (26)	—	—	—	23,491,767 (26)
Sterling	384,655,650	259,011,993	640,065,402	74,128,019	1,480,633,990

¹ From *Statistics of the Affiliated National Organisations for 1928-29*, published by the International Co-operative Alliance, 1930.

² Deposits other than savings deposits included.

³ Number of organisations reporting shown in brackets.

different types of co-operative organisations clearly indicates that share capital and reserves form only about 30 per cent. of total resources. The bulk of the funds is constituted by savings deposits (18 per cent.) and loan capital (47 per cent.). These figures demonstrate plainly the pressing need of the co-operative movement for outside funds, which it receives in the form of loans.

When analysing the figures in Table No. 1 we see that consumers' co-operation is responsible for over 85 per cent. of the accumulated capital and reserves, and agricultural co-operatives only for some 10 per cent.

The consumers' movement, after using a great part of its accumulated funds for developing trading and industrial operations, is left in some countries with considerable resources, which are placed in non-co-operative investments.¹ The portion of funds invested in non-co-operative activities tends in some countries, as in England, to increase in amount and in its proportion to working capital every year. Many Consumers' Wholesale Societies have a great abundance of funds. They invest a considerable portion of them through their banking departments (Great Britain, Sweden, etc.), or specially organised co-operative banks (Switzerland), in securities of a non-co-operative character.

The agricultural co-operative organisations are in a different position: they are always in need of funds, and borrow heavily from banks, the agricultural co-operative banks being also much indebted to State and private banks.

The existing co-operative banks operate in each country independently of each other. There is little if any collaboration between them and the spare funds of one are not used much by the others. The only joint central co-operative banks for all groups of co-operation of the country have been organised in U.S.S.R. (Vseko-bank) and Ukraine (Ukrainbank), but since the Credit Reform Act of 1930 they have lost their character of central co-operative banks. The Ukrainbank was liqui-

¹ See N. Barou, *Co-operative Banking*, pp. 297-299.

dated in 1930, and the Vsekobank was merged in 1932 with the Commissariat of Finance.

Co-operative insurance is only in the first stages of its development, and does not play any serious part in financing co-operative activities: the co-operative movement has not yet learned to make proper co-operative use of its resources and insurance funds as capitalist organisations do in support of the capitalist system.

The following conclusions can be drawn from our analysis: (a) various types of co-operative organisations in different countries have shown uneven success in gathering the savings of their own members.

(b) Some of them, like the agricultural section of the movement, depend largely on capitalist and State funds.

(c) The position is made more difficult because no financial co-ordination exists between different sections of the co-operative movement nationally or internationally, so that surplus capital in one co-operative body is not available for the use of another either in the same country or in another country. It has to be indicated that such lack of co-operation is characteristic of countries where different groups of co-operative organisation are highly developed. It is not the case in countries where one type of organisation, mainly agricultural, is predominant, as in the majority of the Asiatic countries.

(d) The amount of funds accumulated by the co-operative movement represents but a small part of the total national financial resources of the respective countries.

IV. WAYS IN WHICH VARIOUS TYPES OF CO-OPERATIVE ORGANISATIONS NEED TO EXPAND. CASES WHERE THIS IS HELD UP BY LACK OF CAPITAL

Are co-operative organisations fulfilling all their tasks in a satisfactory manner? Are they holding their position in the competition with the capitalist world? And, if not, is it because they have not enough capital for the development of their activities?

The position is different in various branches of the

movement and in various countries. During the last two decades the general conditions of national and international economy have become more complex, though not less favourable for the development of co-operative enterprise. The consumers' movement has to face the greatest difficulties. It is confronted nowadays with the competition not of a single, isolated trader but of five powerful rivals, which often occupy a monopolistic position in industry and trade. These rivals are: the chain store organisations, the department stores, the bazaars, the restaurant stores and the distributive organisation of producing concerns.

All these new forms of trading enterprise have built up a widely ramified distributive machine supported by the most intensive use of advertising, and in some cases by highly developed premium system and hire-purchasing system.

Co-operative distribution requires also an adjustment to the change in cultural conditions, to the decrease of the place taken by food and the increase of other necessities in the budget of an employed wage-earning family. The co-operative store which remains mainly a food store must adopt a more universal character to maintain its position.

In a few countries like Great Britain, Switzerland, Scandinavia, the consumers' co-operative organisations have accumulated sufficient funds to enable them to establish new forms of enterprise; if the co-operatives do not introduce them, it is not because of lack of funds. But in Central Europe, in the Balkans, etc., many consumers' organisations are in need of funds for the development of their activities.

When passing to the co-operative activities of the rural producers we find an extremely complicated situation. The small rural producer also faces the competition of highly capitalised and mechanised agricultural enterprise. Co-operative marketing and supplying organisations are doing their best, but they are unable to expand the production of the small farm, which remains a dwarf

in comparison with the big grain, coffee, tea "factories" with their fleet of tractors, "combines," etc. The question of reorganising agricultural production on collective and mechanised lines, raised by the bold collectivisation policy in the U.S.S.R., stands before the co-operative world in all its importance and acuteness. The new method of mechanised agriculture can be successful in the countries with a numerous small-farmer population only if developed on co-operative lines.

Agricultural co-operation, as well as that of the consumers, has to face in its marketing activities the rivalry of the highly monopolised and centralised capitalist concerns which conduct the international trade in agricultural products. In order to be able to hold its own in the competition with them the agricultural co-operative movement must co-ordinate internationally the selling operations of the co-operative producers' organisations of different countries. It must also pay particular attention to the development of direct trading operations with the consumers' organisations. Agricultural co-operation, with the exception of some provincial banks in India, or British Malaya, etc., has not sufficient funds for the fulfilment of these new tasks; they are potential customers for the supply of funds by other branches of the movement.

The financing of co-operative activities is the main task of co-operative capital. But there is another great problem facing co-operative finance all over the world: it is the establishment of personal credit facilities, on co-operative lines, for the working population, who are at present deprived of any substantial help from banking sources and left at the mercy of money-lenders and usurers. As shown by the activities of co-operative credit institutions, small credit can be conducted on efficient and progressive lines when organised on a co-operative basis. The co-operative method possesses certain features which eliminate the difficulties encountered by commercial banking when applied to small credit.

The part which has to be played by the Central

co-operative banks, Wholesale Societies and other central bodies in these new circumstances becomes of immense importance for the organisation of the system of co-operative finance.

V. CO-OPERATIVE CREDIT INSTITUTIONS AND THE CRISIS

The comparison of the main items of the balance-sheets of twenty-seven co-operative banks throughout the world for the last three years shows the following results:—

TABLE No. 3
(In Dollars)

End of the Year	1929.	1930.	1931.
Capital	65,229,131	85,411,547	83,702,007
Deposits	534,972,897	613,329,523	566,216,208
Loans and Obligations ...	156,241,527	147,117,768	186,737,553
Cash at Banks	76,619,501	74,174,367	51,603,030
Loans and Bills	405,726,024	421,651,531	506,947,712
Investments	278,193,386	352,297,581	278,729,811

These figures need some explanation. The departure from the gold standard affected the rate of exchange of many countries, and it resulted in reducing their actual figures when converted in dollars by over 25 per cent. For example, the figures of the Banking Department of the C.W.S. in England, when measured in dollars, show great reduction in reserves and deposits. Actually, even in terms of sterling, the reserves have fallen by £800,000; but deposits have increased over 10 per cent.

	January 10, 1932.	January 10, 1931.
	£	£
Deposits	37,204,476	34,452,421
Current Accounts	20,252,328	17,630,502
Total ...	57,456,804	52,082,923

When analysing the 'above figures we see that during 1929-1931 the accumulation of capital has increased from 65 million dollars to 83 million dollars, deposits from 534 million dollars to 566 million dollars, and loans from other banks or obligations issued from 156 to 186 million dollars. As all these figures are given in dollars, the real increase is much higher, because the actual figures for England, Denmark, Hungary, India, Norway, Palestine, etc., are diminished by about 25 per cent. On the other hand, cash resources have diminished from 76 million dollars to 51 million dollars. Loans to members increased from 405 million dollars to 506 million dollars, and investments decreased from 352 million dollars (in 1930) to 278 million dollars (1931).

From the above figures the following conclusions can be drawn:—

(a) The accumulation of funds continues, but at a slower pace.

(b) The use of outside funds (loans) increased considerably, and the dependence of the co-operative organisations upon State and capitalist banks has increased accordingly.

(c) The cash position is weakened, but in this respect the dollar figures exaggerate the effects of the real decrease.

(d) The co-operative organisations have considerably increased the use of the facilities accorded to them by the co-operative banks. The credits of the banks have been a great help to co-operative institutions in the difficulties of the crisis.

(e) Investments in non-co-operative securities has decreased because all available funds have been used for financing co-operative activities.

The Banking Committee of the I.C.A. has collected comparative information about the influence of the crisis on co-operative and capitalist banks. These figures show that in comparison with the end of 1930 the deposits of the banks at the end of 1931 were as follows:—

TABLE No. 4

COMPARATIVE TABLE OF THE DEPOSITS OF CO-OPERATIVE AND PRIVATE BANKS

(In Million Dollars)

	Private Banks.			Co-operative Banks.		
	1930.	1931.	per cent.	1930.	1931.	per cent.
Germany	2,672	1,903	-28·8	114	77	-37·6
Denmark	583	358	-38·6	—	11	—
Finland	193	124	-36·0	—	1	Stable
France (4 large banks)	1,437	1,500	+ 4·3	11	12	+ 9·0
Hungary	371	316	-14·8	—	2	—
Norway	274	168	-38·7	13	8	-38·4
United Kingdom ...	8,136	5,781	-29·0	264	202	-24·0
Switzerland	—	1,449	—	25	41	+64·0
Czechoslovakia ...	900	838	- 6·9	4	4	Stable
Total (excluding Switzerland) ...	14,566	10,988		406	317	
Reduction ...	24·65 per cent.			21·18 per cent.		

The table is not very illuminating as the comparison is made in dollars; the actual figures for Denmark, Finland, Norway and United Kingdom are reduced by converting them, by over 25 per cent. On the other hand, co-operative banks are compared with large private banks: in order to give a more just comparison the information should have included a survey of the small and moderately large private banks instead of the large banks. The smaller capitalist banks have been by far the most affected by the crisis. In their case there would certainly be a greater difference in co-operative favour as regards the percentage decrease.

Finally, it should be noted that the comparative table covers only about half of the resources of the twenty-seven banks previously mentioned: in the total of deposits of all these twenty-seven banks the decrease does not exceed 7·67 per cent.

However, the table shows that owing to the effect of the

crisis there was a considerable falling off in the deposits both of the co-operative and private banks in Germany. In Finland and Czechoslovakia, co-operative banks have maintained their deposits, and ordinary banks show a considerable decrease of them. In Norway, the decrease is the same for both groups of banks. In England, the deposits in ordinary banks decreased by 29 per cent., and in co-operative banks by 24 per cent.; but this decrease is really only a result of converting the real figures in dollars, and actually the deposits in co-operative banks have increased (see page 140). In France, co-operative banks have increased their deposits by 9 per cent., and ordinary banks only by 4·3 per cent.; and in Switzerland, the increase of co-operative deposits is very substantial.

The conclusions to be drawn are that the crisis has affected co-operative banks less than the ordinary ones. Co-operative credit institutions impinge, however, too closely on the capitalist economic system to escape being strongly influenced by it; but they inspire more confidence in their members, and are more stable than the ordinary banks.

The general position of the co-operative banks in the period of the crisis was rightly summarised by the Banking Committee of the International Co-operative Alliance as follows: "The co-operative banks as a whole felt the effects of the crisis. Nevertheless, they continued to support the co-operative movement even more strongly at this critical period. They were able to give this added support by a reorganisation of their assets. Finally, this reorganisation was possible owing to the floating resources which some of them possessed in the shape of funds invested outside the movement, which the banks did not hesitate to reduce to the advantage of the movement."

VI. THE PLACE OF CO-OPERATIVE FINANCE IN THE SYSTEM OF CAPITALIST FINANCE

Co-operation must not be considered as a series of enterprises separated from the general economic life of

which they are a part. It forms a part of the existing capitalist system and works under a competitive régime.

In such circumstances it is impossible for the co-operative movement to build up such a separate financial economy of its own as to be completely independent in the technical sense of the financial machinery of capitalist society, or to be completely cut off from contact with capitalist finance.

It is therefore wrong to think that a completely independent credit system can exist in the capitalist world, as some members of the Douglas group seem to imagine.¹ Co-operative finance has to conduct its everyday activities under the same legal conditions and with the same credit instruments as capitalist finance: it must deal in cheques, bills, securities, currencies, etc. Therefore such projects, as the establishment of a special co-operative currency, are under the present circumstances out of all touch with reality and need not be seriously discussed. But although a part of the general financial machinery of the capitalist system, co-operative financial institutions, and especially co-operative banks, occupy a special position which should not be underestimated.

In trying to ascertain their place in the capitalist system we must admit that co-operative trading and financial institutions place the greater part of their cash reserves with ordinary capitalist banks or with central banks. Those "accounts with other banks" represent a considerable portion of the liquid resources of co-operative financial institutions: for example, they amounted in the English Co-operative Wholesale Society to £1,694,000 (July 9, 1932), in the German C.W.S. to 64,626,249 marks (December 31, 1931), in the French Co-operative Bank to 24,799,230 francs (January 1, 1931), in the Czechoslovakian Co-operative Bank to 18,753,281 korons (January 1, 1931), in the Austrian Labour Bank to 11,356,065 schillings (January 1, 1931) and in the Swiss Co-operative Bank to 19,997,275 francs (January 1, 1931).

¹ See *New Age*, July 16, 1931, p. 125.

Co-operative organisations also invest a good portion of their reserves and liquid funds in gilt-edged and municipal securities, or in securities of capitalist concerns, and lend them as "loans at call" to the money market.

By placing considerable funds in capitalist banks and securities, co-operative banks make themselves directly dependent upon the general money market. When those securities depreciate, the financial position of such co-operative banks is at once affected. Thus, the Banking Department of the Co-operative Wholesale Society in England had recently (January 10, 1932) to utilise £800,000 (or about three-quarters of its special reserves) to cover the depreciation in its holdings of State, municipal or capitalist securities.

On the other hand, co-operative financial institutions are not only placing funds with capitalist concerns, but they also borrow heavily from Central and ordinary banks for their trading or credit activities.

In accordance with the information published by Professor K. Ihrig, 27 per cent. was borrowed in Germany by co-operative organisations from Central Banks; in Finland, 84 per cent.; in Hungary, 40 per cent.; and in Poland, 21 per cent. of their total resources. In England, the agricultural co-operative societies received from banks in loans and overdrafts 36 per cent., and in Ireland, 34 per cent. of total resources.

It is characteristic of the subordinate position of co-operative finance that in some countries capitalist banks, especially in rural districts, appreciate the importance of co-operative credit institutions in the accumulation and distribution of funds; they often consider co-operative credit societies as helpers and not competitors. This led to a curious and at first sight an incredible situation when a capitalist bank (the Dresdner Bank) in Germany started to serve as a central institution for co-operative credit societies.

In fact, co-operative financial institutions became to a great extent an annexe, or supplement, to the financial machinery of the capitalist world. This fact practically

decides the relations of the co-operative banks and the Central Banks in each country: the co-operative banks are unable to pursue an independent policy and have to follow that of the Central Banks. When the Central Banks' policy is deflationary, they must hold their assets in a highly liquid position: but in doing so they follow the policy of the ordinary banks, and are unable to take an independent line of action at a time when it is most needed.

VII. COMPARATIVE CHARACTERISTICS

Comparing the characteristics of co-operative and capitalist finances, the following differences can be noticed:—

(a) Capitalist finance is organised in a system, with strict division of functions among the different types of organisations; there is no system of co-operative finance yet organised, but various co-operative institutions are operating simultaneously for the same ends.

(b) The capitalist financial system accumulated deposits mainly through credit institutions; the accumulation of individual and collective deposits by co-operation is done mainly through trading enterprises. Co-operative credit institutions, with the exception of pure agricultural countries, still play at present a secondary part in the accumulation of funds. The figures published by the International Co-operative Alliance¹ clearly demonstrate the position: Co-operative trading and producers' organisations have accumulated through the world £993,054,324, out of which £309,988,312 in share capital and reserves, and £515,241,533 in loan capital and saving deposits. Corresponding figures for co-operative banks and credit institutions are £458,088,899, out of which £72,308,408 in capital and reserves, and £383,833,442 in loan capital and savings deposits.

(c) Dividend in capitalist concerns is distributed and spent usually outside the sphere of activities of the dividend-paying concern; in co-operative organisations,

¹ *Statistics of Affiliated National Organisations for 1928-29-30*, pp. 84-88.

especially the urban ones, dividend is usually deposited with the organisations, or spent mainly through them. Out of resources of co-operative trading and producers' organisations net surpluses left with them amounted to £72,182,970, representing 7·3 per cent. of total funds; in co-operative banks and credit institutions they were only £1,945,049, or 0·43 per cent. of total funds.¹ It is estimated that a large proportion of the dividend and interest allocated, between one-third and one-half of the total, is added to members' share accounts.²

The differences between capitalist and co-operative credit institutions are even more marked.

(1) Capitalist banks "create" a great proportion of their deposits; co-operative banks, like ordinary savings banks, serve mainly as intermediaries between savers and borrowers.

(2) The sphere of operation of capitalist banks differs for various types of institutions and countries. However, all of them regard as the main object of their activities—profit-making. On the other hand, the financial activities of co-operation in general and co-operative credit institutions in particular are subsidiary to their main task, the organisation of production and distribution.

(3) Seeking high profits, capitalist banks in many countries take a very active part in stock exchange operations, and in speculation with goods and securities; and, as was shown plainly in the recent international financial crisis, capitalist banks have in many cases exceeded the limits of prudent business by excessive relatively long and middle-term financing with funds placed with them for shorter periods. Thus, they increase the instability of capitalist society.

Co-operative banks have no interest for such credit abuses. They have also no motive for being involved in speculation, and are mostly forbidden by their statutes to take part in stock exchange activities. Only when they

¹ *Statistics of Affiliated National Organisations for 1928-30*, p. 107.

² Compare H. J. Twigg, *The Economic Advance of British Co-operation*, 1913-1931.

place their cash reserves and liquid assets in gilt-edged securities do they become involved in stock exchange operations.

(4) Capitalist banks try, as a part of a competitive and chaotic economic system, to counterbalance its instability by increased security and liquidity in their credit operations. They refuse, or are unable, to finance a wide range of operations (loans for rural producers, loans to the working population, etc.) where security and liquidity are not obtainable by methods of ordinary banking. Co-operative credit institutions, which are free from the dangers of speculation to a much greater extent than capitalist banks, are able, by employing co-operative methods of organising credit units and granting credit, to widen considerably the field of investment and to finance successfully such operations and groups of the population which are ignored or ill-served by capitalist banks. But co-operative banks ought to take special precautions against being misused or misled through (1) placing too great a part of their assets in gilt-edged and other capitalist securities, (2) serving as underwriting organisations for State loans, for example, war loans, etc., and (3) by giving advances to their shareholders or members against stock exchange securities.

VIII. CAN CO-OPERATIVE CREDIT ORGANISATIONS REPLACE THE SYSTEM OF ORDINARY BANKS IN THE TRANSITION PERIOD?

In order to be able to answer this question, organisation and principles of policy must be discussed separately.

Organisation.

The strongest point of co-operative credit organisation is its hierarchical system. The local units are the most important parts of the system: they are formed by individual members, who are the best judges of the conditions of small localities or of separate districts. They inspire confidence in the local depositor and shareholder, and

are able to grant credits in such a manner that very small losses result. It is evident that such local credit co-operative associations or unions can with great success replace the numerous small banks of the U.S.A., or the thousands of branches of the "Big Five" in England. When remembering that over 30,000 banks in recent years operated in the U.S.A. (their number is now reduced to 19,000), and nearly 12,000 branches of the "Big Five" in England, one can see in what a wasteful manner from the social point of view the capitalist banking system is organised.

Local co-operative credit associations and unions organised into district unions and functioning as local agents or representatives of the central co-operative banks and assisted by clearing unions, can to a very considerable extent serve as a substitute for capitalist banks. The Clearing Union of the German co-operative organisations, which has its units in 3,200 localities, shows what an extensive network can be built up on co-operative foundations. It is interesting to note that the State Bank in the U.S.S.R. had to increase in 1931 the number of its branches and agencies from 648 (on October 1, 1930) to 2,570 (on October 1, 1931), after the network co-operated credit societies was reduced from 9,994 units (October 1, 1930) to 2,169 units (October 1, 1931) in consequence of the Credit Reform Act.

Another important problem is the capacity of co-operative banks to finance industrial enterprises. There are not many banks which conduct these activities on a large scale. However, the experience of the Banking Department of the C.W.S. and of the consumers' banks in general, and also of the Banque Belge du Travail (Belgium), of the Vsekobank and Ukrainbank (U.S.S.R.), of the Labour Bank (Austria), of the Bank of Workers, Employees and Civil Servants (Germany), give sufficient evidence that co-operative and labour banks are able to conduct these operations on a very considerable scale.

The experience of U.S.S.R. has shown that in the

transition period industrial undertakings will have to be grouped in enterprises of local and national importance, and the financing of their activities will have to be organised accordingly by central and local credit institutions.

We left untouched the problem of central banking. Can the Central Co-operative Bank take over also the functions of the Central Bank with the responsibility for the currency and other functions? In principle, it certainly can.

It is evident, however, that in the transition period public institutions (State, municipal, public utilities) will play a very important, if not a dominant, part. The transition period will be the period of shifting over private enterprises to public and co-operative organisations. As far as the public enterprise will continue their operations they will be in all probability financed by the National Bank, directly or through some subsidiary banks. The real problem will be to find a mode of collaboration and division of functions between the National Bank and the system of co-operative credit.

It is very likely that the Central Bank will organise special subsidiary banks for industry, foreign trade, etc., as it was done in U.S.S.R. The experience of the latter is, however, not at all encouraging.

In U.S.S.R. the co-existence of two parallel credit systems—a State and a co-operative one—has lasted only seven years, and led to the abolishment of co-operative credit organisation. The State Bank has swallowed all other short-term credit institutions and serves now as a monopolistic bank.

We cannot give in this paper a final answer as to the problem of the future relations of co-operative and central banking, and this must be a subject of a special study.

Principles and Policy.

The question of future policy was put forward at the last session of the International Co-operative Banking Committee in the following manner: "Can the co-operative movement pronounce an opinion? Do the co-operative

principles in opposition to the liberal theory of economics, which has been a failure, contain the lines of a new system, the basis of a new financial and monetary equilibrium? It would be worth while if the committee considers it possible to define these principles and lines of action and to make them known." Unfortunately the committee has not yet formulated such a definition, and I have to do it for myself.

I consider that the special characteristics of co-operative finance as formulated in Section II make it possible to employ it as a basis for the building up of the financial system of a reorganised society. The reasons for this assumption are as follows: (1) Co-operation, which deals always with definite groups of people, united together in a co-operative organisation, can serve as a basis for planned economy.

(2) Co-operative organisation is open for all suitable newcomers. It is, therefore, capable of unlimited expansion and can serve the whole population.

(3) Co-operation is at present the only known system where the interests of members and not profit-making are the supreme aim. This frees it from chaotic market considerations and leaves no place for speculation; it opens also the way for the understanding between co-operatively organised producers and consumers in town and country.

(4) Co-operation is the only method of voluntary organisation which creates business enterprises built not upon capital holdings and in the acquisitive interests of capitalists, but upon services rendered to members. Therefore it can serve as a basis for a non-profit-making society, which will aim at satisfying the needs of its members.

(5) Co-operation is the only system where each member gets his reward in accordance with the use he makes of the facilities offered by the co-operative organisations.

(6) Co-operation, in the process of the development of its activities, creates indivisible collective funds, which

can serve as a basis for future developments and replace individual savings by collective saving.

(7) Co-operation is a democratic form of organisation resting on collective management, and can therefore serve as a basis for a system of society whose economic and political activities are covered by one and the same organisational hierarchy.

(8) Co-operation, as a democratic method of organisation, has the great advantage, that it represents one of the simplest forms of economic self-government, and can replace simultaneously private and State enterprises.

(9) Co-operation represents a system of vertical organisation where all grades of the system are links in one chain. The local unit of co-operation is the cheapest and most efficient of any system of finance and credit.

IX. NEXT STEPS

But if co-operative principles can serve as the foundation of a new economic system, co-operative organisation is yet too limited to be able to form the bridge to this new system, and possibly too weak even to sustain the shocks of a transition period to some other system. It must therefore rally its forces and rebuild considerably its organisations. It must pay much more attention to concentration and integration of its activities, especially in the field of finance. The process of concentration, which is the main feature of modern economy, has made very little progress in co-operative financial organisation. The movement is becoming aware of the importance of centralisation of co-operative credit organisation, and the last International Congress took important decisions in this direction.

National and international integration of the co-operative financial structure is essential if the existing position is to be rectified, so that the surplus of one co-operative body can be passed over to another in need, and each co-operative body can then collect the maximum funds from its own members, realising that if it does not use

it all itself it can pass the rest to other co-operative institutions.

In order to pave the way for the organisation of a co-operative financial system on these lines it is necessary to establish:—

(a) Close financial collaboration between all groups of co-operative organisations in each country through the formation of national financial co-operative councils;

(b) A network of co-operative credit and savings associations in each country united in federations and grouped around co-operative banks, in accordance with the resolution of the Vienna Congress;

(c) A Central Co-operative Bank for each country, or a National Federation of Central Co-operative Banks in the countries where many central co-operative banks are functioning;

(d) A Central Co-operative Insurance Society for each country, or a National Federation of Insurance Societies;

(e) An International Co-operative Bank; and

(f) An International Co-operative Insurance Society to serve as centres for the international credit and insurance activities of the movement;

(g) The co-operative financial system must make further efforts to attract into the sphere of its financial activities the mutual organisations of all types: the building associations, friendly societies and different types of mutual insurance, and other similar organisations.

CONCLUSION

The co-operative movement is in a position to strengthen its influence in capitalist society, to develop a big offensive against the profit-making system, and to become a stepping-stone to a new social order. Whether it will make this attempt depends to a great extent on how far it can organise its financial resources and use them boldly for its proper aims. The financial economy of the movement, the building up of a system of co-opera-

tive finance, will be the main condition for the victory of co-operative ideals.

In any case it is important for the co-operative movement to organise its forces in a system which in all parts support and supplement each other under existing conditions, because otherwise co-operation will not survive the transitional period from competitive capitalism to any other system. The transitional period may be a result of legislative activities or of revolution: but in either case a part of the existing economic institutions will have to be used for achieving new ends. The example of U.S.S.R. has shown how difficult it is to scrap the whole existing system of economic organisation and undertake simultaneously the double task of building a new organisation and making it serve the process of building. If the co-operative movement meets the transitional period unorganised as a system, it will be reduced to a subsidiary distributive organisation, and its great experience and organisational tradition will be wasted for the building up of the new social order.

CO-OPERATIVE METHODS IN TROPICAL COUNTRIES

By C. F. STRICKLAND, I.C.S.

ECONOMISTS will recognise that the form of the co-operative organisation in white countries and the methods there employed for its guidance and expansion are determined by the social and economic condition of the respective white peoples. A highly industrialised nation such as England develops principally the consumers' branch; where industry and agriculture are of equal importance, as in Germany, the urban and rural movements flourish side by side, while among a peasant population such as that of the Balkan States, rural societies overshadow those of the towns and almost entirely occupy the co-operative field. State action and individual enthusiasm doubtless make their contributions. Fascism in Italy, cheap finance from the State Bank in France, the pressure of private traders on the British Parliament, are responsible for certain tendencies and certain inhibitions; and similarly the appearance of a Grundtvig, a Lubin or a Frederick Nicholson may direct or deflect the course of national and international co-operation. But for the most part the scope and structure of the movement depend on the social and economic requirements of each nation concerned.

The same principle may be applied in forecasting the forms of co-operative activity and in devising the mechanism of propaganda, education and supervision suitable to tropical countries, under which general term I include for my present purpose the semi-tropical or even temperate regions inhabited by backward or coloured races. Literacy in the majority of these lands is enjoyed by a comparatively small percentage of adults, and while many may possess a precious heritage of national culture, Western knowledge is the privilege of few. The fabric of society, too, is simple and primitive. The masses are rural, not urban; communications are indifferent, and

until recently the village produced all or most of the goods, agricultural or industrial, necessary for its subsistence. In the remoter parts of Africa and Asia to this day society is comparatively uniform; the headman and the village accountant, the cultivator and the craftsman, the menial and the priest, are all men differing in status and function, yet sufficiently akin in mind and body to render originality of outlook not only improbable but also offensive. In thought and in action the peasant conforms to a type, and his daily life is ruled by a network of customs and traditional beliefs. Such a man, resembling in many respects the European peasant of the Middle Ages, is ignorant of the outer world, suspicious of all Governments, intolerant of opinions contrary to his own, and beset by superstition. It is true that under the impact of social and economic forces from the West the old village, in the more exposed districts, is undergoing a change. Subsistence agriculture is being replaced by commercial crops, a money-currency has largely destroyed the old barter system under which the village clerk, keeping each man's accounts, acted as a Clearing House and a minority, touched by modern education or other urbanised influences, has become superficially agnostic, though the old fires often burn with amazing vigour beneath the surface. Yet this minority gradually drifts away from the village to the town, and is thus not available for the duty of rural leadership; commercial crops do not relieve the peasant, remote from bazars and markets, of the task of growing his own food, and the use of money, imperfectly understood, entangles him in a miserable indebtedness without altering his mental attitude. The villager remains backward and leaderless, he continues to reject new doctrines and practices which he does not know how to adjust to his accepted scheme of life, and his fatalistic submission to adversity proceeding from Heaven does not prevent him from feeling a vague resentment against his earthly governors.¹

¹ I propose to use freely in this paper a term which, in English, is liable to excite comment. The word "native" is regarded with dislike in India, possibly

It is, I claim, the function of co-operation to remedy these evils, to free the peasants, the craftsmen and the rural labourers of Asia and Africa from their embarrassments, and to open their minds to a comprehension of the better life which may be theirs. But in order to do this, co-operation must cover the whole ground. Native society in the villages is not integrated for the purpose of living in an economic world. The ancient framework is consequently falling apart, and if in India or elsewhere the village Council or Panchayat is revived by legislation, it is a new organ, not that which served the old and simple community. Similarly, if the efforts to conserve in East or West Africa the "native authorities" are successful, their machinery and their inner reality will gradually and inevitably be transformed, and another building set up on the original foundation. Apart from such communal or tribal organs of self-government, there is in the village no such integration as in Europe and America: neither People's High Schools nor a Boerenbond, neither Women's Institutes nor Savings Banks. Even the priest or medicine-man, in native society, is ordinarily content with his professional duties, and takes no constructive steps to enhance the general well-being. There are, no doubt, official departments which, under white or progressive native Governments, urge the people to improve their agriculture or their crafts, to send their children to school and to perform strange hygienic rites. These teachings, however, make only a fleeting impression, the teacher passes on to visit the remainder of his vast territorial charge, and though intelligent persons slowly learn to use purer seed and better craft implements, the masses are untouched; bodies remain sick and minds ignorant. Compulsion by the State is rarely practicable. White officers are expensive, native officers not always impeccable, and though also in other parts of Asia and Africa; but writing for an international public, I can find no other expression to denote the races and countries in which Western ideas and civilisation do not prevail. The word is not intended to convey any derogatory meaning whatever. The non-European may be superior to Europeans in any or all respects.

compulsory dipping of cattle or compulsory education of boys (without girls!) may be secured in limited areas by costly staffing, such a compulsory régime cannot be extended to enforce the wishes of every department throughout the whole territory; the administrative edifice would collapse under the weight.

If, then, private associations do not exist and official compulsion is restricted to a narrow range, some other agency for social betterment must be found. It is impossible—and this is the central point of my argument—it is impossible to alter materially the economic and vocational ways of the native without reforming the whole man. A man, white or coloured, is an individual, a human unit; he does not divorce in practice, and a coloured man does not even pretend to divorce, his religion and his ethics from his social and economic occupations, still less from his personal habits and domestic affairs. It is useless to offer an improved plough to one who either drinks to excess or is racked by fever, or to recommend joint marketing of crops to a peasant so narrow-minded that he can see in the suggestion nothing but a crafty trap. If for the instant—perhaps in order to terminate a wearisome conversation—he professes to accept the advice, he will not be sincere, and will evade the obligation at the earliest possible moment. The man and his whole standard of values must be “converted,” before an economic advance can usefully and permanently be made. In an unintegrated native society, lacking a texture of cultural and recreational associations, and infinitely elastic under pressure from the State, the only agency which can achieve such a conversion is co-operation. Its scope must, therefore, be widened far beyond that which is customary in Europe, to cover co-operative societies of many moral and social types in addition to the directly economic. These types also are indirectly economic, since without their support an economic gain cannot be secured or cannot be retained.

Let me illustrate my argument by examples. The obvious case is co-operative credit. The peasant of Asia

and (less frequently) of Africa groans under a burden of debt which though in itself not heavy by European standards, is oppressive because so much of it has been incurred for unproductive purposes. Flood and famine may be the occasions for borrowing, but the real causes are an unduly easy access to credit, a love of litigation and display, an indifference to trouble in the future, and the tyranny of social custom which binds him to ceremonial expenditure. All these consume the savings of good years and themselves add to the money-lender's account. When the peasant borrows for purchase of seed or cattle, the committee of his credit society must remember that not only will the usurer carry away part of his produce from the threshing-floor, but malaria also may lay him low at harvest-time, disease may destroy the oxen which he has neglected to inoculate or insure, and the actual money lent may be misspent on a wedding feast or criminal proceedings after a faction fight. Gambling among the Chinese, an expensive wife for an Egyptian or an Arab, a lawsuit for an Indian, these are the enemies of co-operative credit, and so long as they hold the peasant indebted, he will not plough or reap with energy; all his surplus passes into money-lenders' hands, but does not meet one-half of the swollen interest. An enhanced outturn from his fields may raise the payment to three-quarters of the interest or the whole; but what is that to him? He sees no freedom before him and will not toil to pay his creditor more.

Experience among native co-operators has taught me two plain lessons: that the indebted man will make little attempt to improve his agriculture, and that if he does try to do so, he will be defeated by ill-health, by ignorance or the social pressure of his neighbours. The remedies are (1) the introduction of moral (usually sumptuary) by-laws in co-operative credit societies, and (2) the formation of special societies, duly registered under the co-operative law and supervised by the co-operative staff, for encouragement of thrift and repression of extravagance, increase of education among juveniles and adults,

restraint of litigation, the teaching and practice of hygienic rules, and reformation of all evil customs in the life of the community. I am not speaking of Europe but of Africa and Asia, where no organisations exist for these purposes, and where a hundred reasons delay their creation. In their absence co-operation must do the work, and if co-operators neglect it, their economic objects will not be attained. Societies with which I was familiar in India not only excluded or expelled from membership, as is elsewhere also the practice, those who were extravagant or profligate, but also laid down in their by-laws that (for instance) dancing-girls or musicians should not be engaged at a wedding, lavish feasts should be forbidden, alcoholic drink and gambling should be abandoned and all disputes between members on any subject whatever should be laid before the committee. A breach of these rules led the committee to fine the offender, and a simple semi-legal procedure was provided by Government for the recovery of fines thus imposed. The severity with which the rules were applied might vary from village to village. I recollect a penalty of Rs. 25 (£2) laid on an educated villager for issuing invitations to a wedding on gilt-edged paper, and another of Rs. 100 (£7 10s.) on a headman for daring to summon dancing-girls. But the special society is in reality a better instrument of reform. Not all residents of the village join a credit society, and so long as neighbours squander money on jewellery and fireworks, it is hard for the co-operators alone to abstain. A Co-operative Better Living Society therefore embraces all persons, men and women, debtors and creditors, who are willing to join; the members meet in assembly to consider the quality of their common life and the means of raising it to a higher level; a resolution is passed, and he who thereafter acts in a contrary sense will be fined by the committee. By far the most popular step is the repression of extravagance. In many societies is drawn up a maximum list of ornaments which a wife or a daughter may claim, and punishment falls on him who is over-generous. Husbands rejoice, wives are con-

tent, since all alike are rationed; in one case, however, the wives in conference responded by calling upon their men to forgo entirely the use of alcohol; failing which—! Other resolutions referred, in one village or another, to the appointment of a street scavenger, the prohibition of ploughing with cows, the consumption of quinine in the fever season and the control of smoking. The number of guests at marriage feasts was often limited, fireworks, bands and dancing-girls were, of course, banned, and a society of outcastes, anxious to raise its social status, pledged every member to wash his clothes once a week and his teeth once a day. Management may be lax, exaction of fines irregular, but the power to enforce the assembly's decision by a fine is not without value, and this power is dependent on registration under the co-operative law.

Time does not permit me to dwell on every kind of moral and social society which will underpin the economic structure of co-operation. The Asiatic, sometimes the African, villager is litigious, because village life is dull. He is bored, but he realises his folly, and when a group of Indian co-operators, liberated to some extent from the usurer's yoke, were asked to name their next enemy, with one accord they cried: "The lawyer!" Societies of compulsory arbitration are those in which every member, voluntarily seeking admission, binds himself to lay every quarrel before the committee or before arbitrators chosen by them, and to submit to their finding. In no case may he resort to law without the permission of the committee, which is granted only in complicated disputes, and an unauthorised suit is punished with an adequate fine. (The fine must not be altogether deterrent, since public policy will not allow a citizen to be totally debarred from access to the Courts.) The committees or the arbitrators settle quarrels about women, money, cattle, land, etc. One partition of landed property worth Rs. 80,000 (£6,000) was peacefully effected in one month; partition by legal procedure would have lasted for years. A member is of course always free to withdraw

from the society at any moment, provided that no complaint by or against him is pending with the arbitrators, and it must always be remembered that he voluntarily entered it with knowledge of the conditions.

There are also co-operative adult schools, the societies (of parents) for the compulsory education of children, for anti-malarial measures (clearance of river-channels, distribution of quinine), for better farming (again by a joint pledge, with a penalty for default) and for the mutual improvement of women. The most fundamental of all, perhaps, are the thrift associations, registered under the co-operative law because in an undifferentiated community it is the co-operative organiser who forms and stimulates them, and only he, touring always in the villages, is known to the people and has continual occasion to visit them. Thrift is the basic virtue of which native races, confronted with the new economic life, have the greatest need. In native society thrift may be an unpopular, even an anti-social, quality. The African native, returning home from a plantation or the mines, will often share out at once his pocketful of savings among his own and his wife's relatives and the chief and elders of the tribe. Property belongs to the group. I am not prepared at the moment to praise or condemn this social theory, but its wasteful consequence proves the urgency of a thrift organisation which will arrange to safeguard the savings, whether on behalf of the individual or of the village or tribe. In Asia the most subtle enemy of thrift is the gambling spirit; the Hui in China and Malaya, the Hotokusha in Japan, the Chit Fund in India, are evidence that anti-thrift can organise itself for evil, and only a patient training will overcome the pernicious tendency. One may hope that if by slow daily or monthly savings a man of low economic standard, who has hitherto felt no impulse towards cleaner or wiser living, has accumulated a sum which appears to him considerable, he will spend it less recklessly, and may devote it to the buying of ploughs, erect a healthy house, or even begin to question the necessity of a futile marriage feast. The low

standard of life is a grave impediment to progress among coloured people, even in the United States and the West Indies, but a sudden or unearned rise in the standard is an added danger. Witness the Arabs of Palestine, who imitate Jewish expenditure without Jewish foresight, and Arabs of Zanzibar who acquired as slave-owners a taste for luxuries with which it is now unpleasant to dispense. The cure for such diseases is not credit—that will only plunge them deeper into trouble—but an organised and sustained education in thrift, which will slowly build up in them a new fibre of character and teach them to handle credit with discretion. The co-operator among native races does not blindly offer credit to the credit-sick, or urge anaemic-minded farmers to make alarming experiments. He attacks the disease at its root, and purges the constitution with repeated doses of thrift.

India, Ceylon, Malaya and Northern China have grasped, not always perfectly, the essential idea. Whether in the form of regular share-contributions or of monthly thrift-instalments, the peasant has been taught to look ahead, and to save before he spends. The success in India is notable; apart from shares and deposits in credit societies, 1,000 special thrift associations in the Punjab alone receive monthly savings from their members, and make advances, if at all, only within the limit of each man's accumulated balance. British Malaya too has regular co-operative savings associations (principally urban) but allows credits in excess of the amount saved. Siam, I regret to day, has turned aside, and leaves her rural co-operators to borrow (prudently enough) without the tonic of a steady thrift. The co-operative movement of the Transkei natives (South Africa) is hurrying with inadequate guidance along the path of credit and agricultural purchase and sale, without first stiffening the backs of the Bantus by those moral and social institutions (especially of thrift) on which the success of native credit depends. In East, West and Equatorial Africa the British and French are embarking on co-operative agriculture and insurance without character-building. Co-

operative agriculture and insurance do not form character among native peoples; hence the tendency of Governments to make membership of such associations and compliance with their rules compulsory. The *Scolaires mutuelles* of French West Africa are perhaps an exception.¹

I shall not flinch when I am accused of straining the definition of co-operation beyond endurance. My answer is that rural reconstruction in native society is a single process, just as man is an individual whole; that economic are interwoven with social and ethical elements, whereby the latter also, when economic progress is the object in view, become themselves economic and a proper subject for co-operative action; that there is no other available agency; and that the co-operator must set his hand bravely to the task. I am delighted to observe that the Government of the Dutch Indies, finding that the "legalistic" co-operative law of 1915 was unsuited to native institutions, has passed in 1927 a more human law (if the phrase may be forgiven), under which the native groups formed for education, thrift and healthful recreation will be qualified for registration. I should welcome, if a co-operative law and supervising agency were there in existence, the registration as co-operatives of the Chinese societies for Mass Education in Tingsien, and I challenge criticism by saying that the Young Men's Associations of Japan, which exhort their members to rise early in the morning, are thereby entitled to co-operative protection.

We have examined the scope and content of the co-operative movement in tropical countries and among backward races, and have now to consider the methods by which it will be conducted. Who will provide the

¹ Nothing is said in this article of the French territories in Northern Africa. It appears to me inevitable that the influx of European settlers will here lead to an eventual adoption of European standards and ideas by the Arab population, and that such Europeanisation, whether advantageous to the Arabs or the reverse, requires me to exclude these territories from the native countries which I am principally considering. That is not to say that my views on the real scope and potentialities of co-operation do not cover North Africa. They cover not only North Africa but all European and Westernised countries, but I am anxious to confine myself at present to the native world.—C. F. S.

finance and the audit? Who will be responsible for propaganda, supervision and the continuing education of the members? If the State undertakes any of these duties, which of them will fall to its lot, and by what means will the duty be discharged? Those who are unfamiliar with the starting of co-operation among native peoples hasten often to the conclusion that where the standard of living is low, where money and credit transactions have hitherto been on a small scale, and where agreement among the rural people appears difficult to secure, the finance of co-operative credit and of purchase or sale must proceed from the Government. Experience shows this to be incorrect. The lower the standard of life, the less the capital required to finance the economy of the people. If credit and money are novelties and may be misused, their co-operative use must be controlled by rules and by inspection until the danger is removed. Agreement is not readily reached when the natives are dealing with a foreigner whom some may fear and others distrust, but has for centuries past been attained by a group of elders discussing matters of common and intimate interest to the village. When the money needed is small, when its use is under control, and the peasant borrowers, united in their purpose, are jointly liable for its repayment, there is no country in the world in which funds cannot be borrowed from a commercial bank, and I suggest that wherever the contrary appears to be the case, either the standard of living is unduly high (as among Arabs of Zanzibar), or the co-operative law and the inspecting staff are defective (as formerly in Ceylon), or the societies have been hastily founded without a full understanding of their objects by the people (as perhaps in Central China). Even in Arab villages of Palestine I found parties of cultivators borrowing from a commercial bank on a joint bond in precisely the manner of a co-operative society.

The State should finance native co-operators, if at all, only (1) with small sums at the very commencement of the movement, in order to give them confidence, and

(2) for experimental and long-term purposes, such as a Central Reinsurance Society, a Land Mortgage Bank, or a Housing Society, to which a commercial bank, holding its funds at call or short notice, cannot commit itself. India, Malaya, Northern China and the Transkei Territories find their own money in this way; Japan, the Philippine Islands and Egypt draw a portion of their resources from the State; Siam, Turkey and Central China depend almost solely on official or semi-official funds. The same was formerly the position of Ceylon, and the foundation of Central Co-operative Banks has been seriously impeded by the cheap State loans thus granted. Financial spoon-feeding by the State is unnecessary and weakens the morale of co-operators. Let them be thoroughly educated in the meaning of co-operation, pay up their share-contributions and fulfil their promises to their societies; they will not then lack support from local banks, even if their raiment be no more than a loincloth apiece and an assegai.

Official money is sometimes provided not directly but through a privileged Agricultural Bank. This method also, though slightly less objectionable than direct lending, is in my opinion unsound, and a Co-operative Bank, in which the affiliated societies take shares and eventually acquire a controlling interest, is much better. The native peasant, suspicious of all State institutions, feels no obligation to repay a remote bank in which he has no part; it may well, he thinks, be malevolent, and is in any case "fair game." If it lends to individuals, as did the old Agricultural Bank of Egypt before the War, advances to stubborn peasants are soon found to be ruinous, and even the new Banque Agricole d'Egypte, lending to societies, may soon be faced with a high percentage of default. Such a bank does not belong to the peasant; he feels no love for it, and doubts its love for him. It is noteworthy that the Banque Agricole of Turkey, operating with State funds, is empowered to recover its dues from the societies as debts to the State. The power will no doubt have to be exercised.

In tropical countries there are few professional auditors. European auditors are seldom able to examine the accounts of native co-operative societies, which are naturally kept in the vernacular; and since native accountants of the indigenous style do not employ the system of checks known as an internal audit, it becomes necessary to train in the methods of exact external audit an indigenous clerk who can read vernacular accounts. It may occasionally be possible to borrow the services of such men gratis from a benevolent Government, but only while the movement is young and such demands are rare. Co-operators are thus compelled to manufacture their own auditors, and since a co-operative audit among backward peasants cannot be confined to tests of accuracy and the checking of vouchers, but should be rather "an annual inquest into the affairs of the society," the auditor should be himself a co-operator or at least acquainted with the ideals, objects and methods of co-operation. The accountant of the local administration, temporarily lent for the purpose by Government, as in the case of the Transkei Territory, will not grasp the principles of co-operative management, and can apply no other tests than those of commercial business, while if the entire funds are entrusted, as in the Philippine Islands, to the charge of the Municipal Treasurers, the co-operators lose the benefits both of independence and of a training in accounts. Yet Government cannot disclaim all responsibility for audit in a native country. Its attitude, even where democratic institutions exist in reality or in form, is inevitably somewhat paternal, since business habits are not developed among the people. Audit, then, may either be conducted by official auditors specially taught and delegated for co-operative duty, or may be handed over to a central union, when such can be created, which will engage and train suitable men on a general plan approved by Government. If the law provides for the appointment of a capable official for the guidance of the whole co-operative movement, and if the authorities ensure that he understands and performs his duty, the latter is the

simpler method. Official auditors swell the State budget, and may be imprudently reduced in times of stringency; if an audit fee for their services, levied on the societies, is credited to the State Treasury, misunderstandings and disputes are sure to arise; but if the fee is received and the auditors are employed by an audit union, co-operators realise the necessity of the payment and are educated in self-government. The competence of the auditors is secured by requiring them to pass an examination and obtain a licence from the State, and authorising the co-operative officer to withdraw the licence for serious offences.

My inquiries as to the method of audit in several countries are still incomplete. In Egypt, Siam, British Malaya, Ceylon, the Gold Coast, the Transkei and certain provinces of British India the staff is official, and this is equally true of the Philippine Islands, where the funds remain in an official's hands. I have no information with regard to French Cochin-China. In the Dutch Indies and Japan each society arranges its own audit, subject to the super-audit of the Government; in parts of British India the duty is carried out by an audit union subject to official licence; in Northern China the International Famine Relief Commission is alone responsible, while I doubt whether the majority of societies in Central China are audited at all. The worst system of all prevails in Turkey and a few Indian areas, where the audit is in the hands of the financing institution; this method *appears* to safeguard the interests of the bank (though it may finally fail to do so), but can scarcely be effective in educating the native co-operators. A bank's auditor, being human, will study the safety of his employer's money rather than the wisdom and equity of its use by the borrowers.

It is probable that certain British colonies, such as Ceylon and Malaya, will in time create audit unions, and the Dutch Indies may do the same. An increase in the number and resources of the societies is necessary before the charge can be borne. This development of unofficial

responsibility is desirable, provided that the native co-operators have realised the importance of a frank and courageous review of each society's position, and do not intimidate or cease to employ an auditor whose comments are unwelcome to them.

The methods adopted for propaganda, supervision and co-operative education may be considered as a single subject. In a native territory, where the public mind relies largely on Government to distinguish between honest and fraudulent institutions, and where at all events the Government is regarded as responsible for the conduct of any institution which it treats with favour, the State cannot disclaim interest in the quality or the efficiency of the co-operative movement. I have pointed out that the movement will in such territories be predominantly rural, and that rural leaders are scarce. It is, moreover, unreasonable to expect those progressive men whom the villages may produce, or the busy townsmen who believe in rural reconstruction, to surrender their entire time without payment to co-operative duties. They may be available for initial propaganda (though a native peasantry will not always listen to a townsman, even when his manner of speech is intelligible to them), but cannot give the repeated visits and the prolonged education, after as well as before registration, which simple and often illiterate peasants require. The supervisors must understand co-operation, and in a rural field they must know something of rural economy and rural life; otherwise they will be mocked for their blunders. The co-operative staff will therefore be on a paid footing and will devote their whole time to their special functions. It will be for them to instruct each individual in the meaning of co-operation, and to renew the instruction, perhaps in identical words, when next they meet him. Illiterate villages will ask them to write the accounts which the committee members are carrying in their heads—among 17,000 societies under my charge in a single Indian province, 3,000 contained no literate member—and a discontented member will seek from them an explanation

of the rules which his committee have enforced against him. The supervisor assists in, or personally undertakes, the preparation of the annual balance-sheet, and verifies the petty cash shown by the cash-book to be in the possession of the treasurer. He answers knotty questions on co-operative theory (sometimes posed by the cunning peasant in order to test his knowledge), and points out infringements of the registered rules, of which a negligent or a dishonest officer of the society has been guilty. Defects indicated in the auditor's report must be removed, and useful recommendations brought into force. European co-operators may protest that this is all the business of the committee or the general meeting. Yes, certainly; but we are speaking of natives, who, even if literate, are unfamiliar with co-operative method, forgetful of rules, and slack in the observance of those which they remember.

I have spoken of dishonesty, and dishonesty undoubtedly occurs, the frauds being sometimes ingenious and long sustained. But more usually the root of the evil is laxity, and the offender, when challenged by a supervisor, takes refuge in falsehood, and thus converts negligence into a crime. Until a society has proved its capacity to stand alone, it must be visited and inspected, taught and re-taught. The supervisor, then, needs a thorough training, not in accountancy—the accounts are easy enough—but in co-operative principles and method. Integrity, sympathy, and an intimate knowledge of village life are other indispensable qualities.

From this statement of duties and qualifications it will be evident that in the early years of the movement, before a powerful and experienced union has grown up, the supervisor must be a servant of the Government. To encourage the formation of native societies, as has been done in the Transkei Territory, and leave them without other supervision than an occasional visit from an agricultural officer (however able) without co-operative training, is to invite trouble. Natives cannot possibly know how the novel instrument is to be used and will

cut their hands. The situation is little better—and I shall return to this point again—if an agricultural officer is detailed for this special duty. Without a comparative experience of co-operation throughout the world, he cannot solve the problems which arise, or speak with an authority satisfactory even to his own mind. The chief co-operative officer should be a co-operative specialist, and since a union ought not to be formed before the primary societies—it will be unduly urban, and will introduce a spirit of patronage into a movement which should be rural and democratic—the preparation and control of the supervisors must in the beginning be left to the co-operative officer as the representative of Government. As the societies build up first their local unions and later a central body, the business of propaganda, of supervision and of education (in the order stated) will be handed over to them. Whether the support of authority can ever be entirely withdrawn, is in my opinion doubtful; it is by no means entirely withdrawn in Europe, and though changes in Asia and Africa are rapidly taking place, it does not appear that within the present generation or a longer period the native fatalism which hinders constructive thought and effort, the laxity in observance of accepted rules, or the limitations of native outlook which result from the history of those continents, will be so far eliminated that Government can stand completely aside. The transfer of authority begins in the lowest ranks, the appointment, control and dismissal of the minor supervisors who tour from village to village being entrusted to the union. Thereafter an increasing number of the superior inspectors may be drawn from unofficial sources, though the head of the co-operative staff will be helpless if he has not always at his disposal a few assistants who will view a proposition with his own eyes rather than with those of a private body. All inspectors and supervisors, official or other, should pass through a definite course of training, should be full-time employees and adequately paid. The public will not for many years look upon the Government of a native people as quite

detached from co-operation, and will blame it for any serious breakdown. So vital is co-operation to the welfare of backward races that no far-seeing statesman will, in my opinion, find this attitude to be wrong.

I shall not waste time in discussing the method followed in Turkey and in parts of British India, of placing supervision and education—propaganda is less important—in the hands of the financing bank. It is fundamentally unsound. A bank employee cannot in a native territory—I am not speaking of white races—find outlets for the money of the bank, as he is bound to do, and at the same time instruct the co-operators in thrift, in the avoidance of disputes, in hygienic practices, in the virtues of female education and the evils of child-marriage, and further scrutinise the detailed observance of the society's rules by the committee and the members. But all this, and nothing less, is his work.

I now give my impressions, erroneous or correct, of the practice followed in a number of countries. One extreme is represented by the societies of Central China and those of the Transkei Territory in South Africa. With the exception of a small group which is attached to the Nanking University, the societies of Central China (principally in Chekiang and Kiangsu), though nominally under the Department of Agriculture, receive no skilled *co-operative* guidance; though assistance is given to them as regards agricultural purchase and sale, their co-operative education and supervision are superficial. The original propaganda was conducted by the Government, and as sometimes happens in China, official zeal which initiated a progressive policy does not extend to its maintenance. In the Transkei the credit societies have, I believe, no regular adviser, official or unofficial. In this group should perhaps be counted the marketing societies of Jamaica, the membership of which is largely native. They are subordinate to the Jamaica Producers' Association (a non-trading organisation) and loosely connected with the Jamaica Imperial Association, which is in receipt of a grant from Government for propaganda. Neither of these

bodies enjoys adequate powers of education or supervision. The opposite extreme is that in which the control is entirely official. To this section belong Egypt, Siam, the Philippine Islands, the Dutch Indies, French West Africa and Madagascar, the Gold Coast and Mauritius. I am not certain of the position in French Cochin-China, but believe it to be similar. In none of these countries am I aware of any Union or Federation charged with the duties of propaganda, education or supervision. The advisers of the societies are (except in Siam, where there is a co-operative Registrar but no union), the agricultural officers, few if any of whom have received co-operative training. The Registrars of the Gold Coast and the Philippine Islands are exceptions in this respect; the late Co-operative Adviser of the Dutch Indies had acquired special experience, but I do not think that the necessity of equipping his successors in the same manner has been recognised. Since we are discussing countries in which few private persons possess a wide knowledge of co-operation, and those few seldom command the leisure or the wealth which will set them free for the continuous management of a union or supervision of societies, it is obvious that under either of these extreme systems the societies' growth is handicapped. They are left in the one case to stand by themselves before they have the strength, and in the other are in danger of enfeeblement for lack of healthy exercise. My comment on the latter class does not apply with equal force to those territories in which the movement is altogether new, but a judgment can only be based in the omission of the Governments concerned to declare or show an intention gradually to introduce an element of unofficial control. Such a declaration has been made in Egypt.

Between the two extremes, and developing, in my opinion, in a hopeful manner, are the movements of Japan, North China, British Malaya, Ceylon and India. The China International Famine Relief Commission in Peiping has organised, and is educating and supervising, more than one thousand societies in Hopei and the

adjoining provinces. The members are taught by touring Chinese supervisors, who are trained in co-operative classes and rural conferences, superior guidance and a financial check are in the hands of the Commission, and local unions are being brought into existence. The time for a Central Union will probably arrive when the Chinese provincial authorities define their attitude towards the movement. In British Malaya, every superior function was until recently official, but an urban union of societies has now been registered, and the principle of a Central Union for audit, education and supervision has been admitted. A gradual transfer of charge will, it may be hoped, proceed harmoniously. Ceylon is in a like position. This island is peculiarly interesting, because co-operation was introduced by the Agricultural Department and the early societies (almost all of credit) were for many years guided by agricultural officers. The arrangement was not successful, and the movement became stagnant. As I have explained, an officer of whatever technical skill in another science (agriculture, finance, industries, etc.) is not qualified to direct native co-operators without such a study of co-operation throughout the world as will enable him to correct their mental and social deficiencies. The Ceylon Government a few years ago appreciated the nature of the difficulty, took steps to train selected administrators, and has now the satisfaction of seeing not only an annual increase in the number of societies but also a gratifying change in the minds of the villagers, who have already constructed the first unions on which a national Federation will be built up. Japan has gone farther. The provincial authorities are responsible for the supervision of the primary societies, under the general control of the Ministries of Finance, Agriculture and Commerce, but the Central Union has a branch in each Prefecture, and carries on propaganda and every kind of education. Passed students of the Union's co-operative college are working in the rural field, but the literature available in English does not explain their relation, if any, to the State. "The period

of . . . Government encouragement," says the Central Union, in a publication of 1928, "is now drawing to a close." In British India the administrative policy varies from province to province, though the tendency towards the constitution of Central Unions is observable in almost every area. There are indeed a few Native States, in which the initiative is still solely official, and it may be surmised that in these places co-operation is less spontaneous and has not struck deep roots. Elsewhere, in each Native State or British Province, there is a Central Union which undertakes, often with the assistance of local unions, the work of propaganda, education and supervision, but there is also an official staff which shares these duties with the Union. In Bombay, for instance, the Central Institute discharges all three functions, and the official staff (except for audit) is small. The local organisers under the Institute, however, though genuine co-operators, are somewhat urban in origin and temper, and the rural societies in consequence have not been inspired with a great independence of spirit and management. In Madras the local organisers of the Union are rural and sympathetic, but not always competent; they are duplicated by an official staff, and overlapping provokes some friction. In Bengal the central body is weaker and less representative of the primary societies, which are to an inconvenient extent subordinated to the financing banks; the officials are numerous but imperfectly trained in co-operation. In the Punjab, where co-operation flourishes most strongly, the Union maintains separate cadres for its auditors and its supervisors, while the officials exercise rights of super-audit and of day-to-day control over the Union's supervisors. Co-operative training is good, and non-officials are being recruited to the higher ranks. This system is criticised as reserving excessive power to the officials, but the Punjab peasant is a vigorous individual with plenty of independence.

A detailed account of every country would be superfluous. Enough has been said to illustrate the principle that the State, ordinarily the initiator of co-operation

among native races, need contribute little to the finance of the societies, but must be the first to shoulder the burdens of propaganda, education, supervision and audit; passing on these duties, as circumstances permit, to Unions which are democratic and responsible to their affiliated societies, but retaining always a watchful interest in their proceedings and the right to intervene for the public good. Individual courage and business efficiency are not yet so widely spread among the people that the State can ignore the possible consequences of withdrawal.

I have made little reference to co-operative laws, a full treatment of which would double the length of this paper. The relations between the societies and the State, the rights and duties of co-operative officials, and the grant of facilities to unofficial unions, in order that they may effectually perform the functions which they undertake, are all questions of co-operative legislation, and outside my present scope. I prefer to stress in conclusion the importance of appointing, as Registrar of Co-operative Societies or chief co-operative officer under any other title, a man who is (1) a co-operator at heart, rather than a routine administrator, and (2) fully trained in co-operative principles and methods, and able to envisage the subject in the broad and statesmanlike manner which is essential to the welfare of non-European races. Such a man will more easily be recruited from the ranks of District Commissioners, whose daily contact with the people in all walks of life familiarises them with the native language and viewpoint, than among the technical officers of the agricultural or any other department. An agricultural expert's time is wasted in dealing with societies of health and education, better living and thrift. He is not fitted to argue against superstition and witchcraft in the villages or to organise consumers' or housing societies in the towns. Even though he may be given by the State a careful co-operative training, his ultimate ambition will be to become a Director of Agriculture, and this mental bias cannot but narrow his co-operative

outlook. The Registrár drawn from the general administration is not an expert in agriculture or any of the other fields of co-operative work. Let him therefore be a man of wide vision, sympathetic with the people, treating them as human units, but eager to consult the technical departments and utilise their skilled services, bringing them into touch with the grouped villagers and interpreting to the latter their technical advice.

INDEX

- Æ, 10
 Aftalion, 35
 Anarchist Communism, 10, 12
 Audit, 165 *et seq.*
- Barou, N., 17
 Bastiat, 23, 26, 65
 Blanc, Louis, 57
 Bourgeois, Léon, 41
 de Boyve, Emile, 14
 Brelay, Paul, 74, 75
 Breullmann, 111
 de Brouckère, Prof. Louis, 93
- Capitalism compared, 144 *et seq.*
 Capital, Need of Co-operative, 135
et seq.
 Cheysson, Emile, 75, 76
 Christian Socialism, 14, 22
 Class War, 24, 60, 61
 Communism, 12, 57 *et seq.*
 Co-operative Commonwealth, The, 123
 Co-operative Farming, 108 *et seq.*
 Co-operative Movement: England,
 9 *et seq.*; Russia, 12; France, 14, 23
 C.W.S., 14, 122, 124 *et seq.*, 138,
 142 *et seq.*
 Credit, Integration of Co-operative,
 146 *et seq.*
 Crisis, International Credit in the,
 138 *et seq.*
- Digby, M., 118
 Douglas Credit Scheme, 142
 Dreger, 121
 Dunoyer, Charles, 53
- Espinas, Prof., 76
- Fauquet, Dr., 126
 Fay, C. R., 11, 95
 Finance, 128 *et seq.*
 Financial Position of Co-operation,
 131 *et seq.*, 141 *et seq.*
 Fourier, 22, 25, 45 *et seq.*, 55, 57
 Free Trade, 26, 55
- Gide, Charles—
 (I.C.A.) 14, (Death of) 21, (in
 Russia and Palestine) 22, (Child-
 hood) 24, (as Professor) 27, 32,
 64–66, (National Economic Council)
 29, (Universal Exhibition) 30,
 (Carnegie Foundation) 30, (Collège
 de France) 22, 30, (“Socialist”
 tendencies) 34, (Economic Theory)
 36 *et seq.*, (Lectures) 51, 52, (Child-
 hood to Adolescence) 63, (Intel-
 lectual Development) 67–69, (Atti-
 tude toward Life), 70–72, (Insti-
 tute Candidature) 72–73, (His
 Opponents) 74–76, (On Holiday)
 76–77, (Agriculture) 78 *et seq.*,
 (Producers and Consumers) 113
et seq.
- Gignoux, Claude, 77
 Gossen, 35
 Greening, E. O., 14
 Grundtvig, 153
 Guzot, Yves, 54
- Hardie, Keir, 14
 Holyoake, G. J., 11
 Horace Plunkett Foundation, 103
 Howarth, Charles, 50
 Hughes, Tom, 11, 14
 Hyndman, 14
- Ihrig, Prof. K., 143
 Independent Labour Party, 12
 International Commission of Agri-
 culture, 112
 International Co-operative Alliance,
 14, 112
 International Economic Conference,
 112
 International Institute for the Study
 of Co-operation, 13, 16, 17, 18
- Jevons, 35
- Kropotkin, P., 10, 12, 18
- Landry, 35
 Laribe, Ange, 117
 Lavergne, B., 95
 Lenin, 12
 LePlay, 78

- Leroy-Beaulieu, P., 34, 54
 Liberalism, 25, 53 *et seq.*
 Lubin, 153
 Lunacharsky, 12

 Malthus, 22
 Marshall, Alfred, 11
 Marx, K., 28, 38, 53, 58
 May, H. J., 14
 Menger, 35, 36
 Mill, J. S., 23, 26, 50, 57
 Müller, Prof. A., 94, 113, 117, 122

 Nancy Congress (1925), 80, 84
 Neale, Vansittart, 11, 14
 Nicholson, Frederick, 153
 Nîmes, 27, 52, 77, 81

 Oualid, W., 22
 Owen, Robert, 45 *et seq.*

 Pantaleoni, 54
 Pirou, G., 52
 Plunkett, Horace, 10
 Poisson, E., 49, 118, 121, 125
 Producers and Consumers, relations
 between, 104 *et seq.*
 Propaganda, 89 *et seq.*
 Protectionism, 26
 Proudhon, 23, 28, 57

 Research, 89 *et seq.*
 Reynier and Derrion, 50
 Ricardo, 22, 38
 Rist, Charles, 21, 31
 Robert, Charles, 14
 Rochdale Pioneers, 23, 50, 78
 Russell, Bertrand, 10

 Say, J. B., 26
 Shaw, G. B., 10
 Smith, Adam, 57
 Socialism, 10, 57 *et seq.*
 State Finance for Co-operation, 163
 et seq.

 Technical Training, 89 *et seq.*
 Thomas, Albert, 79
 Tropical Countries, Co-operation in,
 153 *et seq.*
 Truchy, 36

 University Teaching, 89 *et seq.*
 Utopias, 46

 Walras, 25, 26
 Webb, Sidney, Mr. and Mrs., 9, 11,
 12, 50, 51, 103
 Weld, Prof., 111
 Williams, Aneurin, 14
 Wolff, Henry, 11, 14
 Woolf, Leonard, 11

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