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STUDIES IN EUROPEAN CO-OPERATION.

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



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Preface.

THIS book is intended as a report on my deputation in Europe in 1920, jointly with Mr. M. L. Darling, I.C.S., to study the conditions of European co-operation in such countries as could be visited in four months. It deals with Holland, Belgium, Italy and England. The description of those conditions is naturally selective rather than exhaustive ; it was impossible to do more than examine sample Societies and obtain a general impression, and my object throughout was primarily to mature my own ideas after some years of work in an Indian province ; it was only when my tour was completed that the duty of exposing my conclusions to the criticism of others was laid upon me.

I have every reason to be grateful for assistance given by British officials both at home and in foreign capitals (I might mention in particular the Embassies in Brussels and in Rome), and for the courtesy with which officials of other Governments received my enquiries.

A welcome from co-operators was not unexpected : it was warmly and universally given, and leaves the most pleasant recollections. I have nevertheless allowed myself the privilege of free speech with regard to their co-operative proceedings, confident that a comment made without malice will be endured in the same spirit.

The statistics are approximately in many instances in which exactitude would be confusing. The fluctuations of the exchange complicate the conversion of European currencies into Indian money ; the Dutch florin has therefore been treated as roughly equivalent to a rupee, and the franc and the lira as eight annas.

I have not attempted to distinguish between a Federation as a superior and a Union as an inferior body, but have adopted either the English translation, if any, preferred by the co-operative institution itself, or the English word bearing the closest superficial resemblance.

My opinions are entirely unofficial and must stand for what they are worth. They are in certain respects contrary to the prevailing tone of thought in educated India.

Those who are not intimately acquainted with the countries discussed will find it convenient to read the first four chapters with a map beside them.

SIMLA :

C. F. STRICKLAND.

The 20th July 1921.

CHAPTER I.—Holland.

Holland is a small country with a soil not exceptionally fertile : its area is 12,600 square miles (one-eleventh of that of the Punjab), and the population 7 millions ; though large towns are few, the density of the population is 550 to the square mile, a high figure in an agricultural community (180 per square mile in the Punjab). Seventy-two per cent. of the agricultural holdings have an extent of less than 25 acres, and the percentage of small holdings is increasing. Slightly more than half the area cultivated is in the hands of tenants.

In a country of this description the co-operative movement may be regarded from two points of view : firstly as a part of the national economy, secondly as an element in the national spirit. In the former relations are to be considered the business efficiency of the larger co-operative organs, their connection with the State, and their utility in enhancing the income of the country, freeing trade from needless middlemen, and raising the value and the reputation of the country's products. In the latter aspect co-operation is a spiritual influence : it creates, or is intended to create, a sense of harmony and unity, a tolerance of divergent opinions and an intolerance of waste, a consciousness of individual freedom and worth.

The co-operative idea in Holland is of late growth, and only scattered attempts at its realisation are to be observed before the ' eighties.' The general law on associations dates from 1855 : the law dealing with co-operative societies is of 1876. Forty years ago the State of the Netherlands was asleep : moved by the example of her neighbours, she has since that time roused herself to such effort that although there is no branch of economic progress in which she has not been preceded, and perhaps excelled, yet a small country now supports a dense and prosperous population, and in the average of cattle per acre* she stands first in the world.

Direct financial assistance from the State is not common, a post-war advance to the Handelskamer Wholesale Society has been made. The cost of auditing the Central Credit Banks was partly contributed for 15 years, but the grant has been discontinued from 1920. A

*Cattle per acre :		
Netherlands	...	·25
Denmark	...	·24
Punjab	...	·17

sum of 175 florins is paid to meet the initial expenses of founding a primary Credit Society, since there are certain legal charges which have not been remitted, and which would lay a heavy burden on an infant society. Official Inspectors visit the 'control' stations of the dairy trade; the stations are in the hands of private bodies, usually co-operative, but receive subsidies from the Government. The best products of the dairy industry are standardized, and receive the national guarantee in the form of the Butter and Cheese "marks." The two leading Herd-books are recognised by the State, while the Agricultural College of Wageningen and the numerous agricultural schools place technical instruction and advice within the reach of every farmer.

The Bank of the Netherlands, which is constituted by special charter, assists co-operative bodies: this however is done on ordinary business terms.

A Royal Commission in 1906 recommended that the funds of the Postal Savings Banks be placed at the disposal of Co-operative Banks, but the surplus of deposits in the Banks has removed the necessity.

The excess profits tax is paid, and the fixing of prices under official control during the war was largely carried out on bureaucratic lines without making full use of co-operative bodies, either of producers or consumers.

From this account it appears that the State is ready at all points with inspection and guidance, but only in exceptional circumstances is financial assistance given. The Banks and larger Unions are efficiently managed and enjoy the support of their members: co-operators pour in their deposits at a rate of interest notably lower than that which any man may obtain on gilt-edged securities in the open market: hence is it that the proportion of owned capital, and still more of owned and paid-up capital, is in several leading instances below 1 per cent. of the total balance sheet. Of 40 millions of florins, held by the Utrecht Central Bank on 31st December 1919 as deposits at call, only 1 million was held from individuals, 39 millions being from Societies. The private deposits in Eindhoven Central Bank were even lower. The Leeuwarden Dairy Bank similarly is financed by Utrecht and by its own members. Utrecht draws only 14 millions out of 55 from public sources. The movement is financially independent, and the reason is not the exceeding wealth of the members, but the fact that the members have confidence in their Societies, and entrust them with their savings. It should be noted that the deposits are for the most part held at call or short notice.

The money-lender has no longer his old power : trade rings are broken : the dairy farmer may in nearly all areas expect to receive a fair price for his product : in return he must deliver the product pure and of a stated quality. The farmer as well as the trader is taught the important lesson that honesty pays. There appears nevertheless to be room for progress in the fields of co-operative sale, other than of dairy products, and of insurance. The farmer and the town-consumer can only join hands when they replace the factory owner. The tendency in all industrialized countries at present is towards the control of manufacture by the associated consumers ; the farmer or other first producer has advanced more slowly. But it is not desirable, at all events under the existing social system, that either consumer or producer should dominate over the other. The producer also must expand his activity in the sphere of transport, manufacture and wholesale dealing. The beet-sugar factory of Roosendaal is a model of the two first processes, the Dairy Export Unions carry out the third. Similar institutions are needed for grain crops and for the sale of cattle. Cattle of Friesland are at present sold to dealers and farmers in Central Holland, thence again to North Brabant and the South, and from the southern border they are sold once again to Belgium.

The better organization and popularisation of insurance have been begun, but the peasant farmer is a cautious man, not over quick to learn.

The internal constitution of Dutch Societies shows some interesting points in detail, together with a considerable variety of practice : if the spirit is sound, the same co-operative end may be secured by various means, but business security and moral training may lead to divergent policies. In societies exceeding the area of one village, it is usual to allow proxies : the danger of misuse of this power however is least grave where the population is literate and can study a written agenda. Members are admitted to more than one society of unlimited liability : this is unsound in theory. Some secondary associations are of unlimited liability : unless the mutual control of the Society members is very close, this policy is dangerous. Payments to members of Committee are not uncommon : an unobjectionable feature if the payments are small and merely complimentary. If a meeting is postponed for lack of a quorum, it may be held on a subsequent date without a quorum : by this means all genuine control may fall into the hands of a small group : a Co-operative Society which will

not meet should be dissolved. Personal security on loans is not always exacted.

Generally speaking, the spirit in the northern and central provinces is free, democratic and good. If prosperity can be secured by co-operation, men will co-operate ; if they believe their interest to lie in separate action, they will sometimes abandon co-operation : hence a rule imposing a penalty on resignations. There is little fear of apathy : they are silent and satisfied with their Society, or sharp in criticism. Knowing that their work is sound, they are friendly and hospitable to an observer ; and a frank difference of opinion causes no offence. In the Catholic provinces there is a stronger bond of unity derived from religion, with all that a bond implies : there is no evil in a voluntarily-accepted bond. Education is less advanced in the south than in the north, the standard of living is somewhat lower, and opinion less independent. It should be borne in mind that the basis of unity in the southern provinces existed before the creation of the Catholic Peasants' League (Boerenbond) : the population was always Catholic. The Co-operative Societies do not in many cases exclude non-Catholics : merely the latter would feel somewhat uncomfortable. The actual religious organisation in the League is the local Guild, which may be compared in some respects to an agricultural association and in others to a village club : the club creates the societies from itself, and a sympathy of feeling with the club must naturally exist in the societies. The higher control of the Boerenbond however has had cause to reproach some of its local men for carrying politics and religion too definitely beyond the Guild into the business and into the propaganda of co-operation : they demand more teaching of agriculture. The situation resembles that which would be created if in the Punjab a powerful religious body, working in an area inhabited almost entirely by men of its own belief, were to engage keenly in co-operation, the societies being directed to economic and moral objects, but the promoters and local guides being all enthusiastic in the religious cause. The boundaries between the different spheres of thought would become blurred, and religious or political considerations would inevitably influence the feelings and the policy of an economic body. Yet the valuable work of such an organisation under the circumstances described would be undeniable, and if the ends of co-operation in Southern Holland cannot otherwise be attained by a population accustomed to defer to their religious leaders, the religious body is to be thanked for an activity which has introduced the spirit of mutual help and has brought about in 20 years an astonishing change in the condition of the peasantry.

The Consumers' Co-operative Societies of Holland were before 1920 divided among four rival Unions of Social Democrats, Catholics, Calvinists and Neutrals. The first and last of these, the Dutch Co-operative Union and the Union of Workers' Co-operative Societies, were combined in March 1920 to form the Central Union of Co-operative Distributive Societies. The headquarters of this body is at the Hague. The Societies affiliated in July 1920 were 160, and their members about 200,000, *i.e.*, one in 35 of the total Dutch population. The membership of Distributive Societies in Great Britain and Ireland is 1 in 11 of the population: Holland is however a country of lower industrial development and smaller towns. The 7 Catholic Provincial Unions are loosely federated at Utrecht. Both they and the Protestant Union are relatively weak: the addition of their members would raise the national average of membership to 1 in 28. The actual number of Societies is being reduced, as in other countries, by fusion.

The Societies of the Central Union are formed for the most part by the "working classes", they include 9 Eigenhulp (Self help) Societies of the middle classes, and would welcome an increase of this element. The virus of class or political animosity has not spread in the Union, and the leaders profess, apparently with sincerity, a readiness to unite with the denominational bodies. Their advances are not likely to be welcomed by the Catholics, who show an increasing preference for isolation.

The Rochdale system in a pure form is nearly universal. Sales are for cash, and at a fair market rate. The Central Union recommends that 25 per cent. of the surplus be carried to reserve, 65 per cent. distributed as a dividend to members only on purchases, and 10 per cent. allotted at the discretion of the annual meeting, either in the form of bonus to employees or to members of Committee (1) or to various funds. A maximum of 4 per cent. may be paid on shares, but since the shares are often built up by a withholding of the rebate, it is not uncommon to find that no interest is paid even after their completion. The liability is limited: no member enjoys more than a single vote; and proxies are forbidden. A member may be expelled for insufficient dealing with the Society, and in such a case his shares may be confiscated (in England a share may only be confiscated if a member refuses to pay it up in full). The payment of a bonus to employees is optional and is practised by some Societies: in a few cases only are the employees represented on the Managing Committee.

The Union has succeeded hitherto in maintaining a position of political and religious neutrality. The opposition of the denominations tends to create a certain sympathy with Socialistic or free-thinking opinions, but no such tendency is admitted or encouraged, and the Union is neither directly nor indirectly dependent on a political party. There have been no strikes of importance among employees, but trade union demands are now regarded as excessive and are being resisted. The registration of new Consumers' Societies was until recently effected by a court of law: the duty has now been entrusted to Chambers of Commerce, which naturally regard the co-operator with disfavour: it is alleged that unreasonable delays and objections are created under the new system.

The Handelskamer of Rotterdam is the only wholesale Society: from 1890 it was a branch of the Neutral Union; and was separately registered in 1914. It is supported by the Societies of the Central Union, and with varying loyalty by a number of other societies: its position is not, however, as strong as it should be, and the turnover for 1918 was only £700,000. The Handelskamer is the sole manufacturing Society, with the exception of bakeries maintained by many primary Societies: it makes soap, roasts coffee, and slaughters for meat. For all other commodities it acts as wholesale agent. The State advanced £500,000 in 1920 with a view to extending its business and helping in the struggle against high prices.

The audit of affiliated Societies is carried out by the Handelskamer.

It is probable that only lack of propaganda has prevented the extension of Copartner workshops among the Dutch, to whose sense of independence and loyalty this method should be well adopted. Examples in Holland are rare, and their creation is usually due to a philanthropic or public spirited individual. The furniture-makers of Oosterbeek near Arnhem formed a Society in 1910 under the guidance of Mr. Pelt, who is still their Manager and owns a large proportion of the share capital. The workers are 66, of whom 57 are shareholders; 55 other sympathizers who do not work in the factory also hold shares but seldom attend general meetings; the control is consequently in the hands of the workers. One vote is held per share up to a maximum of six votes. Standard wages are paid, and 6 per cent. interest is assigned to capital; 10 per cent. of the profits is carried to reserve and the remainder distributed as a bonus on wages and on shares: the rate on wages was 6 per cent.

in 1918, and 9 per cent. in 1919. Full pay is given during sickness up to 10 weeks, and a pension scheme is being worked out. In order to increase the working capital, it has recently been resolved to distribute profits in the form of additional shares. No part of the surplus is returned, as in the English Copartner Productive Societies, to customers.

The consumers' movement followed the school of Owen rather than of Fourier and based itself on the Rochdale system. The inspiration of agricultural co-operation was drawn from Denmark, and the first co-operative dairy, that of Warga in Friesland, was founded in 1886. The agricultural depression of 1880 and the ensuing years led to the appointment of a Commission in 1886, which in 1889 after much difference of opinion reported in favour of co-operative methods and co-operative credit. The initiative was then taken by the Federation of Dutch Peasants and over 200 dairies principally in the extreme north and extreme south of the country were co-operative in 1895. Meanwhile the Catholics had organized a national but denominational Dutch Peasants' League (the Boerenbond), with similar Catholic Bonds in each province. The southern provinces of North Brabant and Limburg are predominantly Catholic, and the Catholic Church has always interested itself closely in rural co-operation, promoting thereby its own influence and the welfare of the peasants. In 1898 was created the Central Bank (Boerenleenbank) of Eindhoven in North Brabant, on a definitely Catholic basis; in 1899 there followed the undenominational Central Raiffeisen Bank of Utrecht. The former now finances the southern provinces of North Brabant and Limburg, with portions of the adjoining provinces in which a Catholic population is found, while Utrecht is the centre for the other 8 provinces. A small Catholic Central Bank exists at Alkmaar in North Holland since 1901. The Banks have not, however, agreed on a delimitation of territory. Catholic Societies in the north affiliate themselves to Utrecht, though the influence of the Catholics is exerted to draw them into the true fold: a few Protestant or undenominational Societies in the South remain contentedly with Eindhoven. The Bank of Alkmaar works only in the province of North Holland and is at present in difficulties: Eindhoven has refused to take over *en bloc* the 46 Societies of Alkmaar, on account of their unsatisfactory condition. It is probable that this Bank will shortly come to an end. A Commission of Inquiry into agricultural conditions appointed in 1906 recommended the union of the three rival institutions. It is, however, unlikely that the Catholics, who are forming their own organizations in all branches, will agree to such a measure.

The Eindhoven Bank at the end of 1919 counted 469 affiliated societies with approximately 50,000 members; 328 of these lay in the two southern provinces, in which the number of credit societies exceeded the number of communes (revenue estates). All societies must be members of the provincial Boerenbond (Catholic Peasants' League) which admits also Christian non-Catholic Societies: the latter are naturally few. The Bank is controlled by a Managing Committee, a Supervising Committee, and an Advisory Committee, the two latter do not appear to carry out any important function. There is also a paid staff of Business Managers and clerks, and a staff of Inspectors. The control exercised by Society members over the Bank, though in form complete, is actually very slight, but there are no individual share-holders and no, opposition of interest arises. Each society takes up 3 shares of 1,000 Dutch florins (=£83), but as only 10 per cent. is called, the amount of paid-up capital including reserves, which is owned by the members, is about two-thirds of one per cent. Liability is limited to shares. Abundant depreciation is allowed on the buildings and foreign paper of the Bank.

	<i>Florins.</i>
Total capital ...	72,000
Owned and paid-up capital	430,000

Loans are now made at 4 per cent. while $3\frac{1}{4}$ per cent. is paid on deposits at call, and $3\frac{3}{4}$ per cent. on deposits for one year. Deposits have been excessive during the war, but owing to the low interest paid by the Bank there has been no difficulty in re-investing in Government funds or communal or mortgage securities. Open credits are freely given to satisfactory Societies, no bond or pronote of any kind being required unless the Central Bank wishes to rediscount its paper, when funds are needed, with the Bank of the Netherlands or the Agricultural Bank. Interest on shares is limited to 4 per cent.

Audit of the primary societies is carried out by the Bank's Inspectors, each society being audited once a year: occasional visits are also paid, and instruction in account-keeping given; no charge is made. Propaganda is carried on by the Chief Inspector only, his assistants being experts in finance rather than in co-operation. The ordinary business of propaganda and organisation is in the hands of the Boerenbond and its local branches (Peasants' Guilds), often under the parish priest.

In 1908 was founded at Eindhoven a Mortgage Bank, which lends money at $4\frac{1}{2}$ per cent. directly to members of primary societies on a mortgage of their lands, if such mortgage is recommended by the Society. If the Society itself has long-term deposits at its disposal, the

Central Bank will sometimes give the necessary authorisation for a mortgage loan without the intervention of the Mortgage Bank. The controlling members of the Central Bank and the Mortgage Bank are almost identical, the clerical staff is the same, and it may be said that the Mortgage Bank exists only for convenience of book-keeping and obviates a possible confusion between long and short-term loans. The loans are given either in cash or in the form of 4-year bonds, which the borrower may himself place on the market. In case of foreclosure on a mortgage, the authorisation of a Court of law is not required before proceeding to a sale of the property: there is consequently no difficulty in recovering from defaulters

The primary societies of the villages, whether based on the principle of co-operation or of mutual insurance, are ordinarily "organized in" the provincial Boerenbond (Peasants' League). The Bond establishes Boerengilda Guilds throughout its sphere of activity, and every primary society formed under its auspices adopts a by-law providing that all members of the society must be members of a Peasants' Guild. The Guilds are in all cases under clerical influence, and expulsion from a Guild would automatically render an individual ineligible for all the co-operative or mutual societies, "organised in" the Bond, of which he might be a member. The few non-Catholic Societies, and some of the older Catholic Societies which existed before a local Guild was formed, have not adopted this by-law. It should be added that many parish priests have been sincere and hard working co-operators, without whose guidance societies could not have been created or brought to maturity. The Guild is definitely religious in spirit, and not infrequently concerns itself with political questions. The societies depending on the Guilds are in some degree similar in temperament, and observers make merry over the breeders of Catholic goats, and the keepers of Catholic bees.

The primary Society of Credit is based on Raiffeisen principles and in general follows German methods; there are as a rule no shares, and profits are carried to reserve; the working area is small, and liability unlimited. Members are nevertheless permitted to join other non-credit Societies of unlimited liability, which are financed, if help is needed, by the Credit Society. Security is taken on every loan and is usually personal; but real security is sometimes accepted from either the poor, who find it difficult to produce a surety, or the prosperous, who resent the necessity of so doing. This unsound practice prevails in Societies affiliated to both Utrecht and Eindhoven, and is

defended by local leaders of opinion. Cash Credits are freely given to individual members, covered by personal security : promotes are usually not taken. The prevailing rate of interest on deposits at call is 3 per cent., while 4 per cent. is charged on loans. Usurious rates were common among the peasantry before the introduction of co-operative credit, and a large amount of debt was transferred to Societies during their early years : this burden has now in most areas been shaken off, and the restrictions of purchases during the war caused a great accumulation of deposits both from members and non-members. Societies are required to deposit in the Eindhoven Bank at least one-third of their surplus funds ; in practice they pass on their entire surplus, and the majority are creditors of the Central Bank. At the end of 1919 the Bank held 57 millions of florins on behalf of its Societies, and had advanced only $2\frac{1}{4}$ millions.

Loans are generally given for "business" only, not for purchase of property, and Eindhoven and Alkmaar both diverge from the German practice by confining credit to agriculturists. This rule, which is intended to render the Societies more homogeneous, and possibly more docile, has from time to time provoked opposition, and a growing Society in a northern province resigned its membership of Eindhoven Bank in 1919 on this account. There is no provision as to the granting or refusal of credit to members of the managing or supervising Committees : all loans for a term exceeding 5 years need the sanction of the Committee of Supervision, and loans exceeding 1,000 florins (£83) for a term of over 10 years must be approved by the Central Bank.

As an example may be taken the Credit Society of Geldrop in the province of North Brabant. The Geldrop Society was founded in 1897 and has 70 members : it operates in one village only, as is usual under the Boerenbond : the average area of a Frisian Credit Society under the Utrecht Raiffeisen Bank is 3 villages, yet the average membership of an Utrecht Society is 110, and of an Eindhoven Society 115. Of the 70 members of Geldrop 50 attended the last general meeting, and perhaps half of them fully understood the nature of the proceedings. Poor men are admitted to membership, but real property is sometimes taken from them in pledge against a loan, in addition to or in place of personal sureties. The loan of the Central Bank is not guaranteed by individuals, Eindhoven not exacting this condition. The Treasurer is the village schoolmaster : usually the schoolmaster or priest fulfils both functions : in Geldrop there is a separate lay Secretary. Erasures with a penknife could be observed, as in the Punjab, in the registers. The Society may be classed as B.

Owing to the excess of deposits the Central Bank and its Societies have for some years been financially independent of outside help. The Bank of the Netherlands is always ready to assist. Since, however, the Boerenleenbank finances a number of dairies and purchase Societies in addition to its credit Societies, it has united with several provincial Boerenbonds and with the South Netherlands Dairy League to establish in 1919 the Agricultural Bank of the Netherlands at Amsterdam as a co-ordinating financial organ. Through the closeness of its co-operative organisation, its careful audit, and its sympathetic methods, the Eindhoven Bank has created and maintained a valuable system of credit : its usefulness is limited by its denominational character.

Of the Alkmaar Central Bank it is only necessary to say that it is similar to Eindhoven, with the surprising difference that its liability is unlimited.

The Raiffeisen Bank of Utrecht is the second largest co-operative institution in the Netherlands, and is undenominational. At the end of 1920 the membership consisted of 14 individuals (members of the Committees) and 658 Societies, the latter being situated in all provinces, but rarely in the two Catholic provinces of the South. It includes Catholic Societies. The total of the balance sheet in 1920 amounted to 38 million florins (£3,000,000), of which only 420,000 florins, *i.e.*, $1\frac{1}{3}$ per cent., was owned and paid up. A share is of 500 florins (£40) with fivefold liability, 10 per cent. being paid up on the first share, and 2 per cent. on others ; the number of shares varies with the amount of credit required. Deposits received by the Bank at call or short notice were 28 millions in 1920 : the investments of the Bank in safe securities being adequate, no embarrassment is felt at the greatness of possible withdrawals. The depreciation in Russian and German holdings during the war has been fully written off.

Utrecht differs from Eindhoven in the following points : credits given to affiliated Societies are secured by the personal bond of leading members : the Bank declares that no objection is felt to the system, and the same account was given by several members of primary Societies : yet however great the public spirit of Dutch farmers, it is incredible that such a requirement should be either popular or necessary. The cash credit method is more general than under Eindhoven. Affiliated Societies give loans to non-agriculturists. No interest is paid by the Bank on its shares. $3\frac{3}{4}$ per cent. is paid on deposits at call :

4½ per cent. is charged on loans. There is no separate Mortgage Bank, though the constitution of such a body has often been discussed: mortgage loans are given to members of Societies as in Eindhoven, and there is no considerable difference in the result. Societies frequently charge penal interest on debt in arrears, and fines may be imposed for failure to attend a general meeting.

The spirit of Utrecht is one of freedom combined with business strictness. The bank is more in touch with commercial conditions than is Eindhoven, and assists the Co-operative Dairy Bank to finance the export of dairy products. The work of propaganda and audit is carried on by its Inspectors, but the majority of new Societies are created by individual enterprise. The peasant of Northern and Western Holland breathes a colder air than his southern brother: he asks for no shelter, and will sometimes prefer an economic to a moral end. He is unshaken in fidelity to an institution of which he has proved the value. The southerner is backward in education, more conservative, less critical; he is generous and loyal.

The total of purely credit institutions in Holland is about 1,150, with 130,000 members; nearly all the Societies are affiliated to one of the 3 central banks. There are no regional or provincial Unions. Credit for the middle classes, comparable to the People's Banks of other countries, is practically non-existent; its promotion was recommended by the Commission of 1905, but without effect. A Schulze-Delitzsch is awaited.

Excluding credit and insurance, there were in 1920 a total of more than 2,000 agricultural societies in Holland; of these about 1,200 are engaged in purchase of requirements, 700 are co-operative dairies, and the remainder deal in eggs, poultry, etc. The agricultural societies are not all primarily co-operative or directed to an economic end, and many are registered only as associations under the law* of 1855: the amount of purchase business done by them varies widely.

Purchase Societies.

*This law is also preferred by the credit societies affiliated to Eindhoven Bank

The leading institution of co-operative purchase is the Central Bureau of the Netherlands Agricultural Committee. Founded in 1900 at Enschede on the German frontier, it was transferred in 1920 to Rotterdam, the principal import of agricultural requirements being now from the side of Britain and the United States. At the end of 1919, the Unions and societies adhering to the Bureau were 880, including the great Catholic Boerenbonds of North Brabant, Limburg, and Gelderland with their local sections; the latter compose more than half of the members, and are the best cus-

Central Bureau.

tomers of the Bureau. Primary Societies in other areas are admitted as direct members until a regional organisation comes into existence. The purchases in 1919 were 28½ million florins (£2,500,000), and a rebate or dividend of ½ or 1 per cent. was paid. There are no shares, but customers contribute to the reserve in proportion to their dealings; the reserve is now 350,000 florins (£30,000) and the total of the balance sheet is ten times this figure. The Committee is elected by provincial Bonds or by groups of primary Societies. The Netherlands Agricultural Committee nominates one member, and the Netherlands Boerenbond also nominates one, "if it is a member". The implication that the Catholics may separate and form their own organisation is not altogether groundless. Purchases are principally of artificial fertilizers and of foodstuffs for cattle and poultry. In consequence of Government control and the difficulties of import and transport during the war the loyalty of the members leaves much to be desired, and the prosperity of this national organ in its new habitat is not assured.

As an example of a regional Union of purchase associations may be mentioned the Co-operative League of Agricultural Purchase and Sale Societies in Gelderland, a neutral body with headquarters at Arnhem, where it competes with the stronger Catholic Boerenbond in the same town. 80 primary Societies form the Union, which commenced work only in 1919. The Union buys and sells at its own risk: indents from members are not required. The Society members elect the Committee but take little further interest in its proceedings: they buy loyally from the Union: the Union on the other hand is not loyal to the Central Bureau. There are no shares: annual contributions are paid: liability is limited, broadly speaking, to 1 per cent. of the preceding year's purchases. The Committee and organizers are at present engaged in co-ordinating the existing societies, and have therefore postponed propaganda. The Union is doing useful work, but has not yet induced its members to take an active part in the proceedings. The number of votes of each society is based on its membership, not on the amount of its purchases. Members of the Committee receive no remuneration. Delegates of Societies are paid 2nd class railway fare for attending a general meeting, and also a halting allowance. In the Punjab the Union would be classed as a fair B.

The North Brabant Boerenbond maintains a Trading Union at Veghel to which 173 local Peasants' Guilds were affiliated in 1920 through their Purchase Sections. The Union has 105

local warehouses : it deals in fertilizers and foodstuffs, seeds, fuel and agricultural machinery, and in 1919 supplied 80 per cent. of its members' needs: the remaining 20 per cent. was procured elsewhere. The Union was the best customer of the Rotterdam Central Bureau. It is financed by the Agricultural Bank of Amsterdam, the Boerenleenbank of Eindhoven, and its own 5 per cent. debentures. The purchase 'sections' of the Guilds are financed by the Credit Societies or directly from Eindhoven. They are denominational, and their activity is part of the life of the Guilds to which they are subject.

The owned and paid up capital of the Trading Union is only $\frac{1}{3}$ rd of 1 per cent. of its total funds. Every representative of a section who attends a general meeting receives his travelling allowance and 5 florins, a liberal reward for the performance of a duty.

In Leeuwarden, the capital of Friesland, the principal dairying province, there exist two neutral Purchase Unions, one of which, 'the Co-operative Union for purchase and handling of agricultural requirements in Friesland,' has 54 sections; these are not separate societies, though they have local depôts and local Committees. Small societies are being absorbed. The local Committees elect delegates to the general meeting, and the meeting elects the Managing Committee, but in practice the management is in the hands of an Executive Committee of three, and the Union though efficient is centralized and bureaucratic. Foodstuffs are bought at the Union's risk, and fertilizers against indent. Good quality of materials and the prevention of trade combines are aimed at rather than profits : the year 1919 ended with an appreciable loss. Under the by-laws payment should be made in cash : in practice 10 per cent. of the business is on credit. The Union is a member of the Rotterdam Bureau, but not a keen supporter. The members in July 1920 were 2,800 : the by-laws as recently amended impose a fine on a member who resigns ; 800 members resigned on the introduction of this by-law, which is found in a group of Frisian Societies. The object is to secure loyalty by a business bond, where moral suasion is insufficient.

The primary Society of Amerongen in Utrecht province contains 63 members, 40 of whom are well-to-do farmers out of a total of 100 in the Society's area : the others are tenants. There are also 50 non-members who buy from the Society, but being of small means are not admitted as members by the well-to-do. A share is of 25 florins (£2) and must be paid in full on admission. Two-thirds

of the members deal regularly with the Society and attend meetings. Goods are accepted loyally from the Society even at a higher rate than the market. The purchases are chiefly of foods and fertilizers, but business is also done in rice, soap, coffee, etc. A month's credit is given without interest, and another month with interest at 5 per cent. The Society borrows at 5½ per cent. from the Netherlands Bank on the personal guarantee of 20 members. (A Class C Society)

A mixed type of Credit and Purchase Society is found in the sphere of the Utrecht Bank. Agriculturists or non-agriculturists may be members, and loans may be given for any purpose. A share is of 5 florins, and interest is limited to 5 per cent., but no rebate is paid, all profits being carried to reserve or a common fund. Sales are at a price agreed upon, *i.e.*, below market rates: non-members may join in purchases at a slightly enhanced rate. Proxies are allowed, but no person may hold more than one proxy. (This rule is common in non-credit Societies.) A member may be expelled for non-payment of his debts after legal proceedings have been taken. This type is analogous to the ordinary Credit Society of the Punjab, which engages in purchase as well as credit business.

Dairying is the most highly developed of all branches of co-operation in the Netherlands.

In 1919, the last year for which complete figures are available, co-operative steam-dairies for manufacture of butter were 529, and non-co-operative 216. Dairies worked by handpower are decreasing rapidly in number and were about 100. There are also a certain number which manufacture cheese only, but the official figures do not detail them separately: they may amount to 100. The General Netherlands Dairy Association, founded in 1900 unites 538 of these co-operative dairies, belonging to 6 of the 7 provincial associations; it is the representative of the co-operative dairying industry, and is occupied with propaganda and with the general conditions of production and export. It carries on a diminishing business of purchase and sale, which can be more efficiently conducted by the Export Unions and Purchase Unions. From 1907 to 1917 it held an auction at Arnhem, until the Co-operative Dairy Export Union was founded in 1917. The Export Union now controls one-third of the butter produced in Holland. 177 dairies were members in 1920, pledged to deliver their entire butter supply except that which they sell to local retailers. The Union has not established shops. The members are drawn from

the east and south of the country, and their trade is chiefly with Germany and Belgium. The Union of Friesland, which supplies the English market, operates independently.

The South Netherlands Dairy Association controls the trade of the Limburg province and holds an auction at Maastricht. The province of North Holland is content to sell its cheese, the principal product, at the non-co-operative auction of Alkmaar.

The Frisian Dairies have formed their own Association at Leeuwarden, to which 89 were affiliated at the end of 1919. 31 non-co-operative dairies are now forming a rival Union. The Frisian Co-operative Dairy Association has been in existence for 25 years, and the members of its societies number 14,300. It is one of the earliest founded co-operative bodies of any importance in the country, and claims that its standards are higher and its methods more exact than those of the General Netherlands Dairy Association. It has, however, joined the Netherlands Association, of which all its 89 dairies are also members. Its objects are those of propaganda, 'control,' and research, as well as the purchase of technical instruments. Dairy products are left to the care of the Friesland Export Union. The province of Friesland has now nearly as many dairies as it can carry; in 10 years only 10 new dairies have been set up by the Association, though 40 have been reorganized and brought up to date.

The Association is housed in the 'Chamber of Agriculture' (Landbouwhuis) at Leeuwarden, in close touch with the agricultural officials and associations. It maintains an experimental and testing station, at which lactometers and other instruments are examined (100 per cent. of certain instruments were condemned during the war) and inquiries conducted: the subject under discussion in 1919 was, for instance, the prevention of canker in cheese. A veterinary service for the cattle of members has been created in alliance with the managers of the 'Frisian Herdbook.' The Dutch Government having refused the request of the Association that a 'research station' be established in Friesland, the Association contemplates forming its own station.

Under the by-laws of the Association 900 individuals are 'extraordinary' members, with limited power of voting: many of them are leaders of primary Societies, and no unco-operative influence is felt. Eighty per cent. of the dairies are said to be represented at general meetings, and the Committee contains a majority of practical dairy-farmers. There are 3 auditors, who

visit every dairy four times in the year. The bulk of the price for milk delivered to the dairies is paid to each member after a week, and the remainder on settlement of accounts after 3 months or more. The actual financial return to members is very slightly better than that obtained from sale to private dairies, and co-operators admit that the standards of most private dairies are nearly, if not quite, as high as their own. But it is obvious that this state of affairs is due to the existence and excellence of co-operation : Dutch and even Frisian butter was in very evil repute 30 years ago.

Dairies are financed in their working by the Dairy Bank of Leeuwarden, an institution closely allied with the Utrecht Raiffeisen Bank : the two Banks freely make and receive payments on behalf of each other. The Dairy Bank does not supply funds for the initial foundation and construction of the Dairy : for this purpose each Society issues its own debentures. The Dairy Bank shows a balance sheet of $8\frac{1}{2}$ million florins (£800,000), of which its owned and paid-up capital is 350,000 florins (£29,000), or $3\frac{1}{2}$ per cent. This is an unusually high proportion for a co-operative institution in Holland.

The 14,300 members of 89 Dairies own 113,400 cows ; the farmers are small men, owning from 5 to 30 animals, and two-thirds of the land in this province is in the hands of tenants ; the more efficient men have gradually taken over the lands of the less efficient, while big landlords are content to parcel out their estates in economic dairy-holdings. Big landlords are very few. The Dairy of Grouw, founded in 1898, has 92 members with 1,822 cows : 9 members own less than 10 cows each, and there is no objection raised to the admission of small men. The capital is 300,000 florins, of which 35 per cent. is owned. The Society sells to the Frisian Export Union and to local shops. The Manager draws 3,300 florins as pay (£275 per annum = about Rs. 275 per mensem), and receives a free house. General meetings in 1919 were well attended, since the rebuilding of the dairy was being considered. The milk worked was 6,000 tons. It is surprising that only 16 of the 92 members had joined the local Cattle Insurance Society, and insured 357 cows, calves and bulls : there were 11 casualties.

A number of Frisian dairies have a by-law similar to that mentioned in the case of the Frisian Purchase Union, whereby a member, who is expelled, or who resigns without the consent of the general meeting, pays a heavy fine (*e. g.*, 100 florins per cow). The rule may be expected to deter many from joining a society, while assuring the permanence of the existing members.

By a law first enacted in 1905, and brought into its present form in 1910, an official Mark for butter has been established, and may be affixed only to butter which attains certain standards of fat content, etc. The Mark is used both by co-operative and non-co-operative dairies, subject to a strict State inspection by means of 'control' stations in various provinces. The co-operators endeavour to maintain among their members the standard of production necessary for obtaining the official Mark, and also prescribe tests of cleanness, taste and colour with which the official control is not concerned, and in which they excel the non-co-operators. Various co-operative Marks for butter had been popularized before the official Mark rendered them unnecessary, and there is at present an official Mark for only certain types of cheese, the others being standardized and marked by co-operators.

The Frisian Dairy Export Union, founded in 1898, exports butter chiefly to England on behalf of 40 dairies : others have been deterred from joining by Government control of dairy products during the war, and a few of the largest have recently withdrawn from the Union ; the reason assigned is that the members were substantial and quasi-commercial farmers who distrust co-operation as tending to centralisation and socialism. This Union refuses to join the Export Union of Amsterdam, claiming to be superior. The English Co-operative Wholesale Society and many other English Societies are among its customers. The Director draws 9,000 florins (£750) per annum and 2 Sub-ordinates 5,000 florins each. The monetary penalty for expulsion or withdrawal is heavy.

= Rs. 750 and Rs. 400 per mensem.

The Union or Poultry keeping in the Netherlands, known as the V. P. N., was founded in 1901, and has its headquarters at Amsterdam ; the various provincial associations are federated to it, with the exception of the Co-operative Egg Trading Union of the Catholics at Roermond, which covers the Catholic provinces of North Brabant and Limburg and has separated itself with effect from 1919. The Leeuwarden Union affiliated to the V. P. N., is known as the Co-operative Egg Trading Union of the North Netherlands, and has 4 sections in the four northern provinces. It deals in eggs, poultry, thrushes, rabbits and fresh fruit, which are received from the member Societies and sold on their behalf. Poultry food, incubators, and young chicks are

Eggs and poultry.

North Netherlands Union.

bought for them. The Friesland 'section' of the North Netherlands Union unites 105 local Societies with 8,000 members; the Societies are newly formed from the local 'sub-sections' which preceded them in the villages. The members of the Societies are pledged to deliver their produce to the Union and to buy poultry food from it. The Union was originally promoted by a group of individuals who advanced money for buildings, set up a cold storage, and bought and sold the goods largely at their own discretion though under co operative forms. The debt to these public-spirited persons has now been reduced, and a more democratic constitution has become possible. There are no shares, but the reserve is 50 per cent. of the total capital. The liability of Societies is limited to a small figure based on their membership. Every member is required to mark his own eggs: the Societies collect, and deliver them to the Union, which examines them over electric light. An unpleasant fine is imposed for every rotten specimen. Eggs are sorted by size, and packed in card-board in wooden boxes. The export is principally to England. Large numbers are stored in lime water until the winter. There is practically no competition from private trade: and the Union is now opening retail shops. The Union carries on a certain amount of selective poultry breeding, which is not financially self-supporting: a levy may be made on Societies to meet the expense. One of the breeders' present objects is to multiply those strains which lay brown eggs as preferred in the English market.

The North Netherlands Union has attained a magnitude which overshadows the V. P. N., robbed as the latter has been of the Catholic provinces. A fusion of the two bodies would appear to be desirable; Friesland might oppose the transfer of the headquarters to Amsterdam; but it would be inconvenient to administer a national institution from a remote province.

The Co-operative Egg Store of Roermond, in the province of Limburg near the German border, was founded in 1904, and sold its eggs at first by auction, later by private sale. The best customer was Germany, but more attention is now paid to the English market, and layers of brown eggs are in demand. In 1919 the control of the Egg Store was taken over by the Boerenbonds of North Brabant and Limburg provinces: the local Societies are required to be "organized in" one of the Bonds, and to abandon the V. P. N. of Amsterdam. The Secretaries of the Bonds must now be invited to all Committee meetings of the Union, which has been renamed the Co-operative Egg

Trading Union. One-fifth per cent. on its annual turnover must be paid to the Bonds for the promotion of poultry breeding. Practically all members of the Committee of Supervision must belong to a 'Catholic' organisation. On the dissolution of the Union its entire assets pass to the two controlling bodies. In a Catholic area the Egg Store had always contained a large majority of Catholic members, but the tightening of control now effected is instructive: religious co-operation becomes ever more religious.

Export was forbidden during the war, and both business and prices fluctuated violently; a loss of 40,000 florins resulted in 1919, but the fact might not be apparent from a hasty glance at the balance sheet without an explanatory note. The Union is, however, financially secure and will restore its position on the removal of Government control.

There is no cold storage establishment at present, and the poultry and rabbit business is relatively small.

One hundred and eighty-eight local Societies in the two provinces were affiliated to the Egg Store, and have not yet all revised their by-laws in the denominational spirit now required. Their local Secretaries are employees of the Union, but local independence is somewhat keener than in the Frisian Societies. Directors of the Union continually visit the villages and attend general meetings. Testing of eggs over a carbide lamp is carried out locally, and a second test with electric light is conducted at headquarters. Eggs in Roermond are sold by weight: there is no sorting by size as in Leeuwarden. The marking and dating of eggs has been given up because the German buyer complained that unless and until Roermond could meet his full demand, the unmarked eggs bought from other sources to supply the deficit would sell at a lower price, being distrusted by the customer. He preferred therefore to dispense with the extra guarantee conferred by co-operative marking!

"Dutch auctions" for the sale of vegetables are famous, and have been described by co-operators. The merchants sit each in an allotted seat on the bank of a canal: barges loaded with vegetables are poled past in front of them: the quantity on each barge is proclaimed by the auctioneer on the other bank: a pointer on a dial follows a descending scale of prices, until a merchant rings an electric bell by his seat, arresting the pointer at a certain figure and simultaneously indicating the number of his seat. Delivery is taken immediately after the auction and payment is made.

Vegetables.

There are 180 such Auction Societies, disposing of the greater part of the vegetable produce of the country, whether for export or for internal consumption : 80 of these are strictly co-operative. Members are pledged to deliver their produce, and must pay 5 per cent. of their receipts to the Society. There is no dividend, and no reserve is accumulated. The Society does not undertake the grading of produce ; it will arbitrate if the buyer on examination complains of defective grading.

The Loosduinen Co-operative Auction Society near the Hague is a well-known example founded in 1900. It has about 250 members, each owning from 2 to 15 acres, and sells vegetables worth 4 million florins (£333,000) in the year. At an auction attended by the writer there were present some 30 or 40 merchants, a few being from England. One grower was found to have piled his best specimens on top, concealing poor quality underneath. On the other hand one merchant rang another's bell. The incidents were settled with tumultuous good temper.

Co-operative factories owned by producers are, apart from dairies, of three kinds : for preparation of
 Sugar factories.* beet-sugar, potato-meal, and card-board. In 1918 there were 7, 2, and 10 of each type respectively. Their principles may be seen from an examination of the co-operative sugar factory of Roosendaal, which dates only from 1917. There were 1,065 members at the end of 1919, all bound to deliver their beets, and to obtain approved seed from the factory. A share is of 400 florins, of which 100 are paid up. A member's shareholding must vary with the amount of beet delivered by him : he may not, without the sanction of the Committee, deliver more than a stated maximum per share or less than a stated minimum.* Fines are imposed for failure to deliver, and a defaulter may be expelled. Each share carries a vote, up to a limit of 3 votes. Payment for beet is made according to its sugar content, which is ascertained by expert tests : the greater part of the payment is advanced on delivery, the remainder at the end of the working season. A premium is paid for delivery at the factory, but members may if they wish deliver at fixed depôts in other places. The pulp after extraction of the sugar is returned to members gratis or for a low payment, to the limit of the amount which they can feed to their own cattle. The factory is a large and up-to-date building, using weigh-bridges and all modern apparatus.* It shows a balance sheet of 1½ million florins (£125,000), of which two-thirds is raised by debentures, and one-third is owned capital. The business is prosperous, and it is

*The Society is in many respects comparable with the cotton-ginning mills planned by Indian co-operators.

now proposed to refine the sugar which has hitherto been sold in the crude state to a big Refinery. The members are small men, owning from 7 to 50 acres ; they are loyal to their Society which has freed them from the hand of the private factory owners. The Society's Inspectors supervise the sowing and watch the growth of the crop. Small cash advances are given at 6 per cent. to members for current expenses. An honorarium is paid to the Committee.

The cattle of the Netherlands number approximately 2 millions (about 14½ millions in the Punjab).
 Cattle. There are 3 principal breeds ; the Frisian and the Groningen, found in the northern provinces, and the Meuse type in the east and south-east. Approved animals of the three breeds may be entered in the Netherlands Herdbook, and Frisian cattle in the Frisian Herdbook. These books are maintained by associations which receive subsidies from the State. Herdbooks exist also in the provinces of Groningen and of North Holland, but are not yet officially recognised. There are Cattle-breeding Committees, also receiving State support, in every province.

The co-operative or mutual Societies connected with cattle are of four types : for (1) maintenance of bulls, (2) ' control ' of milch kine, (3) breeding, (4) insurance. Accurate figures cannot be obtained for the first three, since one or all of their objects are frequently pursued by Dairy Societies in addition to dairying proper. Independent Societies for bulls may be 400, and for breeding 200, located in the inland provinces where large areas of land are unsuitable for cultivation. Societies for control, i.e., testing the milk and recording the supply given by each cow, are perhaps 200, of which more than one half are accessory to dairies in Friesland. The bull is kept in a stall, neither the selected bull nor any rival being turned out with the cows if these are in a common pasture : male animals not selected for breeding are castrated. A fee is paid for all cows covered. The tests of ' Control ' Societies are followed by a constant rejection and destruction of unprofitable cows, thus leaving space and money for more valuable animals. The average outturn of milk from the full grown cows of a group of breeding Societies in the western provinces is about 10,000 lbs. per head in 10 months (= a daily average of 17 seers per cow). The butter obtained from the milk of every such cow reached an average of 1 to 1½ lbs. daily for 10 months.

Fifty-five Control and Breeding Societies and 76 Bull Societies are affiliated to the North Brabant Boerenbond ; they are visited and assisted by the Inspectors of the Bond, and encouraged to enter

for competitions at the Agricultural shows. Similar but neutral Unions exist in the provinces of North Holland and South Holland. There is a considerable export of cattle to South Africa, which it should be possible to establish on a co-operative footing.

Horse-breeding Societies exist on the same lines, numbering nearly 150, and various Studbooks are in working: the best known is that for the 'Belgian' draught-horse. The total of horses is 350,000*: they are used for agricultural purposes in preference to oxen in many but not in all districts.

Other stock.

* Horses in the Punjab 400,000.

Similar organisations for sheep, goats, and pigs exist: goats are increasing in importance, and Societies for milk control as well as for breeding have sprung up. The number of goats is 350,000.†

† 3 million in the Punjab.

Mutual insurance of cattle, horses, sheep, goats and pigs is carried on by numerous local associations of a co-operative spirit which for the most part are not combined in Unions and do not reinsure their risks. Cattle insurance associations are about 1,000 with 400,000 cattle, those for horses 600 with 100,000 horses, the great majority being in the Catholic provinces of the South. Societies for insurance of sheep or goats or both are 150, and for pigs slightly less. The figures are in every case only approximate. Insurance of cattle has recently been centralized to some extent by the Vee-risico of Amsterdam, which is creating provincial associations and inviting local Societies to affiliate themselves. The associations admit both individual and Society members and are intended for animals of high value, particularly those in the Herdbooks. Primary Societies insure only up to a limit of 300 florins (= £25 = Rs 300); the excess value is insured by the provincial association directly or through the Society. The Friesland Association collects a premium of 3 per cent., and pays a compensation varying from 50 to 90 per cent., an extra levy is if necessary made on the members. Members must insure all male animals inscribed in the Herdbooks, and if they wish to insure any cows, they must insure all which are approved by the Association. Beasts are admitted from the age of 1 year to 10 years. The small Societies likewise recover a premium fixed in annual meeting, and make a subsequent levy if occasion arises. Their liability is unlimited.

One hundred and thirty-one Societies of cattle insurance, 149 of horses, 17 of pigs, work as 'sections' of the North Brabant

Boerenbond ; some of them form capital by payment of a premium, others compensate their claimants solely by a levy: the latter method would appear to involve inconvenient delays. Defaulters can be expelled from the Bond and will lose their membership of the insurance section. A central body for reinsurance up to 80 per cent. of the risk has been founded in 1920, but is not yet mature. The by-laws are similar to those of Friesland, except that beasts may be admitted from the age of 6 months.

Eleven Mutual or Co-operative Unions for insurance of crops against hail were working in 1918, while two of German origin were under suspension. Over 300,000 acres were insured for a value of 62 million florins (£5,000,000). The Union of the North Brabant Boerenbond was supported by 134 sections and owned a capital of 75,000 florins; the Boerenleenbank however as banker of the fund complains that the value of the institution is not appreciated in the villages.

Insurance against fire, burglary, sickness of employer or employed, and accidents is also conducted by the Boerenbond and by various other mutual associations. Three hundred and eighteen Societies have insured themselves against burglary in the Boerenleenbank.

CHAPTER II—Belgium.

Belgium is a country resembling the Netherlands in many respects: it has a slightly smaller area, 11,400 square miles, but a population of about 8 millions, with a density of 700 persons to the square mile. The people are divided in respect of language, the northern and western provinces speaking Flemish (=Dutch) and the Walloons of the east and south speaking French. Practically all are Catholics. The industrial development is more advanced, but the line between the rural and urban workers is not sharply drawn: a large proportion of the poorer classes who reside permanently in towns have a share in agricultural land in their original homes, while the bulk of the factory employees, especially in the Walloon provinces, are not permanently resident: each village family details one or more of its able-bodied numbers to earn money by several months of urban labour, and thus adds to the insufficient income derived from a tiny farm. Eighty-six per cent. of the agricultural holdings are of less than 25 acres.¹

The origin of co-operation in Belgium is to be sought as much in the teachings of Fourier as in the school of Owen: the self-governing workshop was the early ideal, and though the Socialist movement of the Consumers' Societies has recently followed orthodox English lines, the spirit of independent effort has always provoked the growth of scattered Societies for production, purchase, or miscellaneous services; associations which cannot be classified under the conventional headings and have only too often no lasting vitality. The organisations, in consequence, which survive and occupy a prominent place, are those of which the strength and durability are derived from other than purely economic sources. Dutch orderliness and the unimpassioned reasonableness which have built up the Unions of the northern and central provinces in the Netherlands, centring round the Utrecht Raiffeisen Bank, are replaced in Belgium by an irregularity springing from the spontaneity of the idealist, and unable of itself to produce that united and continuous action which is essential to success. The principal co-operative structures of Belgium must therefore rest on a political or religious basis: in the second line stand a series of minor bodies, comparatively weak and ill-organised, while the ground is strewn with the ruin of Utopian schemes.

¹ Belgium follows the Code Napoleon whereby each son inherits a share, so that repeated partitions occur as in the Punjab. The average holding is about 6 acres.

Statistics covering the entire country are hard to secure : in few cases is there a clear record for the period of the war, and only the largest organisations place reliance on their data for previous years. A report of an official enquiry into non-agricultural Societies of all kinds covering the period from 1873 (the date of the law on Co-operative Societies) to 1908, with addenda to 1910, is the most recent source of information.

The law of 1873 deals with all Commercial Societies, among which the co-operative is classed. The law. A Co-operative Society is merely defined as one of which the members and the capital are variable and of which the shares cannot be transferred to non-members : an obviously inadequate description. A Society must consist of at least 7 persons, and may not be directed to a merely social (*i.e.*, non-economic object, the original by-laws are required to state the minimum of the owned capital and the method of dividing the profits : shares and a dividend of some kind are thus rendered compulsory : a reserve fund is also to be formed. A past member is liable for 5 years for the debts of the Society. The registration and dissolution, which are exempted from stamp-duty and registration fees, should be recorded in a civil court : an annual balance sheet and a list of members are also to be filed ; and members commanding one-fifth of the shares may at any time request a court to hold a special enquiry into the Society's affairs. Penalties, which may amount to 10,000 francs, are imposed on those who (1) unlawfully take part in a meeting of shareholders, (2) collect shares or payments without authority, (3) buy in the shares of a Society on behalf of the managing committee, and (4) distribute unrealized profits. The latter offence may be punished with imprisonment also ; it is not unknown to Indian co-operators.

The more helpful sections of this unsympathetic law are honoured in the breach. It is not the duty of a specified functionary to insist on the filing of balance sheets : they are therefore frequently not filed. Societies perish unknown and no announcement is made. At the same time certain moral or philanthropic Societies which have no real economic object find it simple to avoid the payment of fees by inserting some nominal economic provision. The inclusion of these non-economic Societies as co-operatives is harmless but misleading. Numerous others described as definitely capitalistic are able to bring themselves within the law by a formal compliance with its requirements. It is possible to enrol the necessary 7 co-operators from the family or servants of the master and the distribution of an imaginary

dividend among them presents no difficulties. Meanwhile the name of "co-operative" secures public confidence and certain legal conveniences. Others of the 'capitalist' type are genuinely co-operative in spirit and function, but the members are drawn from the class of middlemen or of small masters. Such associations approximate in effect to Co-partnership : they will be further discussed under that head.

The official report of 1910 states that 1,556 Agricultural Societies of every description were registered between 1873 and 1908, and in the latter year 1,331 of these were found to be alive in the main classes of purchase, dairying, and credit only : there will have been a few others not reported under minor heads. 177 new Societies were registered in 1909 and 1910, but the casualties are not known. During the same period 1,728 Non agricultural Societies were registered, and 783 of these had ceased to exist in 1908. Another 236 were registered in 1909 and 1910. The principal reason for the greater proportion of non-agricultural failures will be the instability of autonomous workers' associations. Taking the new Non-agricultural Societies of 1909-1910 into closer consideration, the Ministry of Labour estimates that 20 per cent. of them were only co-operative in form, *i.e.*, were directed to no economic end, and another 10 per cent. were simply capitalistic. A revision of the law in order to avoid these defects was contemplated at the outbreak of the war, and the question is again to be reconsidered when the country is settled.

The categories included among the 945 Non-agricultural Societies which survived in 1908 are very various : 394 are Consumers' shops of the ordinary type (436 in 1910, 511 in 1913) : 189 are " miscellaneous," the most numerous being cafés, followed by Pigeon-fanciers' Societies ; 84 of capitalist production, 26 of workers' production (co-partners), 29 Labour Societies, 82 of purchase, etc., etc. It follows that the co-ordination and federation of so diversified a movement on the regular lines of English or Dutch co-operation is almost impossible : it may even be undesirable since though unity is strength, uniformity is a burden.

The Consumers' Societies are of three types : the Socialist, the Catholic and that of Government employes which is non-partisan. In 1913 the total number was estimated at 531, of which 271 were Socialist or ' worker ' in spirit ; 241 of these were dealing with the Wholesale Society (Federation of Belgian Co-operative Societies) at Antwerp, but only 103 were formally affiliated. The 271 Societies maintained shops, bakeries and Houses of the People,

Consumers' Societies.

the last being co-operative clubs and places of refreshment used for meetings and for co-operative and socialistic propaganda. Statistics for 1920 were tentatively offered by the 'Office Belge,' the national Socialist Union established in Brussels for propaganda and direction, but the figures cannot be regarded as accurate. According to them the number of Socialist Societies has now been reduced, in compliance with a plan of concentration and absorption advocated by the Union, to about 180 (the Liège Society having swallowed 100 of its neighbours); their total membership may be 250,000, and their turnover at post-war prices possibly 400 millions of francs (£16 millions). The business of the Wholesale will be 42 millions (£1½ millions). The Office Belge proposes to merge all its Societies into 16 regional 'Unions,' the original Societies continuing as 'sections' entirely dependent on their Unions. The scheme has at present only been perfected in Liège, though the great Vooruit Society of Ghent is also spreading its tentacles into the villages. Liège is an important manufacturing centre surrounded by coalfields and inhabited by an industrial and French-speaking population:

Liège Union.

the wide distribution of Consumers' Societies in the Liège province and the magnitude of their business, was the pride of Socialist co-operators. In 1918 was formed the Co-operative Union of Liège, which despite its name is a primary Society: it controls 228 shops in 190 towns or villages lying in all parts of its own province and also within the borders of Limburg, Namur, Brabant, and Luxemburg. The local committees which have been constituted for each section enjoy comparatively little authority and are likely to become apathetic: they are required to send one delegate for every 100 of their members to general meetings at Liège, and are not unnaturally protesting against the expense and the loss of time. A fine of 50 centimes (= 5 annas) may be imposed on a member for absence from local meetings, and a member of a local committee who is absent from 3 consecutive committee meetings ceases to retain his office: it is evident that local indifference is anticipated. The Union would be wise to adopt the practice of the English Wholesale Society and hold simultaneous district meetings, all forming part of the general meeting, the final resolutions of which are ascertained by adding up the total notes of all the districts. The capital of Liège Union is 15 million francs, of which 2 millions are owned and paid up, in addition to various benefit funds. The turnover for 1920 was about 100 million francs (£4 millions). Sales are at the market price as in 90 per cent. of all Belgian Societies, with the exception of a few essential food products, which are sold as near to cost price as possible, and are not reckoned for purposes

of dividend. Sales are made to members and non-members alike. Credit is discouraged and is rarely given : each shopman is personally liable for bad debts : this provision may be unfair to the shopman, in throwing on him the odium of refusal. The great virtue of all such unifications as that of Liège is the economy in business management, and the tendency towards Union is seen in the consumers' movement of every country : there is however a danger of apathy in the sections : interest lapses when authority is withdrawn : co-operation becomes a matter of money-saving only, losing its moral value ; and the control passes into the hands of a *doctrinaire* group, who are enabled to use the entire strength of the institution for political or other purposes.

The Catholic Federation known as La Co-operative Belge was founded in 1919 by 400 Catholic Consumers' Societies : individual members are also being admitted to the Federation in order to increase the capital. The Societies which are affiliated must be of " Christian Labour," and are organised in 70 groups : the arrangements are not fully matured, and the turnover in 1920 was expected to be only 12 million francs : strength will no doubt be acquired as the Societies are brought into line. A controlling Council of not less than one member from each of the 9 Belgian Provinces will be elected. About 20 per cent. of the profits must be carried to the reserve and 5 per cent. interest may be paid on shares. It is noteworthy, as illustrating the divorce between rural and urban co-operation throughout the world, that this organ of Catholic Consumers does not at present consider it possible to enter into direct relations with the agricultural societies under Catholic influence. Its first object, here as in Italy, is to appeal to urban labour, in the hope of taking the wind out of the Socialists' sails.

The Union of Government employees is entitled the Co-operative Federal Society ; it dates from 1888 and is the oldest Co-operative Union in Belgium, the Boerenbond having been created in 1890, and the Federation of Belgian Co-operative Societies in 1900. It includes 50 Societies formed by servants of government or of national and local administrations : the railway staff constitute the largest element, and the total membership of the Societies is about 70,000. The Council of the Federal Society consists of all the managers of the affiliated Societies : this is naturally a cumbrous body, seldom convoked, and the management is in the hands of a Committee of 3 enjoying wide powers. The purchases of the Federal amount to 6 million francs annually : sales are usually at market price and are to members only. Twenty-five per cent.

of the profits passes to the reserve, 4 per cent. interest is paid to capital and 4 per cent. of the profits is also paid as dividend on capital: the remainder is distributed *pro rata* on purchases. The membership includes men of the middle-classes as well as labourers: the Federal is therefore strictly non-political as required by its by-laws, and within its limited sphere it would appear to be a purer and more praiseworthy example of distributive co-operation than any other in the land.

There are a few middle-class *Eigenhulp* Societies resembling those of Holland; they will not affiliate to the Socialist or Catholic Unions, and are not admissible to the Federal. The *Eigenhulp* of Antwerp founded in 1916 draws its members only from persons who belong to the local Syndicate of Commerce and Industry, a professional association of the middle classes; 1,300 out of 4,000 have joined, and the Syndicate controls the Managing Committee. Sales are below market price, and no credit is given. Women were formerly eligible as members, but are refused at present owing to a quarrel with the womens' union. The funds are advanced largely by the Syndicate, which receives an appreciable share of the profits in addition to interest. The Society maintains a shop and a public (non-co-operative) café. It receives savings at 4 and $4\frac{1}{2}$ per cent. and is a useful body. (Class B.)

The 945 classified Societies of 1908 included, in addition to consumers' shops, 69 of credit, 82 of purchase or sale, 72 for insurance or other mutualist objects, 29 of labour, and perhaps 50 of workers' production. The remainder were capitalistic or non-economic. Mention will be made only of the two last categories.

The Societies of co-operative labour, known as 'Nations,' are associations of workers for the loading and unloading of ships in port and the handling of their cargoes. The earliest associations of this nature are heard of in the 13th century, and similar organisations, resembling in some points the Guilds of Craftsmen in medieval England and Italy, existed without legal recognition until the law of 1873 offered an opportunity of incorporation which the majority have accepted. There were, in 191, 27 such associations in the port of Antwerp and 2 in Ghent: they are very remiss in filing their annual papers, and exact figures for the present time are not available, but the 'nations' exist and are active, with about 1,000 members. In common, however, with workers' co-operatives in all countries, they are exposed to the danger of becoming selfish and oligarchic. Non-member wage-earners are employed, and the members of certain 'nations' are little more than petty capitalistic drones.

The same evil of exclusiveness permeates the Societies of workers' production. Of 20 Societies, with a membership of about 2,000, 6 employ 500 workmen, all of whom are members, 11 employ 600 workmen of whom only 460 are members. It is evident that many members are either sympathizers unconnected with the industry, or are carrying on private business of the same nature in competition with their Societies. The industries practised are principally boot-making, public carrying, cloth-making and printing. The café Societies, which are private Societies for exploiting the public, have not been included. The defects in general are due to lack of co-operative supervision and teaching : beginning with an equal enthusiasm, the unfortunate have ceased to work while the prosperous have run after strange gods. A Federation on the lines of the English or Italian Productive Federations would have supported the weak, and moderated or expelled the greedy.

Two examples may be given. The Co-operative Society of Women's Work (*Le Labeur féminin*) in Brussels consists of poor middle class women, producing objects of art and fancy by home-work, and selling through a shop which is financed by philanthropists. The capital is of 50,000 francs, but 600 women hold only one share each of 5 francs ; they are not represented at all on the Board of Management. A dividend is paid on shares of workers only, and there is no bonus on goods supplied and sold. The co-operative constitution is clearly imperfect. (Class C.)

The Builders' Society of Ghent is an association of small master-carpenters founded in 1919 on a basis of co-partnership, with a view to competing with capitalists in large contracts given out by government or individuals. They are favoured by the provincial authorities in the distribution of work. Seventy men have joined the Society out of 100 who are eligible : those who worked for the Germans are excluded. Each member subscribes 1,500 francs as share money, but as only 10 per cent. has been called, the capital paid up is 10,500 francs. A lease of a factory has been taken with the option of ultimate purchase. The members elect one of their number as Director. Salaried workmen are employed in the factory, and are intended to share in the profits ; it would have been better to make them members. Each of the members employs labour in his own workshop, working on his own account and also on tasks assigned to him on common account by the Director. Those undertakings which require large machines are carried out in the well-equipped factory.

The leader of agricultural co-operation in Belgium as in the Netherlands is the Peasants' League or **Boerenbond**, founded in this country in 1890 with its headquarters at Louvain. The position of the Belgian **Boerenbond** is however not identical with that of its Dutch sister. The Catholic peasant of southern Holland finds himself confronted with two potential enemies, the Protestant peasant of the north and the Socialist of the towns. Belgium contains very few non-Catholics, and the opposition of religion and radicalism tends to be identified with that between country and town. The **Boerenbond** of Louvain finds itself the protagonist of the country man, standing here as in southern Holland under the banner of Religion, Family and Property, against the Socialist of the towns, who is often a devout Catholic and a model parent, but is hostile to Property and to those vested interests which he believes Religion and the Family to enjoy under the existing social system. Moreover the higher industrial development of Belgium in comparison with the Netherlands intensifies the evils of urban life ; and although it has been pointed out that many townsmen retain a village home or a rural connection the excitement and the discomfort of crowded cities provoke their inhabitants to violent rather than evolutionary methods of reform. Under these circumstances, the **Boerenbond** becomes a more active political body than in Holland ; and the accidents of origin and development having given it strength almost exclusively in the Flemish provinces, there is a further danger of an unwise, though largely unconscious, support of Flemish feeling against the speakers of French in matters of education and local Government. The Bond of Louvain now covers the five Flemish provinces of Brabant, Antwerp and Limburg, with East and West Flanders : the Bonds of Flanders, existing formerly at Ghent and Roulers, have been absorbed as a consequence of the war. Its constitution and methods are similar to those already described in the Netherlands : the Guild in the villages gives birth to and controls the Credit Society and ' sections ' of purchase ; the Central Bond controls the Guilds. Six hundred and seventy-six men's Guilds with 60,000 members, and 153 of women with over 14,000 members, were affiliated to the Bond in 1919. They are grouped for purposes of discussion in regional Federations. The meeting of a Guild is usually followed by a meeting of its sections or of the Credit or other Society. A society is legally registered as a separate body, a section is not ; their attitude to the Guild, if they came into existence through its agency, is in no way different. Guilds, Credit Societies, Dairies, Purchase Sections, and Insurance Societies are visited and inspected with sympathy and efficiency by

the inspectors and officers of the Bond. Affiliation for purposes of inspection is not compulsory, but few Guilds or Societies are now so imprudent as to neglect the opportunity. The senior inspectors do not confine themselves to audit: their interest is perhaps more general than that of the Dutch Bond, and they give an impression of paternal guidance bordering on authority; the Fleming though slow is not a weak man, and the difference of tone may be ascribed without offence to the more clerical atmosphere of the country.

The Central Credit Bank of the Bond at Louvain was founded in 1895, at the commencement of the credit movement; only 4 rural crédit societies existed in all Belgium in 1894. At the end of 1919 the Bank had a few individual members and 648 affiliated societies, 639 of which were in the 5 Flemish provinces: in those provinces there were 48 not affiliated to the Bank. The 4 French speaking provinces contained 352 Societies of which only 9 were affiliated to Louvain. The total for all Belgium was 1,039. Each Society takes a share of 100 francs with tenfold liability for every credit of 1,000 francs opened in its favour. Ten francs per share is usually paid up. The figures of the 1919 balance sheet showed a working capital of 247 million francs (£10 millions) of which one-seventh of one per cent. was owned and paid up. The great bulk of deposits (210 millions) was held from affiliated Societies. 3 per cent. was paid on shares and the remainder of the profits was carried to the reserve. The continual requisitioning of crops, cattle, and other movables by the enemy during the German occupation, and the impossibility of buying necessary supplies or replacing livestock, brought about a great accumulation of cash in the hands of the peasant: deposits in the Central Bank in 1914 were $15\frac{1}{2}$ million francs, and had risen in 1918 to 209, and in 1919 to 210 millions: loans actually advanced to Societies fell in in the same period from $1\frac{1}{2}$ millions to 1,000,000 francs in 1918, and 930,000 in 1919. Save for 4 months the interest paid on deposits at call, ruled at 3 per cent throughout the war, while business establishments reduced their rates to $1\frac{1}{2}$ and 1 per cent. The Bank is now offering $3\frac{1}{2}$ and 4 per cent. on deposits for 5 and 10 years, and had attracted 62 million francs on these terms in 1919. The deposits at call are reinvested without difficulty and at profit in good securities: the long term funds are available for mortgage loans.

Urban Credit Banks of the Schulze-Delitzsch type are almost unknown: the prevailing model is the Raiffeisen Society with a small area and unlimited liability. The village of Terbanck may be taken as an example. The Boerengild with its purchase section was founded

Central Bank.

Terbanck society.

in 1892 and has now 171 members. The Credit Society followed in 1894 : it has now 103 members with a capital of 365,000 francs (=£17,560=Rs. 1,82,500), of which 357,000 francs are on deposit from 447 persons ; one-third of the total sum is on loan to members, the remainder has been passed on to the Central Bank at 3 per cent., the rate paid also by the Society to the depositor. The reserve is 5,500 francs, and each member holds a share of 2 francs only. Personal sureties are taken on all loans except large mortgage undertakings, which are usually arranged with the Central Bank. Members are free from outside debt, but it has occasionally been necessary to eject those who drink intoxicants to excess ; a small penalty is imposed on members who do not attend general meetings. The Society owes much to the late parish priest who was an enthusiastic co-operator. (Class A.)

The purchase section has 168 members and bought cattle foods, etc., of the value of 1,100,000 francs (£14,600) in 1919 : members may buy elsewhere if they prefer. The Credit Society finances those who cannot pay cash.

The Cattle Insurance Society dates from 1895 : 107 members have insured 492 animals for 209,600 francs (£ 8,360 ; they are bound to insure all their stock, and to pay a monthly premium : the compensation paid for losses is $\frac{2}{3}$ of the value. The Society reinsures with the provincial Reinsurance Society of Brabant, and has itself accumulated a surplus of 12,000 francs.

The Guild maintains similar Societies for insurance of horses and of pigs, and for insurance against fire and accident. There is also a Guild of Women. The co-operative and social needs of this model village would appear to be met at every point.

Special legal provision for mortgage credit is made by two laws. The law of 1884 provided for Agricultural Banks (Comptoirs Agricoles), of which 19 existed in various centres at the time of the official enquiry in 1910. A second enactment of 1894 rendered the funds of the official Savings Bank available for Rural Co-operative Credit Societies through the guarantee of a Central Bank, while the Savings Bank was to relieve the Central Banks of their surplus funds. In addition to Louvain, there were 6 Central Banks, including that of Bruges in West Flanders which was crushed by the war : the 3 most important now remaining are at Liège, Arlon (province of Luxemburg) and Mons (province of Hainaut). The activity of the Arlon Bank and of all co-operation in Luxemburg was suspended during the war.

The 7 Banks had guaranteed in 1910 a number of mortgage loans obtained by primary Societies from the Savings Bank, but the direct mortgage loans made by them without the assistance of the Savings Bank were considerably greater, and in the case of Louvain were 7 times as great. Louvain has now entirely ceased to make use of this facility, and has drawn nothing since 1916. The increase of long term deposits enabled the Bank to give, directly or through the primaries, $1\frac{1}{2}$ million francs on mortgage loans in 1919.

The weakness of Central Banks in the Walloon provinces in comparison with the Boerenbond is remarkable. The population is Catholic and homogeneous, quicker of temperament and more industrialized though not more hard working than the Fleming. Yet whether through lack of coherence or because the pressure of the invader was heavier on the French speaking provinces of the south, these 5 Banks have done little since 1914. The Central Bank of Liège has 42 affiliated Societies and a capital of 900,000 francs, but its total turnover in 1919 did not exceed 500,000 francs. The attendance at the general meeting of 1919 was 12 members: the general meeting of 1920 to pass the accounts of 1919 had not been held in September, nor had a date been fixed. The Director of the Bank, himself a good co-operator, is the sole Inspector.

The Central Bank for Hainaut province is at Mons: it has 100 affiliated Societies, of which 70 continued to work during the war, deposits being sent in to the Bank but no loans drawn. The difficulty of travelling during the enemy occupation precluded all attempts at inspection by the Director.

The dairies in 1910 were 658 in number, of which half were in Luxemburg and Limburg; but many of these were worked by hand-power, and the biggest dairying business was done in Flanders where steam dairies are well distributed. Only 90 dairies in all were affiliated to and inspected by the Boerenbond. The standard of Belgian products in this class is far inferior to that of the Netherlands, since Belgium is an importer of butter and cheese and there is no necessity to consider the foreign market. The control of prices has rendered it almost impossible to carry on dairying during the war: so high were the prices obtained both then and subsequently by private sales which could not be subjected to efficient control, that the peasants refused to supply a co-operative institution which must respect the law.

Institutions of co-operative purchase, of selection and breeding, and of co-operative sale are in most cases created by professional associations under the law of 1898. The ordinary professional association in its agricultural form is similar to a Boerengild with a less marked religious spirit or entirely without religious character. The Boerengilds themselves are from the legal point of view professional agricultural associations. The number of such associations in 1910 was 1,775, of which nearly one half were agricultural associations simple, usually but not always engaging in joint purchase; 660 existed for breeding of cattle and other animals, 170 for birds or bees, 150 for vegetables and fruit. From this it is evident that the number of really co-operative bodies exceeded the total of those registered as such under the law of 1873 : there is no one law which groups, as in India, all forms of co-operative and mutualist organisation.

The Boerenbond on behalf of the Flemish provinces maintains a bureau for purchase at Louvain, known as the Comptoir central, and supplies the purchase sections of its Guilds : it has a branch at Hasselt in Limburg and a dépôt and mill at Antwerp : under control conditions it was only able to deal in fertilizers, dairy instruments and agricultural machinery to the value of 1,300,000 francs (£ 5½ million) Other agricultural Federations of the Walloon provinces have purchase organs, which are separately registered but which have shown little activity of late years.

Co-operative factories in the hands of producers are non-existent : groups of beet-root growers near the French border in Hainaut purchase seed in common and standardize their product for sale.

The breeding Societies of animals were formerly in good order and numerous in Flanders and Brabant ; elsewhere they are negligible. The Government grants subventions for the maintenance of male breeding animals, and a co-operative Society or Section may confine to its own members the use of an animal thus subsidized. The cattle of Belgium are in respect of quality not comparable with those of Holland.

The insurance of livestock is more satisfactorily organised than in the Netherlands and has been the subject of attention on the part of the State. Insurance of cattle against certain eventualities is compulsory in West Flanders, and prevailed for a time in the province of Antwerp : compensation is paid by the State for animals destroyed by its order. The number of Societies insuring

cattle in 1910 was 1,185, of which 908 belonged to 15 regional federations : figures of latter years are as a rule not obtainable. The compensation is awarded on 3 systems—

- (1) full premia are paid, and all losses are charged to the fund so accumulated ;
- (2) smaller premia are paid : if the meat of the deceased animal is not fit for use, the owner is compensated from the fund : if it is fit for eating, it is distributed to the members on payment in proportion to the number of their insured animals ;
- (3) no premia are paid : if the meat is good, it is paid for as above : if it is useless, the members pay to the owner of the dead animal the price which they would have paid for the meat if good.

The first system is the commonest : the third is rare. In all cases the amount of any compensation received from Government is credited to the Society.

The Reinsurance Society for Brabant province dealt in 1919 with 108 Societies having 6,343 members and 11,545 cattle : the figures for 1914 were twice as great but the country has in the meanwhile been deprived of its stock. Twenty-six of these Societies were not in working order, and payments exceeded receipts in those which worked : this however was abnormal. The affiliated Societies pay 3 per thousand of the insured value to the Reinsurance Society which in return meets 30 per cent. of their actual loss after crediting for meat, etc. Most of the Societies pay out 80 per cent. of the value of a lost animal. The Boerenbond is advising them to graduate the premia more fully in proportion to the value of the animals concerned. The tendency to levy only an equal premium shows the low estimation of cattle before the war.

An unusual Society of Insurance exists at Rivière in Namur province, known as the Dinant Society. It extends over half the province and has 100 or more local branches with local Committees, these report casualties to the Central Committee, which decides as to the payment or refusal of compensation. The advantages claimed for this wide area are that no inconvenient pressure is exerted on the local Committee to grant compensation contrary to the by-laws, since they have only to report secretly ; and owing to the distribution of risks lower premia can be charged. The disadvantage is that the Society tends to become centralized, and to depend on the interest of a few leaders ; local Committees having no responsibility become indifferent, and may even be more inclined to partiality than in a local Society. The Dinant

Society has done good work in the past under a public-spirited President: but since his chateau was destroyed, together with most of the Society's papers, in 1914, there have been no subsequent general meetings and no elections to the Committee: the Society is at present operating without a legal foundation. (Class C formerly B.)

From the account given of the forces which guide the urban and the rural movements respectively, it will be clear that the political struggle is between Catholics as such and Socialists as such: it is not denied that a Socialist may be also a good Catholic and a Catholic may be a Christian Socialist, but the criterion of his political allegiance will be his attitude towards property and the social system which enshrines it. Prior to 1894 the antithesis was between Catholic and Liberal, the Socialist party being in its infancy. The Liberals now possess a diminishing power, and the few *Eigenhulp* Societies are lonely landmarks of their old dominion. A new example of their influence is to be found in the *Centrale Sociale* of Brussels, at present a somewhat anomalous and incoherent body which may grow to an unexpected strength. Under the name of the *Oeuvres Sociales* (Social Institute) of Brussels district were united 9 Federations with branches in many communes (83 in 1910) and occupied with the breeding of livestock and the cultivation of vegetables and fruit, and also connected with professional association of townworkers. On its agricultural side the Institute collaborated on friendly terms with the *Louvain Boerenbond*. A reaction took place in 1919 against what was considered to be a narrow and excessively clerical policy, and the *Centrale Sociale Libre du Travail* (Free Social Centre of Labour) was constituted. Critics allege that the split was due to personal jealousies and ambitions: whether this be true or not, a real divergence of sentiment lay beneath. The Social Centre now maintains a bakery, a grocery, a coal store, and a printing establishment; it is also engaged in reviving those of the rural Syndicates which have ceased to operate during the war, and is interesting itself particularly in cattle insurance. The members of the Syndicates which are registered as professional unions but are in methods co-operative, are directly financed by the People's Bank of Horticulturists, an institution registered as a co-operative in 1913 and resembling in many features a *Schulze-Delitzsch* Bank. Any person may become a member but preference in loans is given to members of the Syndicates. The profits, after deducting a small reserve, are distributed as a dividend on shares. The Bank pays higher interest on deposits than the Central Bank of Louvain and acts in rivalry with it in the villages.

The Social Centre has also a Union for sale of vegetables but at present the excess of demand over supply of vegetables has drawn many members from their allegiance. A newspaper (The Farmer and Gardener) is published on their behalf

Prominence has been given to the Social Centre, in itself a small institution, because its example may indicate a new direction of social and co-operative advance. The Centre claims to be non-political and undenominational, to be seeking only the advantage of the peasant and the artisan. Its officials at headquarters advocate an improvement of popular education, a dissemination of economic and professional knowledge by lectures and social courses, and a search for remedies through patient study rather than by noisy advertisement. If these claims represent their practice—and there is no reason yet to doubt it—the success of the Centre is to be desired. It is proposed to build up a liberal organisation on an identical basis in all provinces, and to federate them into a national union. There may spring from it—despite its shudder at the thought of politics—a genuine Farmers and Artisans Party, preoccupied with the development of Belgium on economic lines, and ignoring both the quack remedies of the agitator and the red herrings of the Ultramontane.

There remains to be considered a category of co-operative Reconstruction Societies which are both suggestive of great possibilities and instructive as a warning. The communes in which land and buildings had been damaged by the German invader were held to be too numerous and too weak to repair themselves without State aid. The members of the communal Councils were in many cases dead or scattered; the recruitment of an army of officials would add to the burden of national debt. It was resolved to work through Co-operative Societies, and it was declared that compensation for war losses would be awarded only through such Societies. In September 1920 about 300 Societies had been accepted by the Federation of Co-operatives housed in the office of War Losses in the Ministry of the Interior. Exact figures are available only for July 31, 1920, showing 186 Societies and nearly 11,000 demands for loans. Two-thirds of these had been admitted by the Federation, for over 90 millions of francs, and more than half of this sum had been advanced. Arrears were being overtaken in August and September. A claimant whose property has been damaged files a statement and a claim in a local civil tribunal; the methods of the law being slow, he addresses himself also to the Committee of the Co-operative Reconstruction Society who forward his application with their opinion to the Federation; the

latter grant a credit not exceeding 70 per cent. of the sum for which the claim is passed, and forward it to the office of the War Losses. The Federation itself orders an advance from time to time to be made to the applicant as the work of reconstruction progresses. A Royal Commissioner in every district affected remains in consultation with the local Societies and sanctions their proceedings.

The merits of such a scheme, efficiently carried out and duly decentralized, are manifest : local knowledge, an expert central office, and the wealth of the State are united for a common end ; and there are instances of encouraging success. The Ostend Co-operative Reconstruction Society in September 1920 had received 750 claims and admitted 500 or more : loans of $9\frac{1}{2}$ million francs had been sanctioned, and $6\frac{1}{2}$ millions paid. The town was in order and prosperous, 6 millions of francs had also been advanced by the Commune to those who were ready to build before the Society was well in train. The Committee of the local Society met frequently and verified claims. An active architect and diligent Secretary allowed no procrastination. But the system itself gives no local control over the funds which are entirely administered from headquarters ; and the responsibility and loss in case of misuse of funds will fall on the State. This Society was successful because Ostend is a fashionable watering place ; if its beauties were not restored early in the summer, every resident together with the communes and the State would suffer direct and immediate loss, which could not be recouped until the next visitors' season. The Co-operative Society rested on a basis of common interest, and the lack of responsibility for the funds was made good by the urgency of rebuilding before the summer. The Committee, officers, and members consequently did real work, and the Commune, elected principally by those who composed the Society, and anxious for its own income, enjoyed sufficient public support to justify a loan.

The town of Dinant was destroyed in the same degree as Ostend. In September 1920 the Dinant Co-operative Reconstruction Society had received 750 claims and admitted 500 for nearly 7 million francs : $3\frac{3}{4}$ millions had been drawn, and the total of houses fully rebuilt in the town was believed to be two : a few others were in progress.

The Committee met nominally or not at all ; the Secretary of the Society blamed the Royal Commissioner : the Commissioner was ironical on the subject of the Society's staff. The plan of re-alignment of streets had been indefinitely delayed in the communal council, in the Federation at Brussels, or in the Ministry. All the evils of over-centralisation and local apathy were present,

and inquiries tended to show that such a situation was more common than that of Ostend. The differentia of a co-operative society among other social organisms is its independence: the members must stand to lose their own wealth by a failure and they must be empowered to use their own judgment as to the time of action. The desire of the Belgian State and nation to remove all traces of foreign aggression was natural and good; but if it was to be done at once and wholesale under official control the Societies should not have been described as co-operative. From the strictly economic point of view, most of them were premature: the high prices ruling for labour and raw materials rendered the grant of funds illusory: the reconstruction was therefore deferred by the claimants, and the Committees and Commissioners could not force them to carry out works at a loss. Only the stimulus of immediate economic necessity in large towns or watering places could induce them to overcome official delays, and pay scarcity prices. A number of new co-operative societies for reconstruction were founded in Flanders by the Boerenbond: using discrimination in recommending advances to be made by the Federation, and exercising a control over the money, they have attained splendid results. The members of these Societies were elected in general meeting and were liable in common for their debts: in a Reconstruction Society of the ordinary officialized type there was no joint liability.

The moral must be pointed at the risk of repetition. Co-operators prematurely enjoying State funds are robbed of that sense of self dependence and of that incentive to mutual control which are of the essence of co-operation. They are apt to feel themselves entangled in the meshes of an official net which they can neither cut nor unloose. If the State finances a co-operative body at all, such a body should be created only by its members' wish, it should select its own members, and should receive a State advance only if and when they desire it. The advance when given should be transferred in a lump sum: if the co-operators have the true spirit, they need no later interference unless they fall into arrears in repayment: and the money must be at the charge of the Society as such, not of the members individually.

The outstanding features of co-operation in Holland and in Belgium may be summed up as follows:
 Belgium and Holland the two countries are similar in 6 points:—

- (1) co-operation is of recent growth;
- (2) the Schulze-Delitzsch form of urban credit has not taken root: Raiffeisen credit prevails;
- (3) the organisation of co-operative Federations is good;

- (4) the co-operative consumer and producer do not trade with one other on a large scale ;
- (5) the purchase of fertilizers and agricultural requirements is important ;
- (6) religious and political considerations affect many co-operative bodies.

Four points of difference should be noted : —

- (1) Holland is an agricultural country, exporting food-stuffs : Belgium is to a greater extent industrial and imports food ;
- (2) consequently the Dutch State is the more active in support of agriculture and of rural co-operation ;
- (3) the highest co-operative organisations in Holland are often undenominational and confined to a single branch of co-operation . they are of a national type : in Belgium they are generally confined to one or more provinces, and are all religious or political, frequently combining several branches of co-operation ;
- (4) Catholics in Holland fight a triangular battle against religious Protestants and political Socialists : in Belgium they have only the political enemy, but the chief religious body which is concerned with rural co-operation has a slight tendency to side with Flemings against Walloons.

CHAPTER III.—Italy.

THE peculiarities of cooperation in Italy spring from the physical nature of the country and are also an inheritance from her chequered history.

Features of Italy

Rugged and mountainous, she includes within her borders no less than 24 per cent. of unproductive soil: other large tracts have until recently been pestilent with fever, and still wider areas have been rendered infertile by the negligence of the landlord and the attention of the goat. The average size of land holdings (about 5 acres of cultivated area) is almost identical with that of Belgium or Holland, though varying from province to province, but the difficulty of communications and the lack of business organisation diminish the return to the producer. Disunited until 1861 or later, the various regions depended for development and good government on the policy of a reactionary or impecunious ruler. The livestock, though improved in the last 50 years, are insufficient for the country's full needs, yet sometimes superfluous in view of their quality: the average of horned cattle is .09 to the acre; the milk outturn of dairy cows and the fat content of dairy milk are 60 per cent. of the average found in dairies of Northern Holland. An exceptional phenomenon in particular is the recurring dearth of employment among agricultural labourers, which has given rise to the flow of emigration, permanent or seasonal, and amounting in some years to 500 000 adults, to North America, South America and Central Europe. With a post-war area of about 120,000 square miles, and a density of population probably not exceeding 333 per square mile, (700 in Belgium), Italy nevertheless is on the balance of trade an importer of cereals, and a large proportion of her peasantry would envy the diet and raiment of an ordinary Panjabi cultivator. For the worker in the great towns of North Italy, life was rendered expensive by the taxation and the tariff imposed to foster young and growing industries and to realize the dreams of Irredentism and of colonial expansion. Illiterate and comparatively inefficient until recent years, the factory population sought a remedy for their distress in outbreaks of violence rather than in a class or craft Union of which the tradition had been lost or in legislation which the new kingdom could not immediately render effective.

In these conditions of penury and disorganisation is to be sought the origin of the three characteristics of Italian cooperation. Until the pressure of the war led to a policy of unification, it was provincial and incoherent. It also represents not only, as in England, a struggle of the artisan against the manufacturer and the shop-keeper, but

Characteristics of co-operation.

still more notably a determination of the labourer to free himself from dependence upon the contractor or the land owner for his livelihood. Finally, assistance has been freely given by the State, the savings of the poor being inadequate for the great aims which they held in view.

The provincialism is becoming less marked. All forms of Provincialism and dis- Socialist co-operation have now their joint union. office in Rome, and though the business administration remains in Milan, the opportunity and necessity of dealing with government and with legislators are shifting the balance of power to the new centre. The Catholics similarly have set up their Confederation in the capital, transferring thither their agricultural office from Bergamo, and creating a new Bank of labour and co-operation in addition to their Italian Banking Federation. The new Co-operative Syndicate of the Liberals is in Rome, where the Central Bank of the neutral Credit Societies has also been established since 1907. The National Institute of Credit for Co-operation, set up under official auspices in 1913, is also at headquarters and operates in all parts of the kingdom, though the special duties imposed on the Banks of Naples and of Sicily secure their predominant interest in the South. With the creation of central organs to direct the movement and to bring into mutual relationship those who in remote districts are working on identical principles, there will be introduced a certain degree of uniformity; uniformity, except in the shape of political negatives, has been alien to Italy for 1,500 years, and there is no likelihood of a centralisation which will prove excessive. The accident of growth has located the national Federation of Socialist Co-operative farms at Bologna in the Emilia, where such farms have been most successfully established; but closer relations with the provincial Federations of Socialist farms in Sicily and their extension in South Italy and Latium will eventually draw the national body to Rome. The Federation of agricultural purchase associations is also out of place in the small country town of Piacenza.

The erection of a governing federation does not, however, suffice to produce order. Relying upon financial support from communal or provincial powers, influenced by self-seeking persons, or merely suspicious—and not yet always without reason—of strange compatriots from over the sea or beyond the mountains, who may undervalue or fail to comprehend the qualities of local co-operation, many Societies stand entirely by themselves, with meagre capital and a petty business: they compete and overlap, and know nothing of inspection and little of accounts. They are not infrequently the nominal adherents of a federation which jacks the power to inspire or the courage to close them. A

tightening of control with a view to the fusion, reform or abolition of such co-operatives will be a prime duty of the new central authorities.

The second feature, the tendency of the industrial and agricultural labourer to combine for the purpose of enterprises normally left to the specialized owner of brains and capital, is being daily accentuated, and is a noteworthy aspect of Italian life, suggesting a solution of many economic problems. Sporadic examples of association existed in classical and medieval times and Mutualist Societies of workmen date from 1850: the credit movement in the form of People's Banks comparable to the Schulze Delitzsch Banks of Germany was introduced in 1865, in which year also the earliest associations of workmen producers sprang up. The rural credit Society and the formal Labour Society appeared in 1883, the latter turning its attention to agriculture in 1886. Legislation favouring Labour Societies in respect of public contracts was carried through in 1889, but Agricultural Societies were not specifically granted the same privileges until 1904. It is for this reason, and also because the unskilled worker of Italy resorts indifferently to all kinds of manual labour, that societies intended solely for co-operative leasing were rare or shortlived before 1900: previous leases had nearly always been assumed by Labour Societies or rural Banks. Owing to the incompleteness of organisation the achievement of statistics in Italy is unusual, and the request for them is unpopular: an attempt will be made later to illustrate with figures the size of this democratic movement. Meanwhile it may be said that the advance in both branches of co-operation during and after the war has been very great, collective leasing and farming have proved definitely successful in increasing the agricultural product and satisfying the cultivator, and co-operative labour bids fair to be in a few years the only possible agency for carrying out any but the very largest and most technical works. It is matter for argument whether there are limits to the expansion of the agency, and at what point such limits lie; but it will be evident to any competent observer that if the class of 'contractor' is so far reduced as to be almost non-existent, if all public and private works can only be carried out by Labour Societies because no alternative remains, and above all if collective labour advances slowly but courageously along a path lined with its own failures towards the operation of great industries, then a new age in the world is approaching; an age which will no doubt bring its own evils and problems, but in which the inequity and the wastefulness of modern capitalism may be removed, and the worker may be busy and happy in a

labour which today he resents as a burden. If Italy is leading the world on this, path, then Italy has answered Russia. It must be added, as every co-operator insistently repeats, that for co-operative growth is needed Education and again more Education : not technical but liberal, not of a class but of the nation and of every nation.

Collective agriculture is recent and its future is less plain. It is full of possibilities, but the limitations of the small holder in respect of progress on the one hand, and the dangers of massing together a class of landless labourers on the other, have not been clearly ascertained.

The labourer without capital in a poor and ill-organized land required assistance from the State, which was given in the prudent form of legislative favour and fiscal relief rather than by direct subsidy. The provisions of the law of 1883 may be briefly stated. A Co-operative

State aid.

(1) Legal.

Society, as in Belgium, is one of which the capital and membership are variable, and of which the shares cannot be transferred to non-members without permission. The members must be 9 or more. The formation of a share capital is not compulsory, but if shares exist they may not exceed 100 lire each (£ 4). The payment of a dividend is also optional. Liability may be limited or unlimited. A Society on creation must be registered in a Civil Court, and if it has a share capital, its annual statements must be published : this last provision is neglected by many of the less efficient co-operatives. Further, the fees of registration and stamp duties are remitted or reduced on documents concerning the business of the Society. Labour or Agricultural Societies are exempted from such fees and duties for the first ten years of their existence, if their capital is less than 20,000 lire (£ 1,200). Unions of such Societies are given similar facilities. Particular favour is shown by later laws and decrees to such Societies when applying for or executing contracts on behalf of the State or other local authorities, private negotiations being allowed in place of public tender, and the deposit of security being permitted in easy instalments or waived altogether. Provincial and communal lands and the estates of religious bodies under public control are to be leased by preference to associations of labourers. A central commission of co-operators and officials in Rome, and similar commissions in the provinces, inspect the working and accounts of Societies which register their names for public contracts, in order to assure the authorities of their co-operative character and financial stability.

Regional legislation has been passed to promote agricultural co-operation for the various provinces in Central and South Italy, and also for the islands of Sicily and Sardinia, providing for the grant of agricultural credit to co-operative and quasi-co-operative associations either through Banks specially created or through the Banks of Naples and of Sicily. The activity of the Bank of Sicily will be discussed later. These Banks enjoy the support of the State and many financial privileges, in return for which they are required to promote the economic life of agricultural co-operatives in the national interest. They receive no direct subsidy from the State for this object.

The National Institute of Credit for Co-operation, however, stands on a different footing. The Institute was created by Decree in 1913 and has its headquarters in Rome with numerous branches in the principal towns of the Kingdom. It must be distinguished from the independent Institute of Credit for Co-operative Societies, existing in Milan since 1904. The National Institute is intended to be the National Cooperative Credit Bank and is inspected and in some important respects is directed by the government. Its capital of 20 millions of lire contributed by the Milan Institute of Credit and other large co-operative or non-co-operative establishments was increased in 1919 and 1920 by loans at interest given by the State to the Institute for a term of years, in order to promote Consumer's Societies, Building Societies, Industrial Producers' Societies and Agricultural Societies. The total of these advances is 130 millions of lire (over £ 5 million), and represents four-fifths of the funds of the Institute. It is evident that the Italian Government, owing to the peculiar nature of Italian co-operation and the social and economic crisis resulting from the war, has definitely allied itself with the co-operators, and relies apparently more than any other government on the national strength which a free co-operative organisation may build up. Direct financial aid, except in the earliest stages before public confidence has been acquired, has not elsewhere been found necessary or desirable, though it has been thrust forward in certain cases against the judgment of co-operators. The Italian Government is not however, actuated by a desire to control a dangerous spirit of freedom: the co-operator is welcomed as a patriot and wise helper, and the State aid in the hands of the Institute is hampered by no petty interference or partisan conditions.

In addition to these three characteristics which distinguish Italian co-operation from that of other lands, there are religious and political factors

Religion and politics.

analogous to those of Belgium, which intrude in the domain of social economics. Italy is overwhelmingly Catholic, but the seizure of the estates of the Church in Central Italy in 1861 and the capture of Rome in 1871 by the forces of the Kingdom placed the Liberals of the new order beyond the pale, and rendered those whose devotion to Church interests exceeded their national patriotism the enemies of the royal government. So long as the ecclesiastical power overlooked the value of co-operation, no trouble in this field arose: the Schulze Delitzsch Banks of Germany were adapted in 1865-70 to Italian taste by Luzzatti, and soon acquired a commercial sense and magnitude, which rendered their free position impregnable. The Raiffeisen Banks were introduced by Wollemborg in 1883 and promised to develop on non-sectarian German lines. But in the meantime political Radicalism in Italy was on the increase: efforts towards a reconciliation with the Papacy in 1887 were unsuccessful and left the situation more embittered than before. The Diocesan

(1) Catholics.

Committees established by the Church in 1883 to promote the social and economic welfare of the country were extending their influence; and the meaning of co-operation to an impoverished people had been realized by many sincere ecclesiastics. The towns of the North were Radical, if not Socialist: the People's Banks lay in these towns, and depending more and more on a town connection could not be brought under denominational control: but the rural Banks of Wollemborg afforded an opportunity for genuinely good work "within the Church." Rural Societies of credit and other agricultural types were encouraged through the Diocesan Committees and now probably exceed those of other persuasions; it was not inconceivable that rural co-operation might pass quietly and without hostility, as in Belgium, into the hands of a national Church. The Papacy, however, was in Italy not national, and though there was neither a religious schism as in Holland nor a racial distinction as in Belgium to break up the unity of co-operation a minority of neutral Wollemborg Societies rejected the advances of the Catholics, and others continue to be founded though in decreasing number, on a neutral basis.

(2) Socialists.

The Socialist party was born in 1893; its strength is principally in the North, and in the four towns of Turin, Milan, Florence and Rome, to which Trieste must now be added. The Socialism of Italy is national, fervent and patriotic; not merely of the towns against the country, nor of a class against all other classes. Intellectually the Societies have the brains of the nation; politically they are almost unique in possessing a constructive programme and in advocating it with candour and enthusiasm. They are found

in the village shops and on the land, in the laboratory and in the school. Their proposals may be mistaken but do not lack courage; their proceedings are often disconcerting and drastic. From the time of their appearance the Catholics have been stimulated to greater exertions both on urban and rural ground. The Consumers' movement in Italy resting on principles different in some respects from those of Rochdale, had gained a footing in many independent parts of the country, and the Society of workers' production has a natural origin in the home of the medieval Guilds. Co-operatives of consumers and of working producers rose and fell uncounted until in 1886 the National League of Co-operative Societies was formed in Milan, a non-

National League.

partisan and neutral Federation under Liberal auspices co-ordinating these two types: Labour Societies for contract work and Farming Societies were at the time negligible. Catholic Consumers' Societies were scanty before 1890 and their organisation did not aspire above the provincial level until the last years of the war. Labour Societies of Catholic tendency also grew up about 1890 and their appearance was followed by the first lease of a farm by a Catholic Farming Society in north Lombardy in 1894. Meanwhile the non-Catholic Societies of labour or farming were fostering a more conspicuously Socialistic temper than those of Consumers or of Workers' Production; and the affiliation of these new types to the National League, together with the permeation of Socialist sympathies throughout the labourer class, led finally to a split in the League in 1920, when the majority of the delegates in annual Congress passed resolutions which allied them definitely with the Socialist party. Thereupon a

(3) Liberals.

group of dissentient Societies, principally in the provinces of Venetia Ravenna and Tuscany, founded in 1920 the National Syndicate of Co-operative

National Syndicate.

Societies, containing a large proportion of Societies of Working Producers, many of the members of which profess themselves Republicans without disloyalty to the Monarchy. In October 1920 the Syndicate entered into a somewhat dramatic alliance with the Federation of Ex-soldiers' Co-operative Societies, securing an enormous accession of strength and numbers which it has yet to render permanent. No intimacy exists between the Syndicate and the neutral Credit Banks, or between the People's Banks and the League. All branches of Catholic co-operation, rural Banks included, were united in a Catholic Confederation at Rome in

Catholic Confederation.

1919. The rival organisations are engaged in a triangular war as in Holland, though fought on a different plain and with a greater intensity of feeling.

A census of Co-operative Societies in Italy was attempted by the Ministry of Agriculture, Industry and Commerce in 1910, and gave a total of slightly over 5,000. Credit Societies and Insurance of all kinds are classed as independent types by many European authorities, and are held to be analogous to co operation but not intrinsically co-operative. The total given above apparently did not include them. The number existing in 1915 was estimated by the National League at 7,250, with a membership of 1 million persons; the League itself in September 1920 claimed 3,700 of Consumers and Labour; the addition of Agricultural, (*i.e.* Farming) Societies will bring the figure to nearly 4,000. The People's Banks, the largely urban Banks of limited liability without party connection, may be 800. The National Syndicate has reduced the membership of the League, and together with the ex-soldiers claims 3,000 Societies. There are also 400 neutral rural Banks. The Catholics profess to have 6,000 Societies including 2,500 of Credit. There are also certainly a number of small Societies, estimated at 1,000, which are not federated to any central organization. There are in addition the Insurance Societies, of life, fire, accident, and livestock, the co-operative quality of which varies over a wide range. The total of Societies including Credit and Insurance may be placed without confidence at 15,000;* the figures above given indicate that the League's guess of 10,000 is too low. Societies of Consumption, Labour, Farming and Buildings are being daily created in astonishing multitudes, especially by or for ex-soldiers; some will no doubt be ephemeral. The bond uniting many of the Societies, old and new, to their provincial federations, and the latter to the national federations, is loose; there is great diversity of practice, rendering a generalisation highly dangerous; organizers and secretaries are genial, but may describe the ideal rather than the actual state of affairs and post-war communications by train and letter are unavoidably slow and erratic. Much must therefore be omitted. It is impossible to present an ordered picture of Italian co-operation: the men and the movement are full of fire and zeal, but without the solidity which accepts model by-laws and persists in obeying a rule. Weighty decisions may be announced on the spur of the moment, and an innocent question or suggestion by a stranger may excite in the office of a National Federation a delirious hubbub of argument, in which all from the office boy to the President take part on a democratic footing: the conclusion will be excellent and apparently unanimous.

*The post-war number of communes is less than 9,000. Villages in the Punjab 25,701; Societies in the Punjab about 9,000.

The primary Societies of Consumers need little treatment in detail. The rivalry of Socialists, Liberals and Catholics induces a lamentable duplication of effort in every province and district: petty shops stand side by side, spoiling each other's business and wasting their members' money. Apart from denominational jealousies, there are often superabundant shops of the same 'colour' only waiting for fusion, a process urgently demanded in Italian towns. Goods are sold ordinarily at a price lower than the market, though the League recommends the Rochdale rule of market price: interest on shares is in many cases legally limited to 5 per cent. Sales are made to non-members except in certain classes of Society, *e.g.*, wine-makers who wish to avoid paying for a license to vend, Societies of State Employees, and Societies in an office or workshop. Credit or other Societies may carry on the business of distributive shop-keeping as an outlet for their surplus energy: the collective farming Society of Medicina was found to be conducting both a shop and a wine-cellar, all profits of which pass to the agricultural balance sheet. The confusion of rivalry was aggravated during the war by the action of the State in setting up Consumers' Unions (*Enti Autonomi di Consumo*) of a quasi-co-operative nature for purposes of distributing food-stuffs and necessities under communal control: these offices, which are intended to be only temporary during the period of stress, were over 200 in number in 1920, and had attained large dimensions in the greater cities: the *Ente Autonomo* of Florence did 140 millions lire of business and that of Milan nearly 100 millions (£ 5½ and 4 million). The relations between *Enti* and Co-operative Societies are good, the State employing both channels of distribution impartially, and in all probability many *Enti* will be converted into co-operatives on the conclusion of their legal term.

The Wholesale Society in Milan known as the Italian Union-Consumers' Wholesale Society and Federation. (*Consorzio*) of Consumers' Co-operative Societies functions as the Federation; this curious arrangement was observed also in Belgium, but the Italian National League being superior to the Consumers' Wholesale is the seat of authority and the director of policy, whereas in Belgium the Office Belge held an anomalous position of subordination to the Consumers' Wholesale. The *Consorzio*, founded in 1904, recently extended its scope to embrace the semi-co-operative *Enti Autonomi*, but its business has been much reduced in the last two years, partly through the distribution of goods by the State and partly through the creation of a National Institute of Production and Distribution in 1919 at Bologna, the duties of which are

identical with those of the Consorzio. The Institute by favour of the State enjoys the free use of important buildings and has establishments for canning, milling, baking, etc. Its existence as a redundant organ is eminently Italian, its success may be attributed either to a political reaction against the supporters of the Consorzio or to a tide of local enthusiasm in Bologna. The Consorzio acting as a National Federation of Consumers' Societies (of Socialist sympathy) has organized 33 regional Federations: the Catholics have also their National Consorzio at Genoa with a similar substructure: the Liberals of the National Syndicate have not yet developed a special Wholesale.

The Consumers of the League are for the most part financed by the National Institute of Credit for Co-operation, which assesses their credit and inspects their proceedings through its branch offices and its inspectors; there is no official inspection of Consumers' Societies. The National League and the Catholic Confederation have also their inspectors: the Syndicate will no doubt appoint its own also. 5,370 Societies of all kinds dealt with the Institute of Credit in 1919, of which more than half were Societies of consumers. Since the Catholics who never lack funds in any country, depend on their own Bank of Labour and Banking Federation, the Institute of Credit naturally falls or is accused of falling, under Socialist influences; the Liberals complain that demands by their Societies are rejected for insufficient reasons, and that they are not given representation on joint committees; the Syndicate is in consequence projecting a Federal Bank of Labour of its own at Milan. The Milan Institute for Co-operative Societies also finances the Socialists. The People's Banks have pursued an independent policy, assisting primary Societies which satisfied their requirements, but refusing to be drawn into any association with secondary institutions.

The only possible comment is that the waste of effort is enormous.

It has been explained that the rural Credit Banks are now predominantly Catholic. The undenominational banks are grouped in regional federations, some but not all of which adhere to the Federation of Italian Rural Banks in Rome. The Federation has its own Bank and a service of inspection; the latter is inadequate, and as was observed in the weaker Walloon Federations of Belgium, it ceased to function during the war. A recent demand for statistics from the 400 Societies composing the Federation elicited replies from 100 only. Societies in the smaller villages are invited to undertake the purchase of agricultural and even of domestic requirements; in some

Rural Credit Societies.

instances their hardihood extends to opening a shop. The organisation of these neutrals is lax, but their co-operative spirit is good, and there is no reason why they should not progress on the lines of the Utrecht Raiffeisen Bank. The Catholics have a Central Credit Bank in Rome, a Federation from 1914, and 40 or more regional Federations : their inspection is efficient and their loyalty strong.

The Sicilian Federation of Co-operative Societies with headquarters at Girgenti has grown from a local Federation which sprang up in 1907 ; the affiliated Societies are undenominational, and the majority are in the province of Girgenti : the Federation is extending its membership in other parts of Sicily where owing to the backwardness of the people and archaic jealousies no neutral Unions have been successfully formed. The Catholics have also a Diocesan Federation at Girgenti and similar but less powerful Federations in Palermo and other Sicilian dioceses. Credit bodies of some description whether registered primarily for credit or adding this subsidiary function to those of farming, purchasing manures or taking contracts for public works, are found in half the communes of the island, and all, together with others which confine themselves to a single duty, are eligible for membership of the Federations. These bodies are in this respect somewhat peculiar and may be compared with those Indian Unions which admit Societies of Workers' Production or of Consumption beside others of rural Credit and purchase : the combination of diverse interests, while complicating the agenda of meetings and the accounts, and also impeding the employment of technical experts, will tend to a broad view, a sense of national unity and independence, and in financial matters a more even use of funds. By no means all societies even in Sicily are federated : the Socialists have groups of farms in the western extremity of the island and elsewhere while scattered units of every complexion flourish or struggle in a misguided isolation. The Catholics try to inflate a prosperous Credit Society in each diocese to the capacity of a secondary Bank which will finance its weaker brethren, and are content with the policy : it is however a matter of experience that Banks dealing with individual members and Society members can seldom meet the real needs of both unless there is excessive interference by outside authority in their management. The organised Catholics nevertheless always prefer to stand alone. The other co-operatives and some independent Catholic Societies are financed by the Bank of Sicily under a special law of 1906 which created a rural credit section of the Bank. This

Sicilian Credit.

Bank of Sicily.

Section has in 1920 been converted into a separate institution. The number of co-operatives in Sicily is unknown; it may be 450 or 500. The Bank of Sicily in 1919 gave credit to 287, of which four-fifths were of unlimited liability; 60 of these were in the province of Girgenti, where the total of Societies was 90. From this it will be clear that a State Bank does not feel itself embarrassed by the necessity of operating many small accounts; the Bank's inspectors visit the Societies and friendly relations prevail. The loans are made for a period varying from 1 to 3 years, and are for agricultural purposes only: they are sometimes secured by a lien on the produce of members who are selling in bulk through their local Societies and who require an advance in anticipation of sale.

The Bank of S. Giacomo in Palermo may serve as an example of a Catholic Credit Society. The S. Giacomo Society. shares are of 25 lire (£1) and the liability is unlimited, though, as often in Italy, the latter point is not specifically mentioned in the by-laws. The Bank lends to individuals and Societies; security may be real or personal, and the by-laws do not state that security must always be taken. Proxies are not allowed. A meeting postponed for lack of a quorum may be held on the next day without a quorum; a dangerous liberty observed already in Holland. The amount carried annually to the reserve is reduced when the reserve is equal to the share capital.

Substantial sums are paid to the President and the Committee, and on the liquidation of the Society half the reserve is to be distributed among the members in proportion to their share-holding: a co-operator will realize the viciousness of this last by-law.

Small differences are everywhere to be observed throughout Italy. In some Societies non-members are accepted as sureties; others allow proxies. One will fine members for absence from a general meeting: another ejects from the Committee a person who does not regularly attend to his duties. Often but not always the sanction of the Supervising Committee is required before loans may be given to a member of the Board of Management: a rule which might justify the introduction in India of this otherwise ornamental Committee. If a society stands by itself it will occasionally borrow from a Joint Stock Bank on the personal security of its managing members: the progress of federation will obviate this necessity. The outstanding character of rural Societies in Italy is their variety; they may be engaged in credit, purchase, sale, wine-making, farming, leasing of machinery, and shop-keeping, and any or all

of them simultaneously or in a fanciful succession : and such is the adaptability and keenness of the Italian that the Societies are for the most part doing valuable though not perfect work. As in a Credit Society the lender or depositor is secured by the certainty that not all the borrowers will be recusant at one time, so the permanence of every Italian Society is guaranteed by the probability that some member at any moment will be full of enthusiasm : he may be a different member from the enthusiast of last harvest.

Finally it should be noted that though the Catholic leaders deny that persons who are not regular in respect of certain religious observances are expelled from their Societies they have not convinced or silenced all their critics on this point. A stranger can offer no opinion.

The Societies falling under the head of Production and Labour range from the smallest Copartner workshop to a metallurgical industry owning dockyards and arsenals or a mining syndicate enjoying a national monopoly. The origin of the Labour Societies has been described ; the Copartner workshops were seen in Belgium and Holland ; but whereas these two types are elsewhere discrete and clearly defined, in Italy there is no boundary ; the small group of craftsmen in a shop and the gang of navvies who undertake enterprises of increasing skill and grandeur pass gradually into the technical co-operative industry employing its own experts, craftsmen, directors, and thousands of unskilled hands. In another direction the same labourer turns to land reclamation and to agriculture : the group of small farmers who sell their fruit in common, and the unemployed landless peasants who rent a meagre holding, build up a provincial Federation which directly or through a circle of Societies buys, rents, and farms several thousands of acres under joint or divided management.

On the urban and industrial side, the small Copartner Society of workmen may be studied in the Venetian Furniture-makers. (Officine Artistiche Veneziane) of Venice : there are 60 working employees, of whom 19 are non-members (including probationers who have applied for membership). The Society was founded only in 1919, and has at present a share capital of 1,500 lire, as well as an advance of 50,000 lire (£ 3,300) from the Ministry of Reconstruction (Terre Liberate), intended for the purchase of raw material and the support of labour during the execution of contracts. The turnover in 1919 was 600,000 lire (£ 24,000). The products are (1) good Venetian fur-

niture of old types ; the Society also makes " old " and worm eaten articles, as to the morality of which the Manager's defence was unconvincing, and 2) ordinary modern furniture for supply to Government, Co-operatives, or individuals in the devastated zone. The members have entire control over their Manager and the Society : the liability is limited, yet their reputation has sufficed to obtain for them a credit, hitherto unused, of 120,000 lire (£ 5,000) in the National Institute of Credit. The furniture makers have formed with the lace-makers and other Co-operatives of Venice a Copartner Syndicate (Sindacato Co-operativa delle Industrie Veneziane) which supervises their work and advises them without power of compulsion ; it is hoped to bring together 20 or more local Societies producing objects characteristic of Venetian arts. The Syndicate, which is professedly non-partisan, admits individual members with voting power on a par with that of Societies : this move has a political appearance, but the reality was not to be discovered.

Class B.

The Women's Co-operative (Co-operativa industrie femminili) of Palermo bears a surprising resemblance to the Labour Feminin of Brussels, just as the furniture-makers of Venice resemble the furniture-makers of Oosterbeek. The Palermo Society consists of nearly 300 war-widows who make lace, linen clothing, and ornamental chairs : shares are of 50 lire (£ 2), and the women own about 5,000 out of 50,000 lire capital : they have no share in the management.

Class C.

On a higher level of industrial development stand the Societies of printers, electricians, glass-blowers, tile-makers and textile workers. One of the printers' co-operatives in Milan has nearly 2,000 members, and a Federation of Printing Societies is under formation. The majority of these units of Workers' Production belong to a national or a regional Federation of Societies of Production and Labour : when they stand by themselves, there is a somewhat lower expectation of life. This class does not however involve technical processes of a complicated nature or the management of massed labour, and is thereby to be differentiated from labourers working for a big contract and from grand industry.

Reference has been made to the law dealing with Labour Societies and to the privileges accorded to them. The Socialists possess a Federation of Societies of Production and Labour at Rome, and the Catholics a parallel institution of identical name, subject to the National League and the Catholic Confederation respectively. But whereas the Socialists in the provinces prefer

Federation of Production and Labour.

again to classify the local Societies in similar special bodies, the Catholics usually unite all types in one Federation ; the former tends to business efficiency, the latter to co-operative sympathy. The Liberals or Republicans of the Syndicate have not yet elaborated their organisation : in the neighbourhood of Ravenna where they are strong, some local Unions have carried their Labour Societies over to the new party. The general tendency of the Socialists is to centralize, if not to absorb, both the financial and the directing power in the Federations, which themselves apply for and carry out the large works, leaving the smaller contracts to primary Societies : this arrangement is doubtless convenient to the contract-giver (the State has fixed at 500,000 lire the maximum value of a contract which may be given to a primary Society, and at 5,000,000 lire when given to a Federation) ; it also obviously promotes that massing of men which is congenial to Socialist policy. The participation of the centralizing body in the arrangements and execution of a contract simplifies the negotiations between the very diverse Societies the assistance of which is desired ; the construction of a road involves quarrymen, transport-men, stonemasons, brick-makers and bricklayers for bridges, and engineers, draftsmen and other technicians ; a building will occupy all the former professions as well as painters, ironmongers, glaziers, etc. A Federation of an important city such as Venice or Milan will contain all these in addition to the Societies of unskilled labourers ; it is composed of Workingmen Producers' Societies as well as Labour Gangs, and brings them into harmonious operation. Such co-ordination is the true sphere of a Federation ; if a contract be assumed by a secondary body for convenience only, and the work executed under its supervision by the primary Societies, there is no loss of independence, and the individual will feel himself to be a free citizen co-operating with his fellows. Those regional Federations on the other hand which themselves employ individuals in competition with their Societies, are creeping back into the position of the old employer whose interests were inevitably regarded as hostile to those of the employed : either the Societies must sue to the Federation for favours in the allotment of work, offering lower rates of sub-contract than those at which the Federation can itself complete the task, or the individual workers will apply for direct employment by the Federation, leaving the Societies of their own creation—the means of their first escape from wage bondage—to wither and be forgotten, while they themselves are swallowed up in a crowd of comparative strangers competing for work, and sink to a spiritless dependence on a new master. It is not said that such a disaster has taken place : the results of allowing a

secondary body to encroach on the sphere of primary groups should be foreseen, and avoided with a wise apprehension. An aggregation of Syndicalists, unacquainted with one another and listening for a drill master's order, is a grand bludgeon for political use : economically and socially it does not make good citizens. Let us repeat that the Italian Federations of Production and Labour are Federations, not Syndicalist 'mergers ;' the Societies are free to accept contracts and are glad of the services of the central office in obtaining other engagements and dividing the duties. But there are signs of danger.

Credit is provided by the National Institute, the Milan

Finance of Labour Societies.

Institute, the Catholic Bank of Labour, etc., etc. : in this department the People's

Banks also are prepared to devote funds to the support of an undertaking which is in the hands of men whom they know and which normally lies in the vicinity of their own offices. The legal provision for running payment on work done minimizes the necessity for working capital, but the delay in final payment, largely due to bureaucratic methods and in a less degree to the war, seriously impedes the progress of Societies. The National Institute of Credit in its six years of exercise from 1913 to 1919 had financed 326 Co-operative Unions of Labour Societies and 901 primary Societies with 250,000 members ; the value of the contracts was nearly 300 million lire (£12 million), and new credits were being opened in 1920 of a magnitude exceeding those of all previous years. Meanwhile broadly speaking one-third of this sum remained outstanding against the State and public bodies on account of completed works, some of them from 1914. The system is most widely diffused in the northern provinces, the most enterprising and most industrialized parts of Italy : ten years ago two-thirds of the public contracts in Reggio Emilia were given to Societies, and at the present day the private contractor is there an object of curiosity. The Reggio Federation built and now

Reggio Federation.

manages under public control a small railway running 16 miles into the hills to Ciano ; a great achievement and triumph, marred by the omission to delegate the subsequent management to Copartner employees. A railway man drawing a wage from a Co-operative Union is in little or no better a position than a wage earner in a co-operative bakery owned by consumers or in a grain-mill owned by farmers. The wage problem is only restated, it is not solved. A co-operative railway should pay a fixed return to capital and be managed by a board of employees ; and the annual return to labour should be increased only as fares and freights are reduced.

Minor points of interest remain to be noted :

(1) In the Genoa Federation the liability of the Societies towards the Federation is unlimited.
Genoa.

(2) The Bologna Federation, to which adhere 54 Societies with over 10,000 members, is managed entirely by men of 'working class' origin, including the inspectors and auditors. The pride with which this short-sighted blunder is mentioned by the Socialist shows that he has yet far to travel on the road to understanding : the technicians employed by other Federations are excellent Socialists, whether born in a suburban villa or over a shop.
Bologna.

(3) Ravenna has two Labour Unions, that of the "Republicans" being the larger ; but its Socialist rival is carrying out large operations of rebuilding in Sicily and elsewhere outside its own province ; prosperous business, but not ideal co-operation : there are unemployed labourers in Sicily.
Ravenna.

(4) The growth of Labour Co-operation for reconstruction has been exceptionally rapid in the war-devastated areas and the neighbouring districts. In the Trentino and on the battlefields Societies of builders, road-makers, carpenters are registered daily and find no time for idleness : the Venetian Co-operative Association was formed in 1919 by four Federations and nearly 50 single Societies, and in 1920 had business in hand to the extent of 25 million lire in the war areas. Where the local men are fully employed, there is no co-operative objection to outside help.
Venice.

(5) The Labour Societies and Federations of the Socialists are in close relation with the Chambers of Labour. These unofficial institutions date from the period of industrial unrest in 1899 and the following years : their influence was largely extended among agricultural labourers during the agricultural strikes of 1902 and 1907. The Chambers concern themselves with liberal and technical education, conditions of employment, terms of leases, and arbitration : club rooms and literature are provided : their economic and social service has been considerable : their political activity will be variously judged. It is not infrequent to find the same officials on the Chamber of Labour and the Co-operative Labour Federation.
Chambers of Labour.

In the domain of grand industry a foundation has been laid by the Union of Metal-workers' Co-operative Societies, which was established at Genoa in 1919, and in 1921 embraces 18 Societies at Genoa, Rome, Venice
Metallurgists' Union.

and other places with 25,000 employees ; the Union and its Societies are uniting their forces for the purpose of shipbuilding and have already repaired and refitted vessels of the largest size and constructed others of moderate tonnage. It is expected that the naval workers of Spezia, who have acquired a dockyard, will join the Union, and a Metal-workers' Society at Palermo is only seeking a site for workshops before demanding affiliation. The turnover of eight Societies in 1919 was roughly estimated at 20 million lire, and as in so many of the greater co-operative schemes the venture is in its infancy ; there has hitherto been no reason to doubt the success of the Union. No difficulty has been met in engaging experts or managers, some but not all of whom are drawn from the ranks of the workers. The Metal-workers'

Metal-workers of Venice.

Society of Venice, one of the newer and smaller Societies, has a working capital of $1\frac{1}{2}$ million lire ; and provides that 75 per cent. of the profits be always carried to the reserve or to common funds. While affiliated to Genoa, and ultimately subject to its authority, the Venetian Society has a separate balance sheet and a local autonomy abundantly sufficient to keep alive the spirit of energy and unity. The employment of members is continuous : there is no discharge from a co-operative factory for lack of orders. Negotiations have been completed with the Government for the transfer of the entire Arsenals of Venice and Naples together with arms factories elsewhere to the Union : the Venice Arsenal alone when converted to works of peace will employ 5,000 men. It appears probable that the Union which has already a firm hold on the principal ports of the north will shortly rise to a predominant position, and that the shipbuilding industry will be the first of those not enjoying a natural monopoly to confront government with the National Guild. A natural anxiety will be felt as to the policy of a Guild controlling an industry in the midst of a State based otherwise on competition limited by capitalistic trusts : so long as the wage system prevails in other industries, there is undoubtedly reason to suppose that the shipbuilders will push up the price of their product to the highest point that the market will bear : the loss, they will argue, falls on the capitalists who wish to carry their goods in the ships. This is not the moment to analyze their argument : it will in any case lose force when all industries are co-operative and the capitalist is extinct.

Projects of co-operative management have been put forward

Mining Co-operatives.

with regard to the iron mines of Elba and the sulphur mines of Sicily. The co-operative control of an industry forming a natural monopoly, at the intermediate stage of world-making when wages and prices are

still largely fixed by capitalists and the State must protect consumers. is distinguished in two points from the control of non-monopoly industries : in the first place the productivity of Nature in response to the same labour and capital being variable on account of local differences in the surface or the contents of the earth, equity demands that the return to labour (which for the present must be wages and profit) be equalized in that industry throughout the country ; secondly, the product of natural monopolies being commonly uniform, such as a ponderable metal or a measureable train-mile, the objection as to profiteering at the expense of the community can be met in the manner suggested for the Reggio railway : the return to labour should increase as the price to the consumer, or in the case of a commodity subject to foreign competition the cost of home production falls. Such a standard is not easily fixed in shipbuilding, the cost of a ton of displacement being as variable as the shape or the economic value of the completed ship.

The sulphur mines in the centre and south of Sicily constitute one of the world's principal sources of sulphur supply. The competition of American sulphur having precipitated an industrial crisis, the sale of the product was brought under compulsory State management in 1906 and the owner of the soil receives 20 per cent. of the output. The subsoil is leased by the owner to contractors, who give out job contracts to gangs of miners. It is now proposed to nationalize the subsoil, the State taking over at the balance-sheet value the existing mines with their connected establishments, and leasing the mines to a unitary Co operative Society of workers, including the technical staff : a uniform wage will be paid, but each mine will operate as a section with its own Committee. The profits will be devoted first to improvements in the conditions of work and life at the mines and afterwards to an enhancement of wages. The industry will be controlled by a Council including representatives of the railways and other industries and classes. The objections raised to this project are four : (1) the miners will force up wages and the price of sulphur unduly : the remedy for this lies in the Council's supervision and still more in the inverse relation between wages and cost suggested above. (2) Crises occur periodically in the industry through foreign competition : only a capitalist with big reserves can endure the strain. This is true : the Society must hasten to build up reserves : in the meanwhile the State must advance money, if a crisis supervenes, to be repaid when trade recovers : employment must not be discontinuous. At present the capitalist weathers the storm, and the miner is reduced to beggary. (3) An incentive is

needed to induce prospectors to search for new mines; the proposal to award 10 centesimi (one anna) per ton of sulphur extracted for three years is certainly inadequate. The prize must be enlarged (4) The 'connected establishments' to be nationalized include all manner of factories, light railways, etc., which will involve an enormous outlay by the State. In this there should be no disadvantage if the establishments are entrusted to Copartner Societies of employees which will borrow from the National Institute or the Bank of Sicily. The question of credit is a national question for Italy: it is not only the co-operatives which need money.

It would be unwise to prophesy the exact form in which the Sulphur-workers' Co-operative will be developed; in the present mood of Italians it is extremely probable that private capitalists and contractors have had their day, and the courses open are those of State control in a simple Collectivist form with the attendant evils of circumlocution and official apathy, syndicalist management by Trade Union leaders whose principal idea is to force wages up at the expense of the community, and co-operative organisation which may lack efficiency at first and will need the support of credit, but which will satisfy the miners and can be safeguarded by the establishment of a balance between wages and price or cost. A Co-operative Society at its inception can discuss the terms of such a balance and accept the conclusion as a contract. Experience shows that State Employees will not regard a wage decision as final; still less will trade leaders whose reputation depends on battles and victories over an enemy. The co-operative miners will be exposed to the same temptation so long as the relation of employer and employed prevails in other industries, but with the annual balance sheet before them, and the evidence of wages steadily rising as their own application and skill reduce the cost of production, there is an infinitely greater prospect of peace.

On the agricultural side only the barest sketch will be given of dairying, insurance, and purchase associations, then after a somewhat fuller account of certain Sale Societies the interesting subject of collective farms will be discussed. The co-operative dairies may be reckoned at between 1,400 and 1,500, of which half lie in Venetia and the majority of the remainder in Piedmont and Lombardy: elsewhere they are rare. There are no important Unions, most dairies raising funds from their members or from a local Credit Society or People's Bank. The Cremona Union consists of eight dairies with 12,000 cows. The old dairying systems were based on the rotation of rights: all the producers delivered their milk

Agricultural Co-operation.

Dairies.

to one of the members in turn, who prepared and disposed of the product for his own account: or the preparation was entrusted to a paid dairyman, the product of each day being sold for one member's benefit. Modern conditions rendering it advisable to adopt a permanent method of joint sale, and where possible to erect a steam dairy, the actual number of Italian dairies is diminishing, and those which survive are on a more businesslike footing and are adopting a co-operative form. Cheese is manufactured in greater quantity than butter, an article not generally in demand among a population which prefers oil for cooking purposes: even the co-operative distribution of milk is uncommon, though Consumers' Milk Societies exist in Genoa and Milan. The dairy Societies do not practise the testing and 'control' of cows as in more advanced countries; payment for milk is made by weight, a minimum percentage of fat content being demanded from the producer: there is no premium on milk containing a higher percentage and consequently no incentive to improvement. A good dairy in North Italy estimated the annual average supply of milk from its cows at 3,000 litres per head (= 10 seers average daily for ten months); a figure far below that of the Netherlands and equally far above that of India.

Mutual Societies are legally distinguished from Co-operative Societies, and are the subject of special laws and decrees, which confer on the smaller agricultural Mutual Societies the privileges enjoyed by co-operatives. Livestock Insurance, Fire Insurance, and Hail Insurance Societies are popular in the north; they must work in a small area and with an unpaid staff: those of livestock join local Federations, which re-insure their risks as in Belgium, and are then able to insure against epidemics. Loans given by Credit Societies and semi-official Credit Institutions for the purchase of cattle are habitually protected by insurance, whether in a co-operative or other association, the lender thereby securing the repayment of its loan. All animals insured are branded, to prevent substitution and diminish the temptation to theft. Premia are seldom paid, casualties being met by a contributory levy. Fire and Hail Insurance Societies collect funds through premia, and in some instances have accumulated so large a reserve that its annual interest meets all claims, and premia become unnecessary: so wealthy a Society incurs a risk of becoming exclusive, as does a Credit Society which reduces its rate of interest to a level below that which is considered normal: it would be wiser, as in the Livestock Societies, to pay out the bulk of the annual surpluses in earlier years by reducing the

prémia of the following year only. There is a Federation of agricultural mutual (i.e. Insurance) Societies at Rome, founded in 1911; and a National Institute of Insurance which is itself empowered to re-insure. The registration of new Societies is effected by order of the prefects on the recommendations of local Commissions under the chairmanship of the Travelling Professors of Agriculture.

The organisation of agricultural purchase is strong, but this branch of co-operation is brought so intimately into contact with the commercial world that its purity is sometimes flecked. The Federation of Agricultural Purchase Associations, founded very modestly in 1892 at Piacenza, has over 1,000 affiliated Societies, and in 918 carried on business in fertilizers, agricultural machinery, silk-cocoons, etc., of the value of 104 million lire (over £4 million). It owns ships for the importation of chemical manures, repairs machines in its own workshops, crushes olives, roasts silkworm cocoons, and selects seed. Collaborating with the Professors of Agriculture, the Federation holds congresses and cinematograph exhibitions to impress on the peasantry the importance of correct methods and improved machinery. In addition to procuring materials at reasonable prices, it confers the inestimable benefit of testing and guaranteeing their quality, a benefit of which it often requires a long discipleship to teach the value. There is however a reverse to the picture. Sales are made freely to non-members by most of the associations, and it was even admitted by one Society (which is no doubt exceptional and shall remain nameless) that non-co-operator customers were to be preferred because they caused less trouble, i.e., co operators insisted on a fair price and first class quality. The Sicilian Federation of Co-operative Societies again, when reviewing in print its past history and the adverse influences which it has encountered, points out that the area of Sicily in which village Societies have been least readily accepted is that in which the Co-operative Purchase Union, Limited, of Catania is active: the Federation does not conceal its opinion that the Purchase Union is opposed to the prosperity of primary Societies. Many Societies of Credit or other types take part in purchase also, especially in Sicily; the independents are perhaps equal in number to those which adhere to Piacenza. Catholics form their own agricultural purchase Unions. Credit is given to buyers without much hesitation by Catholic and other Unions.

Collective sale, the most difficult of all co-operative undertakings, has not kept pace with the advance of industrial or rural production. Wine-

Purchase.

Piacenza Federation.

Sale.

pressing Societies are in the neighbourhood of 200, distilleries 50; oil-pressing, fruit-selling, manure-making, cocoon-drying, wool-marketing, egg-dealing, and sugar-refinery are less frequent ventures, but have won considerable victories. They prefer the rule of limited liability and are supported by People's or Joint-stock Banks. Fruit Societies have evaded the charges of three or four successive middlemen who formerly monopolized the farmers' market and superimposed their useless profits on the selling price. The Sale Society of Iesi,

Iesi Fruit Society.

near the east coast of Italy, sells cauliflowers on behalf of its members, the quantity on the outbreak of the war being slightly under 3 million plants per annum; the delivery of all cauliflowers to the Society for sale is compulsory under the by-laws, other products may be consigned by agreement. The Society also sells clover seeds and roasts silk-worm cocoons. Similar Societies on the same coast and others in Piedmont market apples, cherries, tomatoes, etc., maintaining their own offices for manufacture of baskets and boxes and for packing, and arranging technical lectures for their members.

There is great scope for co-operative development of the silkworm industry. It is widely practised in the northern and central provinces, the eggs or young worms being bought through Purchase Unions or village Societies of every kind: a few Societies add the drying of cocoons to their ordinary duties, in addition to a dozen or more which occupy themselves only with this business; but the sale of the cocoon, and all further stages except the assaying of the silk are non-co-operative. A reason for the neglect may be sought in the comparative unimportance of silk-worm breeding to the peasant; it is a simple occupation for his wife and children, and though remunerative is always subsidiary.

Silkworms.

Wine both in the cask and the bottle holds a conspicuous place in the list of Italian exports; the production in the country considerably exceeds the consumption, but for reasons of quality French wine receives a preference in the foreign market. The Italian market in years of a good vintage is overstocked, yet if the French vintage has also been good there is no outlet for the Italian product abroad. The ravages of pest and disease have for some years reduced the output and applied a remedy for the glut which is worse than the disease: but the substitution of American vines which are immune from phylloxera is gradually restoring the old conditions. The establishment of wine-making Societies, co-operative or quasi-co-operative, commenced about 1900: a law of 1904 enabled the Government to assist with financial subsidies the acquisition or erection of buildings and the purchase

Wine Societies.

of vats and other moveable property for Producers' Societies, and most of the existing Societies have in their earliest years taken advantage of this wise provision. The obstacles in the way of Wine Societies have been three: the lack of 'capital, the lack of scientific knowledge, and the practical difficulty of assessing each member's grapes at their true value. Capital is always most scarce when a scheme is untried; after some years of struggle the earliest Societies have wcn through into smooth water with the aid of People's Banks, Savings Banks or communal funds in addition to Government subsidies or loans, and a new Society finds its way smoother. Scientific knowledge can be bought if the Society can pay, as the older Societies or their Federations are now in a position to do: the Travelling Professors of Agriculture also visit the Societies officially, and are ready to advise. The greatest puzzle is that of assessment: land varies in fertility, aspect, and chemical composition; the grapes may vary in taste and condition: producers are unanimous in preferring each his own vintage. The Societies escape from the dilemma by various expedients: an expert may be engaged permanently or for the vintage: with him is associated a small committee of producers. Account is taken not only of the weight of grapes supplied, but of sugar content, alcohol, and the quality of the grapes contributed by each member in preceding years. Members are not obliged to deliver their entire vintage, but those of weaker status who cannot contend with the buyer in open markets are inclined to rely more and more on their Society. One of the principal objects to be attained by association is uniformity in the wine: a small producer of a superlative article will in the end obtain a better price from his Society, which sets a moderate premium on his quality and mixes together for collective sale the product of all its members, than by offering it at a special price to buyers who have no use for so small a quantity even of the best.

The Wine Society of Montubeccaria in Lombardy was founded in 1902 with 58 members and has now nearly 500, all small farmers or tenants of vineyards on the surrounding hills. With the help of small Government subsidies and large loans from a People's Bank and a Savings Bank the Society incurred expenses of 200,000 lire (£8,000) for plant, the whole of which has been written off. Members are pledged to deliver a certain minimum of grapes and may by agreement deliver more; many do so. The greatest part of the price is advanced to them on delivery of the grapes, the remainder at the termination of the working year. A sample is taken from each member for grading, and a fine may be imposed if the sample is found to be unfair. The Society passes on all

Montubeccaria Wine Society.

its wine to the Stradella Federation in which it is the predominant shareholder. There are no shares in Montubeccaria Society and liability is limited. The members have organized their own insurance against hail, the premium being based on the weight of grapes delivered in the last year, and the compensation awarded on the average value of the grapes supplied during the five years preceding. The Society appears to be excellent. Class A.

The Stradella Federation unites Montubeccaria and three smaller Societies; two which formerly existed came to an end through influences alleged to be political. An increase in membership is not at present desired as the four Societies are offering for sale all that the Federation can unload on the market. An enological expert is employed as Manager, who measures the sugar content of wine samples sent in to him, and assesses with a small Committee a basic price for a stated amount of alcohol: higher and lower prices are paid as a Society's wine contains more or less than this amount. The Federation sells through its own retail shops in many Italian towns, and supplies hospitals, Consumers' Societies, and private traders; it has also agencies in France and Switzerland and had formerly one in Germany: in 1920 the Manager was corresponding with a view to opening an agency in London.

Similar Federations exist in Piedmont and the Emilia—Societies are scattered throughout other provinces and there is a group in the neighbourhood of Rome. In 1918 was founded the National Italian Association of Wineselling Societies to improve the methods of production and advertise the sale. The circumstances of the small Italian vineyard owner are not unlike those of a Punjabi peasant, and where the one succeeds with wine the road is open for the grain and cotton of the other. It must be admitted that while the operation of sale is always complicated and uncertain, the manufacture of wine on the scale seen at Stradella is an enterprise of less magnitude than a ginning factory or a grain elevator.

While treating the question of sale, notice should be taken of others of the manifold organs which project like the hands of Briareus from the body of Italian co-operation, and the precise function and limitation of which are not easily defined. The Co-operative Institute for Exchange with Foreign Countries, set up in Rome in 1919 is concerned with the export and import of food stuffs, particularly in connection with the distressed countries of Eastern Europe. The 'National Co-operative Union for Importation,' also in Rome is busy with the import of pork,

Stradella Federation.

National Association.

Other commercial organs.

*Institute for Exchange.

Union for Importation.

* Liquidated in 1921 on account of difficulties encountered in trade with Soviet Russia.

oil, and some other articles. The Union for the establishment and operation of warehouses has its headquarters in Naples and is intended to take over the products of agricultural Societies and to assist in selling them to Consumers' Societies. All three are at present new, and have not engaged in large business; they are capable of immense and beneficial development if not monopolized by a single party or strangled by excessive State supervision. The Institute of Exchange should eventually relieve the wholesale and the large Consumers' or Producers' Unions of the necessity of separate correspondence and negotiation with foreign firms or with equivalent co-operative organisations which may come into being elsewhere. It would be the natural correspondent and trade agent of a foreign Communist power, and should represent Italy in dealings with the International Co-operative Alliance. The Union of Importation is *primâ facie* superfluous: both the Union and the Institute are promoted and utilized by the State, and there may be administrative conveniences in a temporary division of duties: unless these are political antagonisms which hold them apart, there is no evident reason against their ultimate fusion. The Union for Warehouses is located in a centre which equally stirs reflection: the interconnection of producing and consuming co-operation is the most pressing need of the movement in every country if the two branches are not to follow paths of ever greater divergence until their interests can no longer be reconciled. An attempt at reconciliation is being made by the Socialist farms, and certain Wine Societies (and no doubt other producers) reckon Consumers' Societies among their customers. Yet the wisdom of tightening the bonds is not universally felt, nor are relations always undisturbed by friction. The focus of agricultural co-operation is in the northern provinces, where Consumers' Societies are also most abundant. Naples is among the strongholds of the Co-operative Syndicate and its allies the Ex-Soldiers. If the Warehouse Union is used by one party only, its effectiveness will be unwisely restricted.

A Society *sui generis*, and of a nature apt to evoke disagreement among co-operators, is the Society for Seasoning and Assaying of Silk, a limited liability Society first registered in Milan in 1889 by the dealers in silk, cotton, and wool. Its function is to receive in its warehouses, test, grade, and if necessary sell in the auction of Milan market (which vies with Lyons for the primacy among the silk markets of the world) all consignments of live or dead cocoons, raw silk or waste which may be entrusted to it. The share-holders must be dealers, *i.e.*, middlemen, who may in some respects be the bitterest enemies of the

silk-worm breeders. Non-members are also allowed to use the services of the Society. The Society either gives a simple receipt for a consignment, or if required issues a Warrant which is discounted up to 75 per cent. of the value by the principal Credit institutions of Milan. The establishment is flourishing and the advances made against Warrants in 1919 exceeded 100 millions of lire (£4 million); this figure representing only a portion of the turnover. The by-laws prescribe a maximum dividend of 10 per cent. on shares, which is paid : and also permit a rebate or bonus on dealings, which is not paid. With this exception the management is fully co-operative within the limitations possible in view of the nature of the business : the membership is stated at 24,000 (the silk market of Milan is enormous), and the Society is financed for the most part by deposits made by its members. Co-operation amongst middlemen is unpopular with their enemies : yet there is no adequate reason apart from sentiment why the middleman who desires to rely on integrity of conduct and uniform standards of quality should not secure his ends through co-operation as freely as a first-producer. If and when the development of co-operation among producers and consumers leads to his extinction, he will perish in good odour.

Collective farming is as unique a contribution on the part of Italy to co-operative practice, as is her organisation of collective labour. The experiment has hitherto been brilliantly successful against heavy odds, though it has not as yet transformed the social landscape to the degree accomplished in the field of industrial contract. It must at the same time be borne in mind that agriculture also is an industry, differing in some respects, as mining and transport also differ, from those industries which are concentrated in factories and can be enlarged to any desired scale at one point, but governed essentially by the same laws and tending always to a greater resemblance. The law, for instance, of decreasing returns which was so long regarded as the differentia of agriculture, has been reduced to a thin and doubtful formula by the progress of intensive culture.

Before describing the collective farms it is customary and helpful to explain the system of land-tenure, which gave them birth. Italian land is cultivated by five methods :—

- (1) The peasant-owner, tilling his own land.
- (2) The large farmer, personally supervising the cultivation carried on by his labourers.
- (3) The contractor paying a cash rent for an estate and managing it in person, or sub-letting either to

sub-contractors for cash, or to tenant farmers who pay rent in cash or kind.

- (4) Tenant farmers paying a share of the crop to the landlord.
- (5) Peasants (boari) who cultivate in return for payment in cash or kind made by the landlord to them.

The class of *emphyteutæ* or occupancy tenants may for the purpose of this argument be included under the first head. They and the peasant owners are not as a rule touched by the troubles which lead to agrarian disturbances ; other forms of co-operation concern them very intimately. The estates of Sicily and of Northern and Central Lombardy are largely in the hands of religious bodies or of non-resident landlords who give them out to contractors and are unaware of or indifferent to the anxieties of the cultivator. One of the largest Sicilian landlords lives in Spain, another in England. Though the contractor is by no means always a bad farmer, especially in the irrigated parts of Lombardy and Piedmont, where the management of rice lands calls for capital and scientific knowledge, he is occupied in extracting the maximum from the land and remitting the smallest possible share of it to the tenant or labourer. Houses and other amenities of human life are not his interest, and the distress suffered by tenants and peasant-cultivators in a situation of economic helplessness and social isolation excites a natural desire to expel the middlemen. In the province of Emilia, extending in its widest interpretation to the Adriatic, and also in the adjoining districts of Lombardy the evil of agricultural unemployment has caused periodic outbreaks of violence, one of the gravest occurring in 1901-02 .

Leagues of Resistance.

Leagues of Resistance similar to Trade Unions but often temporary in character, were designed to raise wages, shorten hours, and ameliorate the conditions of the labourer, and their partial success led the landlords and also the tenant farmers to dispense as far as possible with manual labour, instead of resorting to a more intensive cultivation the proceeds of which would meet the enhanced wage. Both causes of friction, the middlemen and unemployment, are least in evidence in regions where peasant ownership or part tenancy prevail. The tenants paying one-half or even two-thirds of their crops to the landlord might combine to enforce an acceptance of a smaller proportion : but under the partnership system so overwhelmingly great is the capital in livestock, etc., invested by the landlord for the tenant's use, and so slight the tenant's responsibility, that the latter seeks to modify the terms, but seldom to abandon the basis of his tenure. Partnership tenancy is consequently the

position imposed by those Societies and willingly occupied by those members, who are content with the institution of private property : it offers the cultivator a share in the fruits of his labour, unites his good and evil fortune with that of the landlord (whether Society or individual) and conduces to attentive cultivation and the support of a large population on the land. Contentment is however not accompanied by a progressive spirit. The peasant farmer is not enamoured of new ideas : where he is found in the largest numbers, education is apt to be inadequately diffused : the slow ox and the wooden plough are preferred to the horse and the iron instrument ; fertilizers are viewed with suspicion or misapplied. The cultivator is not alone to blame : the returned emigrant who buys a farm with his savings is not more eager to feel the sweat on his brow than is the ex-soldier in other lands : the holding is leased, usually on onerous terms to one who has not learned economics in America, and the tenant, who is required by his contract to sow the crop dictated by the owner, finds no man more stubborn and retrograde than his monied brother.

The earliest recorded lease to a collective body was assumed by the Association of labourers at Ravenna in 1886 ; the farm then taken is still in their possession. Various enterprises failed in the following years, until in 1894 a pious foundation gave a lease to a Catholic Society near Bergamo in Lombardy. Bergamo has subsequently witnessed many Catholic triumphs. The first Socialist Society in Sicily secured land at Castrogiovanni in 1893, and the first Catholic Society in 1900. The infection spread rapidly in North Italy and Sicily and collective holdings are now of frequent occurrence throughout the island and in Lombardy and the Emilia. The provinces of Piedmont and Tuscany are little affected, and Latium has a special dispensation which will be described : a beginning has now been made in Venetia and in Apulia. The existing Societies certainly amount to 400 and the further cases in which owing to legal or illegal seizure of estates the situation is undefined are perhaps as numerous. An account of these seizures will illustrate an enlivening though embarrassing element in Italian life.

In the first years of the war the area under grain crops in the country fell by $1\frac{1}{2}$ million acres. Fore-seeing this process and alarmed at its rapidity, the Government by decree of October 1915 authorised the occupation of uncultivated land or land capable of more intense cultivation, by settlers who should not be subject to ejectment for four years : no legal machinery being provided this decree led to no action. In 1917 it was decreed that State lands, and

Early Societies.

State action.

in 1918 the lands of all public bodies including religious foundations, might be leased without the usual auction to agricultural co-operatives which were qualified, under the rules already detailed in connection with Labour Societies, to apply for public contracts: this decree also was of the nature of a pious wish since it added little or nothing to the law of 1911. Early in 1919 the State finding itself confronted with the problem of resettling returned soldiers, constituted the National Committee (Opera Nazionale) to defend their interests, according to its privileges and powers of which it has made much beneficial and

Opera Nazionale.

some singular use. The Opera has very prudently directed the ex-soldier towards co-operation, employing its enormous funds to start Consumers' shops, Labour Societies, Productive industries, and collective farms. Transfer of those lands of public bodies or private individuals which can be improved in themselves or in their system of cultivation, may be demanded by the Opera: a like demand may be made if the Opera desires possession of public land merely in the interest of its own work and has no intention of altering its cultivation. The Visocchi decree towards the end of 1919 virtually extended these advantages to co-operatives of other than ex-soldiers, and added a further important prescription that prefects should give temporary possession of such lands to the applicants for four years during which their final status would be determined. The decree was however

Land seizures.

too late: in the winter of 1919-20 and the following summer parties of landless men, whether ex-soldiers or not, arrayed in military order and with drums beating and flags flying, left their homes and marched on to the estates of the landlords. The frenzy was particularly wild in Sicily, though not confined to the island; all parties suffered alike, and the Sicilian priests whom an undenominational writer in a phrase of delightful moderation describes as "exuberantly political," were on certain occasions the leaders of the procession. The invaders took possession of the land; there were no habitations on it, often no roads to give access; they lacked funds to buy stock and seed and their enthusiasm waned. Guards were accordingly left to secure their occupation and the crowd returned home. Their action was unauthorised by the prefect who naturally hesitated to give his sanction *ex-post facto*, the landowner loudly protesting at the illegality. The Opera also was on the horns of a dilemma, and an appreciable area in the affected provinces remained uncultivated in 1920 because neither party would recognize the right of the other to plough the land. There can be only one solution in the present condition of Italy, and only one outcome will tend to the

permanent benefit of Italian agriculture. Landless men must have the land ; the big estates must be taken up and intensive substituted for extensive cultivation and for pasture, where the nature of the soil permits. There is no reasonable doubt that this will be done.

Finance is a serious problem for an incipient Society of landless men : by custom a year's rent is paid in advance to the landlord, who is not ready to forego this security in the case of men whose material possessions are negligible. The farm must be provided with livestock and dead-stock, the expenditure being the more heavy in that the maximum number of members must be settled on and supported by the land. Houses in excess of those existing have often to be built, and the members themselves have to live during the first year. It is probable that finance more than any other question has impeded the establishment and growth of farming Societies. Fifty millions of lire (£2 million) have been placed by the Government at the disposal of the National Institute of Credit for advances to such associations, and other advances, usually on a mortgage, may be obtained from the plethora of Mortgage Institutes. The National Institute in 1919 lent 41 millions of lire to 370 agricultural co-operatives (including Universities), not all of farming only : the land in possession was only 375,000 acres, and many of them are no doubt principally engaged in other activities. People's Banks, Savings Banks, Communes, and rural Credit Societies also assist, and half or more of the Catholic farms have originally been taken up on behalf of a Credit Society. Twenty-eight of the 40 Sicilian Societies as to which historical figures are forthcoming depend on the Bank of Sicily, but 100 or more farming Societies of all denominations live in obscurity or have died unsung in that island.

The Catholics lease a large estate with the intention of sub-dividing it among the members of the Society who thereby attain the status of peasant farmers and are enlisted in the sacred cause of property. The legal property in the lease, or in the land if the land be bought, vests in the Society, but the Society is controlled by the members, no man is disturbed in his tenure without reason, and the lease is very frequently renewed on its expiration. The attachment of the Catholics to property indicates as their natural field the hill or the unirrigated plain, suited to small holdings ; they prosper in the northern parts of Lombardy and in Sicily. The Socialist finds himself at home in irrigated and heavy land, calling for capital and scientific culture : his ambition is the collective farm in the strictest sense under a single head with

Catholic farming.

Socialist farming.

no suspicion of individual rights to the land. Catholic farms are without exception under divided management ; at most a few fields around the house of the technical adviser, if any, with sheds for those machines which each peasant cannot afford independently to buy, are the joint property of the Society. In the rice-lands of the Po valley the expert and the machine are indispensable. The Socialists are often compelled to accept divided holdings, the greed for private property being too deeply ingrained, they would say, in the nature of the uneducated peasant : they direct propaganda to reform his spirit, and where unemployment leaves him no alternative, the strong-minded promoters of Socialistic co-operation insist on a centralized management, a few members being employed permanently on skilled work in charge of livestock, machinery or fruit trees, and the remainder being engaged day by day in rotation in order to distribute the work equally among all. When reluctantly permitting the division of the land, the Socialists hold machines in common, provide for collective purchase of seed and manure and for collective sale, forbid the hiring of labour and the farming of other land than that held from the Society. The Catholics also follow this policy with less determination. Experience has shown, and the Catholics when pressed admit, that the best agricultural return is given by the united method, which, however, has only been tried in tracts suitable to large farming : united management would enjoy little superiority in an Alpine valley or a hilly vineyard. The landlord is often able to draw a higher rent from a Society than from an individual either because the produce is greater or because the hostility of the landlord class bars co-operators from the open market : he himself too may be uneasy as to his ultimate fate. The peasant would in most cases undoubtedly prefer to have and hold a separate farm : he may be educated to think otherwise. The circumstances of each Society vary, and there are exceptions to every generalisation. In Ravenna and Mantua land may be leased to Societies on a contract of partnership, rent being paid in kind : the Societies re-lease the holdings to members in partnership, or farm in common. In a few cases small landowners or tenants are admitted to membership with landless men, provided that they work for wages not less than half the year. Very frequently agriculture and labour contracts are carried on by the same Society, the members working at either indifferently.

Catholics and Socialists build up their rival Federations in the provinces : the Socialists have also their
 Farming Federations. National Federation of Agricultural Co-operative Societies at Bologna, the Catholics at Rome. The Syndicate

has yet to make clear its policy. As in the case of Labour Societies, the Socialist Federations encroach on the primary Societies, the most marked instance being that of the Federation at Reggio Emilia, which is endeavouring to merge in

Reggio Federations. itself all the Societies within its sphere : the individual members join the Federation,

the Federation leases or buys land : in 1920, seven Societies and 1,500 individuals were members : nearly 3,000 acres were held by the Federation itself in ownership, and 1,000 on lease : further leases of 6,000 acres are promised for 1922. Sections with administrative committees are organised by it on the farms, and it is confidently hoped to depress the seven Societies also to this level. Nearly all the funds have been advanced by the Milan Institute of Credit, and the accounts for the year show a net loss ; the farms are nevertheless in a flourishing condition and it is possible that a readjustment of taxation would so amend the profit and loss account as to produce a different result. The employees on the farms are paid the highest standard wage of the neighbourhood, one-fifth of which is retained until the end of the year as a guarantee against losses (and against disloyalty) ! no dividend is declared. The Federation works with great zeal, the province and commune are on its side, the religious foundations freely lease to it their lands ; and the private owners are imperfectly organised. Progress bids fair to be very rapid. This province is also peculiar in having reconciled the small farmer with the Collectivist aims of the Socialist labourer. The Peasants' Co-operative Society of Reggio, now almost

Reggio Peasants' Society. absorbed in the Peasants' Bank which is its organ, is an association of small farmers,

many of whom employ hired labour though all take a personal part in the cultivation of their holdings. It claims 6,000 members in more than 100 " sections " throughout the province and is occupied with lending and collective purchase, serving also as a Savings Bank. It works hand in hand with the Chamber of Labour, and enters into agreements with the Chamber of Agriculture (representing the proprietors) as to improved contracts of renting for cash or in partnership. The Peasants' Bank and the Chamber of Labour have laid down for their own members a minimum standard of agricultural employment, varying in the different communes from an area of 4 to 8 acres per labourer : the working farmer and his adult sons are included in the calculation. The average throughout the province is from 20 to 23 acres per man ; the intensive culture introduced by the socialists will if successful support a population three or four times as great as that now regularly employed.

Some examples will illustrate the nature of a farming Society. The Society of Medicina near Bologna was founded in 1906 with 600

Medicina Society.

members, all day-labourers or boari belonging to recognized Labour Leagues ; it has now between 1,500 and 1,600, of whom 780 attended the last annual meeting. The capital is 250,000 lire (£10,000) of which one-fifth is owned : all profits are at present carried to the reserve or to common funds, though the by-laws permit an equal division of 40 per cent. of the annual profit when the reserve and common funds have reached a certain figure : no distribution is ever likely to be made. The Society maintains a consumers' shop selling below market rates, and a wine cellar for supplying the daily wine-ration to the labourers on the farms ; the by-laws permit the opening of a business in agricultural machinery, but this has been undertaken on so grandiose a scale that a separate Society has been registered with the same President and Secretary. The area leased was about 1,250 acres in 1920, but this figure will be already out of date : holdings are divided on some estates, united on others ; every landless man is in full work from March to September, during the rice season ; work falls off in October and November : then for three months barely 100 men are employed. The Society is of limited liability, though no man in the office was able to answer the question.

Class B.

The Society of Massa Lombarda in the province of Ravenna

Massa Lombarda Society.

is of an advanced Socialist character. It was founded in 1898 as a Labour Society, and carried out works of drainage, embankment, and road-making on public account : it still takes communal contracts for repairs and maintenance. In 1908 when the above improvements were drawing to an end, the by-laws were reframed, and the society became 'agricultural and labour' with 400 members. The membership in 1920 was 503 labourers, all loyal to the Chamber of Labour which is housed in the same building and guided by the same leaders. The balance sheet exceeded 500,000 lire (£20,000), of which one-third represents 50 acres of land bought, and another third is expenditure due to be repaid for works done on a canal, etc. The rest is livestock, wine for the labourers, etc. One hundred and fifty acres are held on partnership lease, 200 on a cash rent : the entire estate of 400 acres is managed as a unit, and vines, fruit, and rice are cultivated. Fourteen thousand lire loss was suffered in 1919 through drought but the prospects in 1920 were excellent. A standard wage plus wine is drawn by day labourers, and one-third is retained to the end of the year : the Society's member actually receives less from day to day than would an independent man.

He accepts this situation on account of the chronic dearth of employment in the vicinity. The Society can employ all its men from June to October, a fair proportion in the spring and few in the winter. Winter work is given to each unskilled member by the day in rotation. Women are admitted as workers, but not as members : they draw a lower wage and have their own League. Discipline is good, for fear of unemployment. The by-laws are similar to those of Medicina and profits are carried to reserve.

The effectiveness of co-operative farming is to be considered in its agricultural and its social-economic aspects. Agriculturally the farms of divided management are not on a level with the unitary. An estate which has hitherto been leased by an owner or contractor to tenants is now held by those tenants in direct lease, and for a longer term than was formerly the custom : the period is often of nine years. The tenant is stimulated to industry by the prospect of a greater return for his labour ; if he can provide for himself by collective purchase and management the use of machinery and the command of good seed and manure, if further he can buy his cattle and other stock without borrowing at extortionate rates, he may be expected to work with a will, and produce a little more than under a good landlord or contractor, appreciably more than under a tyrant. His Society is visited by the Travelling Professor of Agriculture, and the peasant farmer may be educated to believe in the virtues of a new variety or a new method advocated by one who has not, as had his former superior, a personal share in the product. Certainly he will be more accessible to new ideas if he is a member of a Co-operative Society than if isolated : no man equals in obtuseness the isolated peasant. When co-operative teaching has raised him or his son to the grade of understanding which is needed—not fully to comprehend—but to welcome as practical axioms the conclusions of science, the peasant is as productive a cultivator as the capitalist, and a more precious civic asset. The argument is simpler and the national gain less remote when land capable of intensive development is transferred to small holders from a farming owner who has not tempted it with capital to a display of its hidden fertility, and has acquiesced in a meagre return for stinted labour. The small holders, if united and well financed, will dig and dung it and be well rewarded. There is on the other hand the danger of misjudging the potentialities of the land. The bare hill sides of central Sicily, denuded and neglected for over 2,000 years, will not yield a return on the first harvest, and a larger percentage will be unfit for close culture until new seedlings are old trees.

Unitary and divided farming.

The arable or vinegrowing land lies in patches and hollows, surrounded by stony pastures, without houses, roads, trees or water : the landlord cannot be invited unless for an overwhelming national necessity, to surrender scattered scraps of his estate : the peasants again cannot appreciably increase the crops if they are burdened with the whole tract. For this reason, together with the lack of organisation and advice, many of the Sicilian farms have proved or will prove to be failures. The moral is that scientific guidance is essential in the choice and also in the management of lands which are intended for small holders : the primary society cannot afford to entertain an expert, though the by-laws generally propose that this be done ; at most a shrewd peasant, perhaps the president himself, will be nominated as ' technical director ' and will pass on to his fellows such knowledge as his own readiness to learn from the travelling professors enables him to acquire and assimilate. To the Federations an expert agriculturist is indispensable ; among the Socialist bodies the National Federation at Bologna, the Provincial Federations of Bologna, Reggio and Parma, and doubtless many others send out their experts on tour from head-quarters, and since the Societies under these Federations are for the most part unitary, the conservatism of the peasant is a less severe handicap : the local farm managers are men of understanding who have only to order, not to convince their fellow members. Broadly it may be said that the expert direction of Societies under divided management, especially among the Catholics, leaves much though not everything to seek : the unitary Societies present a different picture and have revolutionized the agricultural system on the lands in their charge. Compare for a single instance the figures of outturn on a farm held by Fontanelle Society in Parma province.

	<i>Under private owners.</i>	<i>Under the Society.</i>
	Cwt.	Cwt.
Wheat ...	168	487
Maize ...	185	594
Tomatos ...	<i>Nil.</i>	854
Silk cocoons ...	2	6 $\frac{3}{4}$
Head of cattle...	23	48

Nor is this an exceptional case : and Italy, an importer of food stuffs, reaps the benefit.

In the social and economic relation the evils to be removed

The Middleman.

are the superfluous middleman and unemployment. Small holders who sub-divide the land in lots for their own use have eliminated the rack-renting contractor, and have substituted their own controlled agency to represent them in negotiation with the land owner. When armed with co-operative means of credit, purchase and sale, they are free men and have attained what nearly all cultivators regard as the first requisite of happiness, *i.e.*, their own land; the most

Unemployment.

apposite criticism will be that they are too contented. Unemployment is no longer to be feared by those who receive the lots: if the members exceed in number the land at first available, the less fortunate may live on hope. From a conservative standpoint small holders are unequalled as political ballast: to the radical thinker they may present themselves as an obstinate and ignorant crowd. Agriculturally they are capable of progress under instruction such as that of the Belgian Boerenbond; left to themselves they fall behind in the modern race. It follows that the farming Societies of divided management, whether Socialist or Catholic, should apply themselves before everything to technical and other education, which is more essential for their members in the national interest and in their own than for the disciplined labourers of a unitary estate. It may be doubted whether the necessity has been grasped by all Societies. The unitary farms of joint management, on the other hand, may boast that they have relieved in a wonderful degree the distress due to unemployment, and have indeed flourished in proportion to the local severity of the evil. An estate at Ravadese, which was cultivated by five families under a private owner, now employs 28 families. Sissa has nine regular and 80 unskilled employees as against eight regular and seven occasional men: the 80 do not enjoy continuous service but are free from the fear of starvation. Technical knowledge is forthcoming from the manager himself or from the experts whom he, in contra-distinction to small holders, will be willing to invoke and trust. The weak spot lies in the attitude of the members to the Society: the middleman has not vanished, he has only assumed a new disguise; it is inconceivable that 500 or 5,000 unskilled labourers, dependent for bread on their regular turn of duty, and posted to varying occupations in all parts of a wide domain, can either acquire knowledge to fit themselves for more skilled work or venture to criticise the proceedings of their Managing Committee. The charge brought by enemies against unitary Socialist Societies of agriculture, and to a lesser extent against those of labour, is that there is less individual freedom than in the old days of disunion. But freedom must be

interpreted. The freedom of a starving man to starve and to seek work in vain is a paradox and a farce: the labourer who knows that by conforming to the rules of his Society (his control of which is nominal) he can be secure of a livelihood though not of ease, will be slightly though not much more independent than when he starved. He is a happier man, he has leisure to think; some measure of education is within reach of himself and his children. The fruit of the Socialist Societies will mature for good or evil in the future: when the intellect of the labourer ripens, he will welcome as self-imposed a yoke to which he now submits as the price of bread: and if and where it galls him he will not be afraid to shift the burden.

The period of transition involves discomfort for those whom the old order left in enjoyment of the world's goods. The landlords, many of whom are worthy men and some of whom are good farmers, have every prospect of losing all or most of their land within a generation, by the act of the legislator or by economic expropriation. The privileges allowed to the Opera Nazionale show that the Italian Government does not shrink from infringing the 'rights' of property for the public good; nor will it hesitate to transfer, bodily or piecemeal, the soil of Italy to those who in its judgment have most need of it and will cultivate it best. A law for example, for the agricultural improvement of Latium offered credit to landlords whose estates in malarial districts required drainage and improvement and authorised the expropriation of those owners who omitted to fulfil the duty. The Catholics of the farming Societies would prefer to buy land outright if funds permitted, and have gradually done so in a few instances: the Socialists embarked for a time on the same policy, but have abandoned it of late, seeing a simpler course open to them in the boycott of landlords who will not comply with their demands. The National League in 1920 declared that Societies which buy land are prompted by a desire only to employ their members, not to acquire 'property.' The declaration expresses a political theory rather than a historical fact: the cessation of purchase was due to insufficiency of funds. The demands of the Socialists if sometimes excessive are based on good intentions and public policy: they aim above all at intensive culture. Mention has been made of the labour and acreage ratio which is to be enforced in Reggio Emilia: the same claim is advanced in other provinces, and a landlord may be saddled against his will with extra men allotted to him by the Chamber of Labour for works of improvement which he for good or bad reasons does not wish to carry out. Those who are not blinded by the worship of property will perceive that the trouble lies not in the policy

but in the defective machinery for its execution. If the State is not prepared to expropriate the landlord, a joint Council of landlords and of labour-representatives should be constituted with instructions and power to order improvements or intensive cultivation, allot the labour, and in case of refusal transfer the land temporarily or permanently to a co-operative association of cultivators. Meanwhile the struggle, for the termination of which there is no machinery, inflicts hardship on indigent labourers and well-meaning landlords. In Massa Lombarda the Chamber of Labour controls the entire labour supply, and solemnly and intentionally rotates every unskilled man through all the successive estates of the district, co-operative or private, moving each man to a new situation every day. The co-operative farms raise no objection since all but a negligible number of the labourers are members of the Society. The private employers are indignant but helpless: if they resist they will obtain no labourers, and they are not willing to engage as a permanent servant an unskilled man for whom they have no winter work: hence they must suffer—and rightly—for their preference for a fluctuating labour supply. The Socialist principle is just: intensive culture employs permanent men and increases the national product: the resentment is against a pressure proceeding from an unrecognized authority.

The practicability of farming land co-operatively through Societies of tenant farmers, uniting for credit, purchase, sale and insurance, or through groups of organized labourers on unitary farms with an expert manager, has been sufficiently demonstrated by the Italian experiments. The quasi-co-operative Universities of Latium must not be forgotten. The Agrarian Credit for Latium was created in 1902 to finance co-operative and agricultural associations in the province, giving loans on mortgage and otherwise. In order to redeem the depressed inhabitants and improve the land, associations were formed by the name of Universities, which include all agricultural persons residing in the commune and which engage in operations of credit, seed distribution, purchase of machinery, etc., in a manner analogous to that of co-operative Societies but under semi-official control and without real co-operative autonomy. All agricultural persons are entitled to the benefits of the University, but there is no compulsion. Official experts supervise and instruct, to a degree beneficial to agriculture if enfeebling to the individual. It is desirable and possible that the associations, which have formed a Federation in 1920, should be in the end transformed into voluntary and true co-operatives of a socialized type. The area formed by the 370 co-operatives and Universities which

borrowed from the National Institute of Credit in 1919, was 375,000 acres; the total so farmed in the Kingdom may be 400,000 acres, or about one per cent. of the cropped area of Italy. The greater part of this land is in the hands of Universities, an experiment not at present likely to be repeated in other provinces: growth will be by way of co-operatives. New co-operative leases are being taken up everywhere in great abundance, directly or through the Opera Nazionale, but probably only legislation—a perilous ally—can give to co-operation the power to override the reluctance of private landlords. There is no visible impediment to the transfer of all public land, including the large estates of religious bodies, to tenant farmer or unitary Societies; and tenant farmer Societies may be acceptable to long-sighted individuals also; the latter will not come to agreement with unitary Societies except under compulsion.

It is conceivable that the fear of virtual expropriation through a labourers' boycott under a Socialist regime, may propel an avalanche of eager landlords towards the tenant farmers who will stand as defenders of property against the Socialist flood. Unless the landlords comprehend the urgency of united action not by way of stolid opposition to all change, but through alliance with the class of small holders, they will eventually be swept away by legislation. Provided that the legislature does not act in haste, and the small holder is not abandoned, as in Ireland, to his own resources, the increase of co-operatives keeping pace with the acquisition of land will plant an efficient and contented peasantry in place of an absentee or reactionary landlord.

CHAPTER IV.—England.

The characteristics of British co-operation are as dissimilar as can be imagined from those of Italian ; their juxtaposition and comparison become the more profitable. Italy was marked by provincialism, development of labour Societies for production, and State aid. In the

(1) Organized. United Kingdom central organisation is strict, with the minimum of overlapping : the independence of English, Scottish and Irish Federations and Wholesale Societies is due not to a provincial antagonism but to the fundamental differences in the nations composing the United Kingdom, and in the climate and circumstances of the lands which they inhabit ; the institutions of all the nations collaborate for a common end and even unite in joint enterprises. Wales is only induced by her geographical position and her restricted area to enter the English co-operative bodies. The persistence of this alliance between separate national organs is to be attributed to those historical traditions and necessities which have in the past brought about and maintained a commercial and political unity. England again (and in a less degree

(2) Industrialized. the other parts of the Kingdom), has for more than 100 years been highly industrialized : her industries acquired strength when other countries were exhausted by war or hampered by internal disorders : capitalism secured a firm hold before co-operation of consumers had adopted its permanent form, and before co-operation in agriculture had been essayed. The natural system accepted by the industrial worker for his defence was that of the Trade Union, at first a Benefit or Provident Society, operating in the economic struggle only as an amorphous League of Resistance outside the law, but later shaped and legitimized as an indispensable means of balancing Labour and Capital. So enormous had these two factors in the industrial life of England become at an early date that neither the Copartner Society of Workers' Production nor the Labourers' Co-operative Society saw an opening. Working Producers, always embarrassed for funds, could not venture on competition with commercial rivals far more powerful and more ruthless than the capitalists of Italy and Belgium, under the very shadow of whose strongholds the autonomous Producing Societies find means to flourish. The Labourers' Society on the other hand was barred out by the Trade Unions who saw no remedy for the weakness of the wage-earner in his struggle with giant employers, save by class organization and mass-pressure. The State meanwhile, enwrapped in the mantle of Manchester doctrine, stood aloof to let free contract evolve its magnificent consequences in the triumph of the longer purse : the two ruling

political parties were indistinguishable, until the last quarter of the 19th century, in their practical policy of resistance to the demands of the labouring classes.

(3) Independent.

There was in consequence little State aid granted or demanded: co-operators worked out their own salvation, and with the exception of certain benevolent provisions of the Building Acts (dating from 1874 onwards), no legal privilege was conceded until the year 1893, when the Industrial and Provident Societies Act was passed. Of late years the growth and needs of agricultural co-operation have caused a change in this attitude, without exciting that general sympathy with the co-operative ideal, that broad vision of the future, which has impelled the Italian Government to give unprecedented support to the Utopians. The Italian Government, to use a vulgar phrase, has "put its money on" Co-operation: the British Government suspicious and uninspired, gives a sop to Cerberus. The British Co-operator on his side has asked little of the State; even now, when the machinations of the hostile trader have called the Consumer into the political arena for his own defence, the principal demand of the Consumer is to be left alone, he is defending against threats of adverse change, a position which he has held without dispute from the beginning, and which is indispensable to the Co-operative Store.

The Store was first conceived by followers of Owen in 1828, their universal practice being however to sell as nearly as possible at cost price. The

Co-operative Stores.

Rochdale Society of 1844 invented the system of sale at a reasonable market price, with repayment of the surplus to members in the proportion in which it had been taken, *i.e.*, in proportion to their dealings with the Society. This method, while escaping much of the traders' hostility, accumulates a considerable savings fund, withdrawn by members as dividend at the end of an annual or six-monthly term. It is therefore suited to the social class which both needs to save small sums and can afford to do so: the well-to-do are less attracted by the prospect of an annual windfall than by the pleasure of evading from day to day what they regard as the excessive profits of the private trader: the very poor cannot afford to save. These two classes are scantily represented in the British Consumers' Societies; they will buy cheaply or not at all, as is shown by the Eigenhulp Societies of Holland and Belgium, patronized by the middle classes and by those Italian Societies selling at low prices, which contain members more indigent than the British artisan. The co-operative consumer in Great Britain is the skilled artisan or the regularly employed labourer: he has long been accustomed to saving and insurance through Benefit or Friendly Societies,

and is in a position to forego the immediate advantage of cheapness for the sake of assured quality in the goods bought and for the convenience of a savings fund which will pay for his annual holiday. He is normally a Trade Unionist, and as a producer believes himself to be better protected by the power of his Union than he could be in a self-governing workshop which might collapse for lack of staying power in a trade slump or in face of malicious competition. His faith is pinned to the Store and the Productive Society financed by the Store: a Productive Society employing wage-earners (who may also be members of a Store) and as entirely dependent on the Store its master as it might be on a private capitalist. The indefinite and

Consumers' ideal.

infinite extension of this system, expelling the private producer from all place in the national economy, is denoted by what he calls the Co-operative Commonwealth, and towards this end the Consumer is working with increasing force and brilliant success. The disabilities of the very poor will be removed by levelling up his earnings: the disinclination of the well-to-do to adopt the Rochdale method will evaporate when his income is "satisfactorily reduced by taxation." The united Consumers will be the sole employer, and each producer, receiving an adequate and standard wage, will enjoy the benefits of cheap living in his capacity of consumer. Too often the advocate of this Commonwealth is deficient in the logical training which will reveal a weakness in his argument: an indefinite and infinite increase in quantity frequently and almost always involves a difference in quality: Consumers' Co-operation on the Rochdale model, when rendered universal, is indistinguishable from the Collectivist State: its inevitable army of departmental officials will be no less bureaucratic when employed by a Co-operative Union than under an admittedly political State, and whatever criticisms are valid against State Collectivism may be passed equally on a Commonwealth of Co-operative Consumers.

The British Consumer is entirely tolerant in matters of religion; there are no fissures on this account in the fabric which he has built up. His

Consumers' production.

participation in politics also has been provoked by economic measures and needs; only a world-shaking event such as the Russian revolution will lead him to trespass on strictly political ground. But his reluctance or inability to think out his doctrine to its logical conclusion have concealed from him the severity of the struggle to come: the producer, who is visualized—and for the most part rightly—as the private capitalist, using his personal advantages of wealth and education to draw huge profits from the joint labour of himself and his wage-earners, is presented as

the natural enemy of the co-operative consumer. The co-operative producer in British industry remains an unimportant factor through the opposition of the short-sighted Trade Unions and through the difficulty of amassing the funds required to face the might of competitive capital: only in recent years, when the big Consumers' Societies and the Wholesales have mobilized the millions so painfully collected in years of patient growth, is seen the establishment of factories and workshops on a scale which can defy the magnate and the patentee. If England or Scotland had possessed a Milan Institute of Co-operative Credit or a series of People's Banks such as stand in every town of northern Italy, the savings of the peasant or of the modest city-dwellers might have fostered the childhood of self-governing workshops until they earned public confidence and could appeal to the open financial market. But peasants in England there were, broadly speaking, none: farmers banked in Joint Stock Banks which distrusted Working Producers: and the savings of town co-operators poured in, as shares, deposits, and surplus charges, to the Stores, which half unconsciously were aiming at an ideal irreconcilable with that of free producers.

The natural ally of the self-governing workshop (of Industrial Producers) is the co-operative agriculturist. The antithesis lies not between industry and agriculture, town and country but between consumer and producer. Logically no doubt it may be contended that every consumer is consuming to produce (we may neglect the spendthrift and the idler): that a school master eating his dinner is fitting himself to educate good citizens, who are an economic asset of the State. It is true that the economic process is (excluding waste) a cycle, that every act of consumption partakes of production, and *vice versa*. The farmer uses up livestock and machinery in ploughing, the miller destroys grain in producing flour. Yet for common discussion an act of consumption is intelligibly distinguished as intermediate or ultimate: intermediate when its connection with the productive process is immediate and close, as when a cobbler consumes leather to make shoes; ultimate in those acts of personal life and enjoyment which conduce to the general maintenance of the consumer and are only indirectly related to his producing activity. The inadequate organisation of urban producers in Belgium allows the contraposition in that country to appear as one of town (consumer) and country (producer); the fortunate popularity of self-governing production, urban as well as rural, in Italy, and its admission as a valued, possibly a predominant, ally in the great co-operative Federations of Socialists, Catholics, and Liberals, bid fair to transform the antithesis into an unique harmony.

Producers' opposition

In the United Kingdom at present, and above all in England and South Scotland, the tendency is towards an accentuation of rivalry. The friendly relations which were initiated between the Consumers' Union and the Agricultural Organisation Societies, as indicated by their former representation on each other's Boards or by discussion in joint Committees, and by their agreement to avoid rivalry in the province of supply, have not led to a partnership in which consumer and producer would peacefully divide the carcase of the vanquished middleman: rather the rift has widened, and there is reason to fear a greater divergence of ideals, accompanied by embitterment of feeling. The same antithesis exists in Holland, and borders on hostility in Belgium: in both countries the leaders of the Consumers declare themselves ready in principle to unite forces with the producers if the latter will grant them a certain privilege as regards price: the producers reply that instead of a reduced price they offer a higher quality; terms acceptable to the two parties have not been devised, and there is no early prospect of reconciliation. Only in Italy, if the new Institutes and Unions for import, export and warehousing function on national and impartial lines, is there a hope of discovering a *via media* which consumer and producer may follow in peace.

Co-operative Societies in the United Kingdom are registered either under the Industrial and Provident Societies Acts, a series dating from 1893, or under the Friendly Societies Acts, of which the first was passed in 1896. The law is not in a satisfactory state, and a separate Act for Co-operative Societies, with or without Mutual Societies, would be of great advantage. Societies of agricultural credit, whether with limited or unlimited liability, Societies for mutual insurance of Livestock, and Breeding Societies are classed as Friendly Societies: all Co-operative Societies which involve trading or the carrying on of a 'business' are Industrial and Provident. There are also Banking Societies under the latter category, with the proviso that their share capital must not be withdrawable and that the harassing restrictions of the Money-lenders Act will apply: the small Credit Society is thereby excluded. On the other hand under the Friendly Societies Act trading is not allowed, and the operations of a Credit Society must be confined to loans for purposes of agriculture, arboriculture and horticulture. Building, Housing and Town-planning Societies fall under other Special Acts.

The distinguishing mark of administration in the United Kingdom is the Registrar of Friendly Societies, with his Assistants for Scotland and Ireland an official whose absence from the other countries

English law.

already discussed is responsible for much of the disorganisation and the incompleteness of information which handicap not only the student but also the practical worker ; for the treatment of a social disease such as the superfluous money-lender or middleman is always simplified by a knowledge of the local remedies already applied and the degree of their failure or success. The Registrar of Friendly Societies, who has no concern with Companies, is primarily a recording officer to administer the Friendly Societies, Industrial and Provident, Buildings and certain other Acts : he registers new Societies and amendments of by-laws, calls for annual and triennial returns and prosecutes if they are not presented in due time and in the proper form, insists on the legal requirement of an annual audit by a public auditor, causes the books of a Society to be inspected or an investigation to be made into its affairs on the demand of a certain number of members, awarding costs against the party found blameworthy, and suspends or cancels the registration of a Society for certain stated faults. He takes no part in propaganda and employs no regular staff of inspectors : his function is to scrutinize the papers of the Society at its inception and dissolution, in its periodical returns, or on the special occasions described : he declines to be the mentor of the co-operative movement as a whole or of any Society, and is unable to intervene in disputes unless invited by both parties. In general he resembles the Registrar of Joint Stock Companies in an Indian province. The English Registrar does not leave his headquarters: the Societies are usually competent to prepare their own returns which are scarcely more complicated than those expected of an Indian Society : his powers are on the whole equal to the execution of the duties laid upon him. There is one exception : in England as elsewhere in Europe a group of Societies, conforming technically with the law and desiring to win the confidence of the uninstructed, obtain a registration which the officer is not empowered to refuse, while they are by their real nature either fraudulent, or formed by families for private convenience, run by interested speculators (e.g. certain Motor Cab Associations and Building Societies), or for various reasons obviously more suitable for the Companies Act. An extension of his authority, permitting the Registrar to refuse registration in such cases, would be in the public interest. He is already empowered to suspend for successive periods of three months the registration of a Society which is engaged in illegal proceedings or is clearly fraudulent, one which persistently defies the provisions of the Act under which it is registered, or a Society which has ceased to exist : eventually he may cancel the registration. Cancellation is also allowed on the application of a Society which has abandoned operations or which wishes to be

registered under another Act. The office of the English Registrar will be contrasted with that of an Indian Registrar, when discussing co-operation in the Punjab.

A Society under the Industrial and Provident Acts must be registered with at least seven individual or two Society members. A fee of £5 is charged, which is reduced to £1 if the model rules of an approved Federation are adopted. Shares are not compulsory : no individual may hold more than £200 of shares : shares may not be withdrawn while any deposit is overdue for repayment. The profits may be applied to any lawful purpose and without limit : in a few cases advances from public bodies are given only to Societies which limit their rate of interest on share capital : the prevailing limit however in all healthy Societies is 5 per cent. Liability is almost always limited : there are practically no Agricultural Credit Societies in Great Britain : those in Ireland generally assume unlimited liability under the Friendly Societies Act. Stamp duties and registration fees are reduced or remitted in favour of Societies under the latter Act, which are few : the majority pay the ordinary charges. Income tax on profit as a whole is not imposed unless a Society sells to non-members and also refuses to admit them to membership : the excess profits tax is however paid, and the new Corporations Tax on profits which are carried to reserve : it has also been proposed to subject such profits to income-tax, though all co-operators are united in protest and resistance against this suggestion. The above remarks will show that the legislator in the United Kingdom has proved himself less lenient towards Co-operative Societies than in Italy, or even in Belgium : the influence of the trading classes has always been weighty in British politics, and co-operation has not safeguarded its rights or enforced its claims with the two-edged weapons of political action or the strike as have the Trade Unionists. The defective law has however been improved, if not stretched, by wise administration, and the Registrar is entitled to a share of credit for the honesty and reasonable uniformity of British co-operation.

The importance of Consumers' Societies is to be judged not by their number but by their membership and their total of sales : nearly all the big and firmly-established Societies of distribution or production are affiliated to or sympathetic with the Co-operative Union, Limited, of Manchester, and affiliated to or dealing with the Co-operative Wholesale Society. Out of 1,660 Societies noted by the Registrar under the head of distribution and production, 1,467 submitted

returns to the Co-operative Union, showing a membership of nearly $4\frac{1}{2}$ million persons, £100 million of share capital, and £325 million of sales. The diminution of distributive Societies by fusion causes a progressive reduction in the number of Societies: the membership on the other hand is rising fast, and not less than one-third of the population of the United Kingdom is now associated with Consumers' Societies: it does not of course follow that this great multitude buy exclusively from their Societies, even in those lines which the Stores habitually stock: the prospect of a rebate on the Rochdale system tends none the less to a progressive increase in loyalty. The ordinary Distributive or Consumers' Society adopts the model by-laws of the Co-operative Union: shares are of moderate amount and are paid up in small instalments or by crediting to share account the annual dividend. The bulk of the profits is distributed as a dividend on dealings, paid out in cash or to share account as described: a dividend at half rates on purchases is usually credited to the share account of non-members also, who become members by the accumulation of the required sum. It is noteworthy that a member whose shares are not fully paid up loses by this method the advantage of an annual windfall: sales being at market rates, or in some cases by consent of members even above market rates, the new member's patience and understanding may be tried; he is for the moment receiving neither cheap goods nor a cash dividend. The mistaken policy followed by a few Societies in selling at excessive prices is due to the anxiety of members for a high dividend; as much as 5s. in the £ is said to have been distributed: this is however an uneconomical way of saving, since a portion of the price of goods represents overhead charges and a percentage of the profits is carried to reserve. A co-operator would do better to make weekly deposits than to pay at extravagant rates: the object of charging the market price should not primarily be to form a nest-egg, but to secure the Society against grumbling and against possible losses. The Co-operative Union now dissuades Committees from this misguided course of action. Minor points of interest are the following: a member whose shares are in arrears may not vote in a general meeting and may not be a member of Committee: he may be fined for non-payment of his weekly share instalment, and when he is three months in arrears the previously paid instalments may be forfeited. Interest on capital is limited to 5 per cent.; $2\frac{1}{2}$ per cent. of the profits may be carried to an Educational Fund, and this is commonly done. A considerable, but diminishing number of Societies pay a bonus out of profits to their employees: the latter are usually members of the Societies.

No endeavour is made to limit the working area: a prosperous Society extends its operations to surrounding villages and districts, opening new branches or absorbing its co-operative rivals; the results are comparable with those observed in Liège, the attendance of members at local and central meetings becoming less regular, and the efficient and economical management of business being secured. The impulse towards fusion is unweakened; the by-laws prescribe that a meeting adjourned for lack of a quorum may be held again without a quorum: the progressive centralisation of economic power in the Wholesale Society confines the Committees more and more to details of administration or to acceptance of decisions from above; and the Co-operative Congress of 1920, when passing a resolution for the amalgamation of all distributives into a single National Society, was only endorsing a tendency which the far-sighted regard with satisfaction and many local enthusiasts with resignation or regret.

The Co-operative Union Limited of Manchester, founded in 1869, federates over 1,300 Societies of Distribution and Production, including in the latter term the true Copartner Societies of the Co-operative Productive Federation Limited of Leicester as well as the Productive Societies financed by Stores and employing mere wage-earners on the capitalistic system. Its functions are those of propaganda, legal assistance, education and defence: the by-laws also admit the duty of accountancy, but this business is not actually carried on: Societies are audited by public auditors engaged by the Wholesale Societies or in private practice. There is nothing in the by-laws to exclude other types of Society from affiliation; an agricultural Society would doubtless find the atmosphere uncongenial, and its trading operations in competition with the local Stores would excite opposition. Every applicant for admission accepts the guiding principles of the co-operative movement, *viz.*, true dealing without misleading advertisement or concealment, a just partition of "the fund commonly known as profit" between capital, worker and purchaser: and the avoidance of futile competition. The maintenance of these principles in a corrupt commercial world is one of the outstanding services rendered by the Consumers' Co-operatives to British national life.

The Co-operative Wholesale Society Limited of Manchester, founded in 1863, is by far the largest trading co-operative in the world. More than 1,200 Societies are its shareholders with over 3 million members: the sales in 1919 amounted to £90 million. Non-member Societies, both in England and elsewhere, are allowed to buy

from the Co-operative Wholesale Society ; it would be preferable to institute a national organ as in Italy for international trade, which should operate as far as possible through the International Co-operative Alliance of London. The Wholesale Society maintains a Co-operative Bank with an enormous turnover. It supplies goods both by purchase from manufacturers and by production in its own factories : in no other country has a co-operative undertaken manufacture on a scale approaching that of the C. W. S. : its principal establishments are for preparation of groceries, clothing, tobacco, etc., furniture and food stuffs. The agricultural estates in England are of 34,000 acres : 60,000 acres are owned in partnership with the Scottish C. W. S. for tea and coffee growing in India and Ceylon, 30,000 acres in West Africa are now being purchased in the same way for cocoa and palm oil. These estates and factories of the C. W. S. are conducted on ordinary capitalistic lines : the wage-earner receives a wage equal to the highest prevailing in the trade, and his welfare is considered in all possible ways, but he has as employee no part in the management : it is open to him and to all qualified persons to become a member of a Society which holds shares in or buys goods from the C. W. S. and this is considered an adequate share of control for him. There is reason to believe that though the Copartner Productive Societies, which are at present affiliated, are not disturbed in their enjoyment of members' privileges, the English C. W. S. would not admit a new Copartner Society if one should apply. Agricultural Societies which supply general and domestic articles to their members would also be disqualified.

The arrangements for general meetings are excellent and should be regarded as a model for all such Societies, whether Wholesale or Primary bodies working in a wide circle with or without branches. The Society-members are grouped in eight local Divisions ; a meeting of members in each division is held a week before the so-called general meeting in Manchester : an identical agenda paper is laid before all the meetings, and the votes cast in each division are added to those of the general meeting to discover the final decision. Only the members from Manchester division attend the general meeting. This is a truly democratic system, and superior by far to that whereby delegates from outlying regions are expected to resort to headquarters. It is to be recommended to such bodies as the Co-operative Union of Liège and the Metal-workers' Federation of Genoa. At the same time it must be admitted that the control in a gigantic Society of Consumers inevitably falls into the hands of the central Committee, who are men of business ability :

to some extent even the virtual power rests with the heads of departments, whose proceedings it is not possible to criticise in detail. If the same be the case in a large Society of Copartner producers, the democratic spirit is not lost ; the responsibility of the Copartners is only departmentally sub-divided. The spirit of a grandiose Consumers' Society cannot but become capitalistic : not indeed monopolistic—the regard of the C. W. S. for the consumers' pocket is proved by the fact that in 1918 it so cut prices as to show an annual loss (and to escape Excess profits Duty)—nor unfeeling—the employees of the C. W. S. are better treated than in any except semi-philanthropic establishments : yet the consumers who employ wage-earners without copartnership are capitalists, their employees look upon them often as the enemy against whom they have to contend just as they contend against the individual factory owner, and the Amalgamated Union of Co-operative Employees as a Trade Union adopts the same policy and the same watchwords as do other Unions in facing the ordinary “master.” The sentiments of Co-operative Consumers are necessarily mixed : in the same meeting of the C. W. S. the delegates resolved to promote international co-operative trade in order to defeat and replace the capitalist, and rejected a resolution that the C. W. S. should withdraw from the (capitalist) Employers' Federation !

The Scottish C. W. S. is similar to the English : it is instructive that in Ireland the Irish Agricultural Wholesale Society is on comparatively friendly terms with the English C. W. S. : there are few Consumers' Societies in Ireland, which is an agricultural country. The Year Book published by the Co-operative Union classes the Irish Agricultural Wholesale Society with the English and Scottish C. W. S. as National Federations : it does not even mention the English Agricultural Wholesale Society with which the English C. W. S. is sometimes in conflict.

The Co-operative Union convokes annual Congresses of which 52 have been held. That of 1919 showed its Socialistic temper by demanding the nationalisation of land and mines. In 1920 the principal resolutions passed were those endorsing the scheme for a Co-operative College, expressing sympathy with Russia, calling for a levy on capital wealth to reduce the National Debt, approving of a National Co-operative Society, and protesting with vigour against the imposition of taxation on Societies. An alliance of the Co-operative Political Party with the Labour Party was proposed, but was deferred for a year in order to give time for consideration. The proposed alliance was rejected by

Scottish and Irish Wholesale sales.

Co-operative Congress.

a narrow majority in the Congress of 1921. The Congress of 1920 was marked by a spirit of discipline combined with enthusiasm; its further characteristics were three: (1) a weakness of the discriminating faculty, (2) an intense passion for education, and (3) a programme in other respects more negative than constructive. The lack of discrimination was indicated by the acceptance of generalized sentiments in place of concrete statements: much of the Presidential address might be described as vapour, yet was received with appreciation. Certain Russian co-operators detailed the injuries inflicted on their organisation by the Bolsheviks, and their remarks were loudly applauded as a mark of sympathy: but the meeting passed a resolution of sympathy also with Russia under its present government. The passion for education is not new: the Union has already a highly qualified Adviser of Studies: the education of young co-operators and the training of young Store employees aroused universal interest, and the education demanded both through the Co-operative College and otherwise was not merely technical but liberal; an education which should give the co-operator the world's spiritual wealth as his economic efforts were aimed at material wealth. The keenness was very genuine and very deep. It is not unnatural that a Congress of 1,800 persons should concentrate on the faults of the enemy: the evils of capitalism and a government propped by the capitalist class were expounded more fully than the virtues of the Co-operative Commonwealth which is to be erected in its place: the resulting criticism was more destructive than accurately thoughtful. But a Congress is a practical body, to deal with immediate and present troubles. Its members are drawn—unfortunately—from one class and are imbued with class feeling, from which proceeds the fighting strength and logical weakness of Consumers' Co-operation in Great Britain. They are rapidly becoming as political, *quâ* co-operators, as many of them have long been *quâ*

Co-operative Party.

Trade Unionists. The Co-operative Party was called into being in 1917 as an answer to the unfriendly attitude of the British Government throughout the war, whereby the huge co-operative movement was neglected in official ordinances, elbowed out of Commissions, and threatened with new fiscal burdens. The first Co-operative member of Parliament was elected in 1918: the Party is controlled by a special committee under the supervision of the Co-operative Union, representatives of the Wholesale Societies being included: the English C. W. S. however, while subscribing to the funds has refused to take a more active part in political affairs. The formation of the first definitely political party by co-operators as such is a striking event in history.

Indian readers will not be unfamiliar with the name of the Oxford University Co-operative Society, Limited. The first co-operative enterprise among Oxford students took the form of an association which secured discounts from certain shop-keepers to whom it directed its members in search of goods. In its later form, from 1914, the Society opened a Store, but after five years' working an appreciable loss had been suffered and in 1920 the liquidation of its affairs was proceeding. The obstacles which defeated the Society were insufficiency of business, excess of rent and overhead charges, and the indifference of the members. The greatest practical impediment was offered by the landlord who under pressure from local traders increased the rent and raised difficulties as to structural alterations to a degree which caused inconvenience. The members were disloyal and negligent for various reasons : some were in easy circumstances and preferred to buy elsewhere on credit at a greater cost ; others were deterred by the unfashionableness of co-operation : many were simply lazy and young. The Committee was composed of graduates and under-graduates, and was deficient in business capacity rather than in earnestness. Graduates in a College or University Society are needed as a permanent nucleus, and it may be hoped that with their assistance a regeneration of the Society will be effected.

To the category of Co-operative Production are wont to be assigned two classes of Society dissimilar in their manner of working and conflicting in their ideals. The Productive Society financed by Consumers and manned by wage-earners as mere labour units is a more insidious rival than a professed capitalist to the Society of self-governing workers. The latter class covers the overwhelming majority of Italian Societies of Production and Labour, and will alone be referred to by the name of Productive among English Societies in the present argument. As already explained the self-governing workshop is seldom able to compete with the private manufacturer or contractor under the highly industrialized conditions of England. Among many hundreds of modest or ambitious schemes, only 59 Productive Co-operative Societies in the strict sense were counted in England and three in Scotland at the end of 1919 ; the total in 1883 was only 15 and in 1906 no less than 108 Societies. Very few are believed to survive in other parts of the United Kingdom. The Co-operative Union reckons 95 among its adherents, with 40,000 members, and only 11,000 employees : these figures include capitalistic Societies under the control of Consumers, the membership in which bears no relation to the number of work-

ers. The true productives also admit as shareholders both private sympathizers and Consumers' Societies with which business is done. A brief explanation of this policy will illustrate the spirit of British co-operation in production.

The participation of labour as a partner in the business in which it is employed may be effected in several degrees. In simple profit-sharing, a percentage of the annual profits is distributed to the wage-earners in cash as a bonus on their wages. At the next stage inducements are offered to employees to become shareholders in the business ; it was always open to them to buy shares of a public company in the open market, but special facilities are needed in the case of a private establishment, and the employee will not as a rule recognize the advantage of such an investment unless he is in some way differentiated from the ordinary shareholders : his poverty leaves him in a small minority among wealthy men looking for a high dividend, and he cannot materially influence the management or advance his own greater interests as a producer. Consequently shares are issued to him at a privileged rate, or the profits accruing to him under the profit-sharing scheme are not distributed to him in cash but credited to his share-account. The third step is to give the workers representation on the Board of Directors ; in such cases the employee Directors are elected by worker-shareholders alone (who are as profit sharers all or nearly all the workers), and are not responsible to the capitalist shareholders proper. The last stage is the self-governing workshop, in which the predominant party on the Board are the workers, the other shareholders (whether Consumers' Stores or private persons) holding usually a limited number of seats, or being excluded altogether. These four grades of Copartnership, though logically distinguishable, do yet in the particular instance pass imperceptibly into one another, and an exact classification is not to be obtained. In 54 years, which ended with 1919, 380 schemes of profit-sharing and copartnership are known to have been started in Great Britain, of which 200 failed sooner or later for very diverse reasons. The total of survivors shows a continuous increase, and nearly half of the failures have occurred in the first four years from their commencement : the average life of the remaining half (which eventually failed) will have been from 15 to 20 years.

The propagandist of the theory in its general form is the Labour Copartnership Association of London, a non-commercial organisation originally founded to promote Copartnership in Co-operative Societies. The self-governing workshops adhere to the

Co-operative Productive Federation of Leicester. The Copartnership Association is engaged in recommending to private employers as a measure of post-war reconstruction the adoption of the profit-sharing method by which Labour will acquire a part of the share-capital together with a share in the responsibility and control of the business by means of (1) Internal Administration Committees known as Works Councils and (2) representation on Boards of Directors. The former proposal is one which, however beneficial, is directed towards conciliation rather than co-operation ; the private discussions which may take place between the captain of a football team and his men as to the colours which they shall wear or even as to the post to which each man shall be allotted on the field, are different in kind from the manœuvres whereby the enemy is defeated in the game ; the agreement calls for conciliation, the game for co-operation. The second recommendation, *viz.*, representation on the Board, is essentially akin in spirit to the demand for a joint control made by Italian labourers at the time of the 1920 strikes in Milan and Turin, and less confidently put forward by British Trade Unions. The handicap of co-operative producers in advancing towards grand industry is ignorance of the systematized economies of factory management and of the procedure used in sales especially on foreign markets. Realizing the opportunities for business education and inner knowledge which association in control will give to the worker, the private capitalist is reluctant to make the concession. The joint Committee of Italian employers and employees having failed to reach an agreement, the Italian Government has drafted a Bill* for Workers' Councils in each factory, and a national Council for each industry, which will debate and share with the employers the conduct of affairs, principally but not solely in respect of internal administration. The British Trade Unions on their side are not pushing the demand whole-heartedly to the point of definite negotiations, many of their leaders being more inclined to a Syndicalist solution whereby an unlimited pushing up of wages will destroy the profits of capitalistic business, and the industry as a whole will be handed over to them in despair. Herein lies the difference between the Co-operative and the Trade Union solutions of the industrial problem : the co-operator, whether he be a Consumer or a Copartner Producer, will gradually displace the capitalist by underselling him in the Stores and at the same time drawing labour away from him by the more attractive conditions of co-operative production (the saving of the capitalist or the middleman's profit renders

* Passed in 1921.

both these processes simultaneously possible) ; the Copartner would lay special emphasis on the independent though not unco-ordinated management of each factory by the workers. The Trade Union leader, perhaps less through reasoned conviction than through a perception that the intense concentration of mass-power found in a Union, which he sincerely believes to be essential to the security of the labourer, will be somewhat dispersed under a system of co-operative factories affiliated to a Federation, drifts into an attitude of hostility both to profit sharing and to Copartner control : he stigmatizes the share of profits as a device to keep down wages, and the election of employee-directors as a red herring to divert the men from the track of Trade Union organization. The first accusation is quite incorrect : profit-sharing businesses pay the standard or a still higher wage : the real criticism is that without responsibility profit-sharing only prevents waste, it does not lead to a new Utopia. The second charge is true ; the sharing of business control may fit men for co-operative production or National Guilds, but is not convenient to Syndicalist thinkers who wish to manage each industry as a whole from the top.

The Labour Copartnership Association in consequence is not reorganizing British Society through Copartnership : it possesses the merit of being an idealistic body, undoubtedly diffusing in the industrial world an atmosphere of sincerity and reflection : its contribution to the remoulding of the world is not to be measured by new concrete schemes, though these also are to be seen, but by the permeation of its far-sighted ideals through the sluggish brains of British citizens.

The industry in which profit-sharing has found the widest scope is the manufacture of gas. In 1889 Profit-sharing in gas companies. the South Metropolitan Gas Company introduced a scheme under which, a maximum price having been fixed by law for the supply of gas to the consumer, the rate of interest on capital should be raised and an increasing bonus paid on wages as the price to the consumer fell. After a few years it was decided that the bonus on wages should be distributed in the form of shares, and three out of the ten Directors should be elected by the working share-holders. No less than 38 gas companies in England have adopted the profit-sharing plan, though the unavoidable rise in prices during the war caused its abandonment or suspension : so profitable used it to be to all parties through the avoidance of waste and irregularity by the workers, and the addition of a substantial surplus to the standard wage, that it will without fail be reintroduced now that new legislation has sanctioned a higher

maximum price for the supply of gas. Only one other company has followed the South Metropolitan in admitting employee Directors. The inverse ratio laid down between the price to the consumer and the return to the producer will be an invaluable device in any industry which deals with the object of a natural monopoly and which may hereafter be organized on co-operative lines. Capital may either be given the same proportionate return, or may receive the privilege of a guaranteed debenture rate of interest ; where the chief holder of capital (*i.e.*, the former employer) is not himself the working manager of the business and his return does not therefore depend in any degree on his efforts, the fixed rate is to be preferred.

Copartnership is practised in its varying forms and degrees by many important British firms and in at least one municipal enterprise ; leaving these on one side, it remains to consider the self-governing workshops. Of the 62 Societies recorded in 1919, 43 were members of the Co-operative Productive Federation of Leicester. The Federation partakes of the idealistic spirit animating the Copartnership Association ; to visit it, after listening to the solid and businesslike principles of the C. W. S., is to mount from the broad but dusty highroad to the misty mountain tops : a place of invigorating air and distant views, but of slower progress and unstable footing. The Societies with three exceptions work on a genuine Copartner method ; the Directors, Managers, travellers, are commonly drawn from the employees of the workshop, though there is no bigotry to exclude an expert when he is needed. The Federation is occupied in propaganda, audit, and joint invoicing. The propaganda is carried on largely at Co-operative Conferences ; the original idea of the Federation, namely to spread Copartnership in Co-operative Societies blinds it to, or causes it to ignore, the growing hostility of the Consumers' movement to Copartnership, and holds the Copartners in loyal membership of the Co-operative Union of Manchester, which is in the hands of their enemies. The C. W. S. has its boot factories in Leicester and the Copartner Societies have no more acute competitor. The Hebden Bridge Society, which was only imperfectly Copartner, was brought up entirely by the C. W. S., the consumers having a preponderance in the share-holding. The joint invoicing is an agency comparable with that of a Sale or Purchase Union : an order for goods is distributed among several Societies, which for the convenience of the customer combine their bills and receive payment through the Federation. No great effort is being made to create new Societies. Capital is not forth-

coming to finance them : the propaganda branch has not the funds to preach or organize them : and the existing Societies call for more time, more money, and more orders than can be obtained. The movement is therefore not progressing, though many of the Societies are very prosperous. What is lacking is a propaganda fund : owing to the disfavour with which Copartnership is regarded by the inner circle of the Consumers, no help is forthcoming from that quarter : the Agricultural Organisation Society is itself recent and has no funds to spare, nor could the agriculturist be expected to endow an Industrial Society the propriety and efficiency of whose proceedings he is not fitted to judge. The Government which has assisted agricultural co-operation dare not again provoke the wrath of the "legitimate trader," who is already bitter enough against Consumers' Production ; it may be imagined what short shrift the Italian Government would give to such opponents. The Copartners themselves too are full of a healthy pride : they do not ask for State help, and still believe that their own rules and those of the Consumers are and should be identical. Yet if a few million pounds, or even Italian lire, would offer a hope of industrial peace through a strenuous propaganda for Copartnership, the British Government would make an excellent financial as well as social and political bargain.*

The Copartner Societies are chiefly Boot-makers, Textile Workers, Printers, Wood-workers (*i.e.*, in furniture, etc.) and small Metal Workers. Their biggest undertakings are two Scotch Societies of Weaving and Baking respectively ; both of these have been flourishing for over 50 years, but there are no new Societies whatever in Scotland. A standard wage is paid to the working shareholder, and the share of profit falling to him at the end of the year amounts on an average to 1s. 6d. or 2s. in the £. In the ordinary course all employees are or rapidly become shareholders, though a few Societies very unwisely do not encourage women on the ground that they marry after a few years and leave the Society, or that in any case they take no interest. The greatest danger and the worst fault in a Copartner Society is exclusiveness.

A few examples will illustrate the working of the Societies. The Equity Boot-makers' Society of Leicester was founded in 1887 by a secession of workers from the "co-operative" factory of the C. W. S. in

* No contracts have been given by the British Government, even to the newly created building Guilds, on the ground that they can offer no financial guarantees. The Italian Government has been rewarded for its faith.

the same town : it has 1,080 members, of whom 300 are in its factory ; the remainder are Consumers' Societies, individual sympathizers, and boot-makers anxious for employment when a vacancy occurs but at present engaged elsewhere. The workers predominate at general meetings. The Committee of eleven consists entirely of employees, including one woman : only one member failed to attend a single one of the 52 weekly Committee meetings held in the previous year. The business at a meeting which the writer was privileged to attend was promptly conducted and with good order. Profits are good ; depreciation and reserves are satisfactory. The interest on capital is limited to 5 per cent : other profits are paid to customers and employees. The industry though not extremely complicated involves workshops and machinery, and a multiplication of such co-partnerships would bring Utopia to our doors.

Class A.

The Wigston Hosiers' Society arose in 1899 and has 551 members, of whom 240 are Consumers' Societies, 234 individual sympathizers, and 77 employees. Only six employees are not members. The large proportion of Consumers' Societies among share-holders indicates that by no means all such Societies are opposed to co-partner production : it explains at the same time the tragedy of Hedden Bridge. The employees own only £2,350 out of £119,000 capital ; four of the nine Committee members are workers ; the employees are largely women, and said to be indifferent. The dividend on wages is 20 per cent. of the profits, and amounts to 2s. or 3s. in the £. Capital receives 5 per cent. plus 10 per cent. of the profits. 50 per cent. of the profit is returned to customers.

Class C.

The Kettering Clothing Society is intermediate in merit between the Equity of Leicester and the Wigston Hosiers : its peculiarity is the existence of a ' branch ' in a village a few miles away, which is subordinate to the main Society. All members of the branch are on a par with workers in Kettering but admittedly they take a smaller part in the practical control, and the evil of irresponsible labour appears to be creeping in among co-partners.

Class B

The Registrar of Friendly Societies is the recording and administrative officer for Societies registered under the Building Societies Act, of which more than 1,400 sent in annual returns in 1917, showing a membership exceeding 600,000 persons and share-capital of £47 million. The size of the share capital would be evidence, if such were needed, that Building Societies are by no means all co-operative, since so great a sum could not be subscribed without philanthropic or speculative assistance. Three or four hundred of a more co-operative nature are registered under the Industrial

Building Societies.

Kettering Clothing Society.

Wigston Hosiers' Society.

and Provident Societies Act, buying land on which their members may build houses on separate plots, and either retaining the ownership of the ground until all instalments have been paid off by the building member, or transferring the property and laying a mortgage on the house. Obviously the continuance of such Societies after the repayment of the purchase price is of little practical utility, and in many cases they cease to be when their object is fulfilled. Those on the other hand which are guided by an intention of more complete co-partnership constitute themselves either as Societies of Co-partner Tenants, or as Co-operative Garden Villages or Cities. The title of a Society is not in itself a criterion of the class in which it should be placed. Co-partner Tenants may be merely

Co-partner Tenants.

Building Societies such as have been described, which retain the ownership of the land and generally also of the houses, leasing to members only but making no attempt to develop the amenities of the neighbourhood or a common social life among the tenants. If however one or more Societies of Co-partner Tenants hold a large and suitably situated area, they naturally unite forces to secure sanitary and æsthetic advantages by the enforcement of convenient regulations on their members and by joint representation to local authorities. These regulations will relate to the architecture and orientation of buildings, the substitution of grass baulks for the footpaths and the outer parts of the roadway, the prohibition of aggressive fences, and the provision of parks and open spaces. The larger the Society, the more respectful and complaisant will be the local bodies, and the nearer can the co-partners approximate to a Garden City. By the latter is understood

Garden Cities.

a more self-contained community, which if it does not secure a local authority of its own, will be treated as an entity by the authority in whose confines it may lie. The normal regulations which govern the lay-out of an estate, the alignment and measurement of roads, and the solidity or outline of buildings, will be freely modified or relaxed by the Local Government Board, in the discretion of which considerable power is left by the law. Garden Cities, Suburbs, and Villages may be proprietary, joint-stock, or co-operative. The first are estates owned by an individual, usually an enlightened employer of labour, who plans a model village for his employees: such are Port Sunlight under Lever Brothers, and Bournville under Cadbury Brothers: beneficial institutions in which the residents cannot enjoy the fullest autonomy. An example of a Garden City constituted as a joint stock company is to be seen in

Letchworth.

Letchworth, the most famous experiment of its kind, in which an independent community was settled in the country, neither connected with a

manufacturing establishment nor so located that its residents will disappear daily into an adjacent great city. Here too the immense capital required disturbs the balance of control: all that is needed to convert a Letchworth into a co-operative community would be to give municipal powers to the Company, equalize voting rights, and impose a special rate for buying out the non-resident share-holders. But the ascent from the Avernus of company management is steep.

Co-partner Tenants of the simple type can flourish in a proprietary or joint stock estate as well as in an ordinary town. If plots of land are sold, they may buy, sell, or let to members within the restrictions laid down by the superior authority. Such Tenants' Societies are found in Letchworth and in Bournville.

The Co-partner Estates of a magnitude sufficient to endow them with a conscious co-operative life are not easily enumerated; Hampstead Tenants (4 allied Societies), Ealing Tenants, Liverpool Garden Suburb, are among the purest and most successful. About 100 Societies bear the co-partner name or some equivalent: 25 of these at most may be both adequate in area and co-operative in spirit. Fourteen Societies have been federated by Co-partnership Tenants, Limited, of London, an organisation registered in 1907 to co-ordinate existing Societies and found and develop others as residential co-partnership estates. The Federation raises capital for itself and the Societies: it had £ 350,000 in 1920, of which £100,000 was owned, and was engaged in issuing more Loan Stock. The Societies take up shares in proportion to the value of their property, and profits are for the most part carried to Reserve. The Federation also buys building material on a large scale for its members, promotes the formation of Builders, Wood-workers' and Brick-makers' Co-operative Societies which will execute works for the Tenants' Societies; the services of architects and surveyors are obtained for their assistance in town-planning; and the account books are inspected in order to safeguard co-operative principles. The model by-laws for a Society, published by the Federation, specify that no house on the estate may be licensed for the consumption of intoxicants on the premises: in practice there is usually no licensed house at all. The by-laws also provide for a Tenant Members' Committee, the necessity for which arises from the fact that the Societies cannot house all their members, and have long lists of waiting applicants, who have taken up shares before becoming tenants. The Tenant Members' Committee in each

society elects 2 representatives to the Board. The Federation urges Societies to insist on their tenants paying up gradually or immediately the maximum share-holding (£200) allowed by the law, in order to obviate the tendency of tenants whose share capital is insignificant to vote for low rents and a low dividend at the expense of business security. A large proportion of Loan Stock is also subscribed by members.

The first Co-partner Estate was that of the Ealing Tenants, a Society founded by a handful of industrial Co-partners in 1901; by a supreme effort £48 were collected, and a loan from a retired Anglo-Indian raised the funds to £500. The first few houses were built on a cramped space—all that the Society could afford to buy—in the dull and ugly style of back-to-back. The imagination expanded with the slow accretion of capital, and the Society now owns 60 acres, affording space for 700 houses (usually at 10 houses to the acre), and a capital of £250,000, including £30,000 share-money. The Federation of Co-partnership Tenants is a large shareholder. The architecture and the lay-out are now varied; grassed spaces, bowling greens and play grounds are reserved in every section, and a large recreation ground with a social Club, lying on one side of the estate, slopes down to a river beyond which the golf course extends into the open country. In the beginning houses were let to all applicants; the right is now confined to members, whose demands for accommodation cannot at present be satisfied on account of the exaggerated cost of building. Garden competitions are arranged, a school of handicraft has been started, and everything possible is done to excite in the resident members a sense of community with one another and of pride in their common home.

In 1903 there came into the market a tract of 80 acres of pasture adjoining the great public Park known as Hampstead Heath on the north of London. A Society was formed to acquire this land for inclusion in the Heath; in 1906 was registered as a Company the Hampstead Garden Suburb Trust, with the intention of laying out a (non-co-operative) model suburb of 240 acres beside the Heath. The Co-operative Societies of Hampstead Tenants took a lease of 25 and 50 acres respectively from the Trust for 99 years, with option of renewal, and in 1911 two similar Co-partner Societies leased 80 more acres from the Trust for 99 years and 800 adjoining acres from a public body for 999 years. The total estate of the 4 Societies, which utilize a single office, is now of 450 acres, on which more than 2,000 houses will be constructed: much ground will be left open, and the residents of Hampstead being in many cases men in

easy circumstances, the number of houses per acre is smaller than in the surrounding suburbs. In 1919 the first Society of Hampstead Tenants, holding only 25 acres, possessed a capital of £150,000, of which £30,000 was owned: the share-holders were 350, including Co-partnership Tenants, Limited. The second and third Societies show even larger figures, but the fourth Society has been held partially in abeyance pending the full development of the first three: its capital is subscribed almost entirely by the Federation, the cautious and non-political attitude of which should be compared with the aggressive and progressive bearing of the Reggio Emilia Federation of Collective farms: arguments may be brought forward in support of either policy. The Hampstead Co-partners have adopted a system of varied but not fantastic architecture, curving and grasslined but neither confusing nor untidy roads: there is a good Club (separately registered), a Library, several Churches, and a Technical Institute. A tube-railway runs out from London, and the spacious Heath is but a few hundred yards distant. The suburb contains and needs few shops, since shops for all purposes, including the sale of intoxicants, are abundant in the near vicinity outside its limits. Allotments are available for those who wish to grow their garden produce. The entire area is in a sanitary condition, and every residential house without exception is fitted with a bath. The tenants are content: only one case of expulsion from a Society is recorded in all the 14 Societies under Co-partnership Tenants. The houses belong to the Societies, and rents have been maintained at the pre-war level until the price at which repairing work will eventually be possible can be ascertained. No tenant is ejected from his house during good conduct.

Other Co-partner Estates are managed on similar lines: the Onslow Village, Society of Onslow Village, Limited, a new Society which in 1920 bought an area of 64½ acres on the outskirts of Guildford in Surrey, deserves mention as the first in which a local authority has taken part: the Guildford Town Council has invested £20,000 in the share-capital, and the Mayor and a Councillor represent the town on the Committee of Onslow Village.

It is essential to dispel the delusion that a Garden Suburb, City, or Village, is populated by long-haired cranks or constructed on the useful but unattractive lines of a model tenement: Building Societies, formed solely by poor men or for their professed benefit by prudent investors, frequently set economy of money, space, and even sanitation, before all other considerations: a few Co-partner Housing bodies may be constrained by defect

of means or of knowledge to content themselves with equally inartistic results; witness the first block erected by Ealing Tenants. Letchworth, the first Garden City, which claimed to be a new and self-contained community, was advertised by a few 'business' and non-co-operative promoters, until it acquired the reputation of a freak; who knew but it might be a modern Arcadia or a Mormon City? It consequently accumulated an odd reputation and some odd residents who have now abandoned their oddity or their residence, or been absorbed among the matter-of-fact citizens. The average tenant of a Co-partner community resembles the average resident of any other district in appearance, dress, and habits, with the exception that he is occupying a better-built and more picturesque house than he would secure elsewhere for the same rent: his landlord is a reasonable person, not a skinflint, and is elected by and responsible to the tenants: his surroundings are more beautiful, cleaner, and less monotonous: he may surrender his house at short notice if his work takes him to another district knowing that a successor in tenancy is waiting for his departure but cannot eject him by offering a higher rent. His neighbours are sober and orderly persons in good health: the death-rate of infants in Letchworth Garden City is about 32 per thousand, in London 107, and Liverpool 143 per thousand. In order to gain these not inappreciable ends, it is true that the Co-partners submit to certain regulations not elsewhere enforced: the keeping of farmyard animals of dirty or noisy ways, or of dogs which bark without due cause by night, is discouraged in the common interest. Only hedges of a moderate height are permitted, no palisades or walls between gardens: unsightly sheds may not be set up in public view. Yet if he dislikes these encroachments upon his liberty, he has only to convince his fellow-members in general meeting of the wrongs which they suffer in common with him: if all alike resolve to locate crowing cocks beneath their neighbour's windows, the harmony will be the sweeter.

Agricultural co-operation in the United Kingdom is a plant of late growth. Until a quite recent date
Agricultural co-operation.
 agriculture had itself been a neglected industry for 100 years, the attention of the country being devoted to urban industries, which had in fact arrogated to themselves the sole right to the name. The area of the United Kingdom is approximately equal to that of the Punjab, while England and Wales, which will exclusively be discussed in this connection, cover half the extent. The density of their population is between 650 and 700 to the square mile as in Belgium, while more than three-quarters of the population lives in towns or urban districts. Only 40 per cent. of the agricultural holdings

are of less than 25 acres, as compared with 72 per cent. in Holland, and 90 per cent. in the Punjab; the farmer is not a

peasant, but a substantial master of labour, although he is himself usually not a freeholder of his farm but a tenant of a large landlord. The importation of cheap grain from America and other agricultural countries into a Free-trade England rendered the growing of grain unprofitable and despite the continued supremacy of the British stockraiser agriculture as a whole was depressed. The burden fell most severely on the landlord: the farmer, though not unaffected by the fall in prices, was indispensable to a non-cultivating landlord; his sons would emigrate to the cities or to new lands if rents were maintained at too high a level: rents therefore continuously fell, and the tenant of mixed farms varying from 50 to 500 acres in different localities in accordance with soil and other circumstances was able to make a tolerable living by reducing to a minimum the outlay on the land. As in Denmark, another stock and dairying country, only the richest land was sown with grain: the average outturn of wheat in England before the war was about 38, and in Denmark 55, bushels to the acre.* It must be emphasized that this high return is not due to the fertility of all European soil, but to selection of soil and progressive cultivation. England however was not, as Denmark and the Netherlands, a dairying country. The average daily milk of a good Dutch herd was found to be $4\frac{1}{4}$ gallons per cow: in England the daily average of a good though not exceptional herd is from $2\frac{1}{4}$ to $2\frac{1}{2}$ gallons. Mixed farming involves a few acres of the best arable land for grain, the rest for root crops, and considerably more than half the area as pasture for the cattle, partly kept for dairying, partly fattened for slaughter; the farmyard and orchard would supplement the farmer's income with smaller livestock and fruit; finally if he were an intelligent man and could command capital, he would embark on the breeding of pedigree animals. Until the later decades of the 19th century, small private Bankers in every country town, who knew their clients and their farms, were willing to grant credit to honest and industrious men: the country Banks have now been replaced by branches of Joint Stock Banks from London, the managers of which though often not natives of the country still do their best to discriminate between sound and unsound farmers, but have not the

* Average in the Punjab 8 bushels or 6 maunds: 1 bushel=30 sers.

† 17 sers.

‡ 9 or 10 sers.

personal knowledge which will enable them to fill the place of their native fore-runners. The farmer in consequence, feeling from time to time the need of a temporary advance as all agriculturists periodically feel the need in every part of the world, and having lost his old friend the private banker, was compelled to stock his farm or buy his trade requisites on credit; when his produce was ready, he must sell in haste and receive early payment. He fell therefore into the

Agricultural traders. position of borrowing client to the agricultural trader, a gentleman performing the functions of, and occasionally approximating in character to, the grain-merchant of the Punjab village. Heavily indebted for goods to this agent, the farmer was unable to criticize the price or quality of the foodstuffs, seeds, machinery, or fertilizers which he bought, and could not contend for a fair bargain when he sold. It must not be supposed, as is the tendency, that the English farmer differs from his Italian or Indian brother in his personal character: he is described as independent, conservative, suspicious, and secretive; the same charge has been brought by all reformers in all countries against all farmers, and with some (though not over much qualification in the case of North America, it is equally true or false of all farmers. The farmer is the child of his own economic isolation, an isolation due to the fact that cultivable land is extended in two dimensions, to the recent and rapid improvement of road and rail communications, and to the infinite variability of soils from mile to mile. Every cultivator studies and knows his own land, he resents interference and advice: he loves the seeds and the instruments which he knows. The English farmer twenty years ago was consequently in difficulties: he was isolated and indebted.

Primâ facie it would appear that the remedy lay in co-operative credit: but one of the lessons most readily learned by a co-operative inquirer in foreign lands is that there are many ways of attaining the same co-operative end. Credit was not the English farmer's primary need: his business turnover was sufficiently large to assure him the requisite working capital if he were able to purchase good material at a tolerable price, and sell his produce direct to the wholesaler or consumer on trade terms. He was not sunk in the morass of debt in which the peasant without co-operative relief is resigned to lie: he was rather embarrassed by an excessive business debt, from which he could not escape so long as he bought at high and sold at low prices. Credit Societies were indeed founded and at one time amounted to fifty or more in England and Wales: a Central Bank was

established in 1908. But the credit movement is now practically abandoned. It was not the right medicine for the disease, the constitution of the patient being too robust in spite of evils. The substantial farmer in an industrialized country dislikes unlimited liability, since his familiarity with commercial terms and values reveals to him the extent of the risk: the English farmer has dealt with Banks of limited liability. Moreover the agriculturist, if he accumulated savings—as a rule he was living on trade-credit—invested them in commercial or government securities as did the townsman: there was no old stocking in which to store his petty treasure. Again if the farmer borrowed from a credit Society, he would demand large loans proportionate to the size of English holdings: the capital of the Society which would satisfy him must be of several thousands of pounds from the first; there was no means of financing Societies on this scale. The agricultural labourer or small holder might be benefited by exiguous loans, but small holders are only now being settled in any number on the land, and the landless labourer under an antiquated and obstructive law of land titles and transfers had not the supreme incentive to thrift, *viz.*, the hope of buying a peasant farm for himself.

The co-operative current was for these reasons directed towards purchase and sale. Serious efforts towards an agricultural revival commenced 30 years ago: a Commission of the Chambers of Agriculture in 1891 reported in favour of co-operative purchase, and again in 1896 advocated co-operative sale. The National Agricultural Union was created in 1891 to bring about changes in the law or in railway regulations for the advantage of agriculture: in 1896 it set up with great promise a Supply Association, which failed of support, being non-co-operative. In 1900 a British Agricultural Organisation Society was registered to operate on the lines of the Irish Society which was effecting such astonishing results under Sir Horace Plunkett. In 1901 this Society united with the National Agricultural Union to form the Agricultural Organisation Society (A. O. S.), the organizing and non-trading Federation which now directs Agricultural Co-operation in England and Wales. Equivalent Societies work in Ireland and in Scotland. The English A. O. S. struggled on with voluntary contributions until 1909, and had organized and federated 400 Societies in that year, half of which were for small holders (farming about 5 to 50 acres) or for allotment-holders. An allotment is a patch of land not exceeding five acres, and usually much less, which is cultivated by an urban or rural labourer in his spare time, and is not his main source of livelihood. From 1909 an annual grant,

amounting in 1919 to £ 4,000, was given by the Board of Agriculture for the promotion of Co-operative Societies among small holders and allotment-holders, and from 1911 subventions were made by the Development Commissioners; this last official body in 1919 was paying a subsidy of £ 36,000 to the Agricultural Organisation Society, based on the amount of voluntary income raised by the Society. The subsidies are to cease entirely in 1923,* and the Agricultural Organisation Society is now insisting on the payment of a greatly enlarged annual fee by the Federated Societies and is disaffiliating those which neglect the duty. Government is represented on the Board of the Agricultural Organisation Society by 2 Governors, the remainder, 53 in number, being directly or indirectly elected by the large and the small societies in two groups. The constitution is fully democratic, but an interesting sidelight is thrown on the nervous policy of the British Government towards co-operation and on the unsuitability of the co-operative law, by the fact that the Agricultural Organisation Society is now registered under the Companies' not the Industrial or Provident Societies' Act, with by-laws which forbid it to trade.

The societies organised by the Agricultural Organisation Society in the first part of the year 1920 exceeded 1,400, almost all with limited liability; of these 400 were societies of comparatively big farmers, with a membership of 85,000, a third of the farmers in the country, and 1,000 were Societies comprising 150,000 small producers, principally allotment-holders. The great majority were Trading Societies, engaged in purchase or sale or both. A Farmers Society embraces a wide area, often an English county (which may be compared to an Indian District), and does business on a grandiose scale. A few small holders join the Farmers' Societies, since their needs for purchase of foodstuffs for livestock, fertilizers, seeds and manures, are more alike in kind to the requirements of farmers than of allotment-holders; the latter deal in vegetables, use little if any machinery, and may obtain their manure locally in small lots. A society of small producers may join a Farmers' Society as a single member, or may unite with other small societies in a Local Trading Federation. It is evident that the progress of agricultural co-operation must not be judged from the total of Societies: a Trading Society in a land of good communications and general education can comprehend without inconvenience a circle which would be

* It has been somewhat unexpectedly discontinued in 1921.

impossible if constant personal intercourse were desired ; the policy of the Agricultural Organisation Society is in fact one of fusion and elimination ; in the last few years several hundred weak, ill-organized, or overlapping Societies have been wound up or merged in newer and more efficient bodies. The process is now nearing completion. There is room for doubt whether the policy in itself is wise ; an unsatisfactory society must of course be brought to an end ; the sphere of operations of a Purchase or Sale Society may safely be extended beyond the boundaries appropriate to a Society of credit or for hire of machinery : yet there are virtues of harmony and generous understanding, which can only be fostered by personal contact ; the County Societies in England when prosperous swell up to a size in which, however splendid their commercial bulk, they lose sight of their smaller share-holders and attach more importance to their own dignity and prepotence than to the welfare of national co-operation. The big Societies would reply that the greater their turnover and the more efficient their methods the more benefit they confer on members. This theory is not true beyond a certain point : the share-holder forgets the rule of loyalty, the Society's manager attends more to the attraction of new capital (by good dividends) than to the protection of those members who can least protect themselves. It is not said that all the big societies are thus corrupted : but no observer can fail to realize that there are unco-operative practices and a doubtful spirit of co-operation in some of those which have on the other hand by efficiency, economy and integrity conferred the greatest benefits on their clients. These too are not infrequently the Societies which give less than their due support to the Agricultural Organisation Society : the voting power of Societies in the Agricultural Organisation Society was based until 1918 on a combined scale of membership and turnover ; it has now prudently been placed on subscriptions made. The attitude of the big societies should not be confounded with the provincialism of Italy ; there is no hostility to other districts, merely an exaggerated pride in commercial success with an insufficient sense of what a truly national co-operation in agriculture, without lop-sidedness or insubordination, might mean to England.]

The Smallholders' and Allotments' Societies, which can never attain the dimensions of the great County Societies, are good and loyal subscribers to the Agricultural Organisation Society. They are on the other hand somewhat less efficient, as is natural in view of their limited resources : they cannot employ a manager of high commercial talent, nor is such a man required. These societies are separately represented on the 15 branch

Smallholders and allotments.

committees of the Agricultural Organisation Society which work in different tracts of England and Wales : the areas vary from one to six Counties, a Committee being elected by the local Societies in two sections for the big and the small ; there is a Branch Organizer of the Agricultural Organisation Society in each branch area, and often an Assistant Organizer for Allotments : these persons are occupied in propaganda and advice, audit being carried out by public auditors, with whom the Agricultural Organisation Society has in certain cases

*The fees largely exceed those paid in India.

arranged a reduction of fees.* An annual conference of Allotment-holder Societies is held, and attempts have been made to establish a working agreement with the National Union of Allotment-holders, a rival body the amalgamation of which with the Agricultural Organisation Society is urgently to be desired : the negotiations have not been successful. The National Farmers' Union, the Federation of Farmers' Unions which exist throughout Great Britain, is eminently friendly : the Unions are non-trading agricultural associations which resemble non-religious Boerengilds : they collaborate with the organizers in founding societies, with which they retain no organic connection.

The activity of the Agricultural Organisation Society is the fountain of co-operative life ; it has created the County Societies, and crowned its efforts by a strenuous propaganda campaign in 1918 ; there is now required an intensive development propaganda, persuading the farmers to join the societies and pay up as much as each man can afford of the maximum £200 share capital, organizing and federating small producers' societies, and guiding the movement in new channels. In addition to purchase of agricultural requirements, some Societies also supply domestic necessities to their members, for instance house furniture and foot-wear ; the Co-operative Union of consumers, which sells not only these articles but also agricultural foodstuffs and machinery, is in strong opposition to this action. The Agricultural Organisation Society discourages Societies from encroaching on the consumers' ground wherever there is a Consumers' Society in the district which can furnish their domestic supplies : the business of agricultural necessities is not to be surrendered. The Co-operative Union accepts the concession but makes none in return. Ideally all supply should be in the hands of one Society ; at present this is not feasible, owing both to jealousies and to the unevenness of the demand for urban and rural requirements from one district to another : an ultimate fusion or alliance of the O. W. S. and the Agricultural Wholesale Society is a permissible

Agricultural Organisation
Society v. Consumers.

dream: the signs of the day point only to a wider divergence.

The comments of the Registrar and of the Agricultural Organisation Society on the methods of the Societies are not all favourable. The Management of Societies. The Agricultural Organisation Society complains of overlapping areas, inadequate capitalisation, and unsound systems of account keeping. It is not usual in English Societies to limit exactly a Society's sphere of working to an administrative village, district or county; in trading operations each producer must be allowed to join the Society which is geographically most convenient for delivery of goods; no man should however be invited by an ambitious Society to desert in its favour the Society of his own local area for considerations of cheapness or laxity: all are losers by this method in the end. The Registrar's remarks refer to by-laws and annual returns; the auditors report to him cases in which the books are inadequate or are badly kept; in a few the accounts may have to be entirely rewritten. Pass books of members are not promptly produced at audit. Agricultural Societies write off their assets in fixed property too fast; this precaution was observed also in Holland and elsewhere and is not seriously harmful. Provision is not always properly made for bad debts (this referred more particularly to semi-industrial Societies), or a Society is observed to be acting on an unregistered amendment of its by-laws. He points out that Societies should not omit to provide for the forfeiture of shares on which instalments remain in arrears.

The Agricultural Wholesale Society, Limited, of London, is the central organ of co-operative purchase. It was registered in 1918 to take over the duties of the Farmers' Central Trading Board (founded in 1912) and is engaged in manufacture as well as in purchase and trade. Co-operative or non-co-operative Agricultural Societies may become share-holders, and must take up shares in proportion to their own membership and turnover. The capital is less than £ 500,000 and the turnover in 1919 was only £ 2 million. 99 Societies were members, and a slump in the price of feeding stuffs caused the year to end with a loss. The weakness lies in the reluctance of the biggest County Societies to support the wholesale Society to the full extent by subscribing to share capital and giving their custom. The business of the largest societies is scarcely less than that of the Wholesale, they can at present buy and sell as cheaply and as well; they invite the Agricultural Wholesale Society, short-sightedly though not unnaturally,

to be in a position to benefit them before asking for their money. The Agricultural Wholesale Society replies that it can only attain that position if they have the wisdom to build it up. The truth is that central organs should be developed early in the growth of a movement, before the various limbs suffer from hypertrophy; a right proportion is not easily re-established afterwards without painful treatment. The constitution of the Agricultural Wholesale Society is moderately democratic: there are four Provincial Councils in the ports of London, Liverpool, Bristol and Hull, on which allotment Societies are represented separately from Farmers' Societies. The Board of Directors is elected by these four Councils, and appoints an Executive Committee in London. The latter is assisted by a Central Committee of Managers, appointed by Provincial Managers' Committees chosen by the Councils. In this resides an advantage, that the Provincial Councils and the Board of Directors need not consist chiefly of Managers: in central bodies of trade the power tends to fall more and more into the hands of the only men having technical knowledge; if they are given a special means of contributing technical opinions, the Board will be manned by co-operators concerned with policy and principle rather than with business details. The Agricultural Wholesale Society pays 6 per cent. on share capital, carries 15 per cent. of its profit to Reserve, grants a bonus to the workers and a certain sum to an educational fund: the remaining profit (if any) is distributed as a rebate on turnover. In addition to foodstuffs, manures, grains and machinery, the Society is embarked on a large scheme for the sale of co-operators' wool and another for the wholesale marketing of meat supplied by co-operative slaughter-houses. A fall in the price of wool in 1920 offered a prospect of loss on the first project. The business of National Waste Products, Limited, has also been bought up in order to prepare foods and fertilizers from the by-products of slaughter-houses. The Society will have to fight hard for some years to maintain its resistance to trade hostility and co-operative jealousy.

The leading County Society is the Eastern Counties Farmers' Association of Ipswich. (The avoidance of the name Co-operative which is not restricted by law to true Co-operative Societies, is noteworthy: it is monopolized in popular language by the Consumers' Societies.) This Association, founded in 1904, has now 3,000 members and a turnover of £ 1½ million. It deals in cleaned and tested seeds, guaranteed fertilizers, etc., etc., and manufactures and mixes foodstuffs; coal and livestock are also handled. Its capital and reserve are infinitesimal in

Eastern Counties Farmers' Association.

comparison with its turnover ; the Society lives on an overdraft and on trade-credits. A general meeting is attended by at most 200 persons out of 3,000 : there are local committees which are said to express free opinions. The Central Committee consists of big landowners : the average holding of the members is 150 acres : smaller men are admitted, but for one reason or other have not found their way into the Society in great numbers. 28 days' credit is allowed and habitually exceeded : no interest is charged : the Society brings a suit if necessary after 3 months. The General Manager draws £ 3,000 per annum, and the business management is highly efficient : the members obtain large material benefits in the form of cheapness and still more of quality ; their personal co-operation is not called for as it would be in a small Society. A certain amount of business is done with non-members.

Class E

A similar Society working in a more contracted circle is the Brandsby Association Brandsby Agricultural Trading Association in Yorkshire. The Society was founded in 1913 and has 600 members, 20 of whom are non-agriculturists dealing only with a Consumers' shop which is part of the undertaking : the two branches would probably work better in independence. Shares amount to £ 12,000, the turnover being ten times that amount, but the reserve is only £ 1,000 and is not being increased on account of the taxation which would fall on it. Credit has been allowed up to a year. The Society supports the Agricultural Wholesale Society though not without discontent : the members are not very loyal to the Society ; their attitude is tolerably co-operative. Much wool was taken up from members for sale, and cannot now be unloaded on account of the fall in prices. The members are acquainted with one another, and there is little business with non-members.

Class C

The Preston Farmers' Trading Society in Lancashire has 1,500 members in a circle of 20 miles radius, and a balance sheet of £ 170,000 ; it buys only agricultural requirements and is on friendly terms with the C. W. S. and the Consumers' Societies, with which a large proportion of its trade is done. The Consumers' movement is strongest in Lancashire. A Committee of 12 farmers exercises a real control over policy with a minimum of interference in its execution. Goods are sold below market rates to members and only a small dividend is paid on custom. Travellers call on members for orders, and credit is allowed on purchases : this custom appears to be universal in English Societies, the difference being only in degree. The Society buys cheese and farm produce from members, and markets it at its own risk. The

Class

average holding of the farmers is 50 acres : the members are harmonious and the Society is of a high co-operative quality.

The disposal of fresh milk is one of the chief branches of rural co-operation in England : co operative dairies for cream and cheese hold a subordinate place. The decontrol of milk supplies and prices at the beginning of 1920 afforded an opportunity to substitute co-operative for official organisation, and many County Societies undertook the duty with a haste that was detrimental, though under the circumstances inevitable. The Wiltshire Farmers, Limited, operates in the county of Wiltshire and half of Somerset ; it has 2,750 members not all of whom are yet loyal. Competition with the non-co-operative association of United Dairies, Limited, for the custom of London and other large centres is keen ; more propaganda work among farmers is required, and a fuller use of local Committees : the management is at present centralized, and capital is insufficient ; efficient business control is a necessary condition, but should be reinforced by intenser teaching of members rather than by recourse (as suggested) to the formation of a Joint Stock Company in the hope of collecting capital from those to whom co-operation does not appeal. Supplementary lines of work are the purchase of foodstuffs and the sale of eggs, in which a gradual advance is being made. The supply of milk in rivalry with vested interests is not a simple task : capital is needed, and the preliminary stages in which it is being scraped together lay a heavy burden on the working staff. During the summer of 1920 the Society was handling 30,000 gallons (=3,000 maunds) of milk per day, yet profit in the face of competition was scanty. If the existing co-operative dairies in the working area can be induced to affiliate themselves to the County Society and to remain loyal, there is a prospect of victory. When victory is won, co-operative decentralisation should not be forgotten. A Society is wanted, not a Trust.

Egg Societies follow the lines of those described in Leeuwarden and Roermond. The Framlingham Egg and Poultry Society in Suffolk was started in 1904 with 114 members : in 1920 its membership was 3,200, and 15 million eggs had been disposed of in the preceding year. The owned capital is one-tenth of the turnover, with a further liability : a bonus of 7 pence in the £ in 1918, and 4 pence in 1919, was distributed on eggs delivered. The Society maintains local collecting centres which are visited by its motors after the long interval of a week ; or consignments may be dispatched direct from the depôts, since local markets have some-

times a higher price than the cities. The local Committees at the depôts are inactive. Eggs are no longer marked, since the consumer suspects marked eggs of being foreign: this reason is unsatisfactory, in view of the remark made by the German importers to Roermond. Examination of eggs over electric light on a tray has been abandoned in favour of the slower but more accurate method of handling against the lamp. The Society is prosperous and on a sound co-operative level.

The discontinuance or diminution of meat imports during the war gave an impulse to the slaughtering of home-bred animals for food; privately owned slaughter-houses in England were brought under the control of government, and through the Ministry of Food many new slaughter-houses were erected. The working of 24 of these proprietary or official institutions had been entrusted to Co-operative Societies by the end of 1919, when on the approach of decontrol the process of transfer was temporarily stopped. It was understood that when decontrol occurred in July 1920 an option on all State-owned slaughter-houses should be given to Societies. Many Societies were prepared to take them over. The farmer had before the war preferred to sell his meat by live-weight, both trusting that he would gain by an error in the buying butcher's estimate of weight and also fearing that if he wished to dispose of dead meat he might fail to find a market among butchers, who preferred the live system. His fear was correct, so long as he was acting as an individual: his hope was fallacious, since the butcher in offering a price naturally discounted the possibility of error. The producer is always the gainer by every stage of marketing which he can base on measurement, and the loser when he depends on the buyer's estimate. Dead weight is a certainty, live weight is a guess, since it includes a quantity of inseparable parts which are of no final utility to the butcher. The project of the Agricultural Organisation Society is therefore to co-ordinate the sale of dead meat in London and other centres through the Agricultural Wholesale Society acting on behalf of all the co-operative slaughter-houses. In the majority of cases the registration of separate Societies is considered advisable; but occasionally the County Society operates a dependent branch. The St. Edmundsbury Bacon Factory is an encouraging example of co-operative meat-handling. The Society was founded in 1910, and has since 1911 been under the management of a Dane who understands business as well as co-operation. There are 750 members, not all of whom are loyal in delivering their animals: non-co-operative pigs are also accepted, and the manager invites

Co-operative Slaughter-houses.

St. Edmundsbury Bacon Factory.

Class B.

the owners after one or two transactions to become co-operators. Private competition is keen, and the sale is handicapped by lack of standardisation in the animals supplied. There is clearly scope for a good breeding association. The owned capital is £ 20,000 which is inadequate for a turnover of £ 300,000. The bonus paid in 1919 averaged 8s. or 9s. per animal. The Society has accumulated no reserve, but while the Excess Profits Tax is in force it is always uncertain whether the balance sheet may not be adjusted by financial methods which are fully lawful, but convey an impression of less than the actual reserve. Much of the meat is sold to Co-operative Stores. The Society acted for Government as a general slaughterer of other animals during the war, and is agent for the Agricultural Co-operative Insurance Company. It has a sausage factory and is about to manufacture feeding stuffs from by-products.

The last branch of co-operative sale to be examined is that of fruit and vegetables. Here also the primary condition is the standardisation of the product : it will pay a farmer better to sell a good but second best variety in company with 100 other men than to place on the market a small bulk of superlative excellence. The large Society can command the attention of the buyer, the transporter and the official : it can face a temporary fall in prices, and can if necessary manufacture its own requirements or finish for the market its own products. Nevertheless it is uneconomic to permit such overlapping as may be observed in England, where the Pershore Society on the borders of Wales admits members from the remote county of Kent, who refuse to join the local Society of Sevenoaks or are disloyal members of that Society. The Pershore Co-operative Fruit Market is a Society established in 1909, which has now about 1,000 members, representing nine-tenths of the fruit farmers in that famous district of Worcestershire : its owned capital is only £ 9,0 0 with a turnover of £ 140,000, more than two-thirds of the trade being with members. An auction is held five times a week at Pershore, to which non-members are admitted : the fruit is bought through brokers who attend the auction : the broker having every inducement to raise the value of transactions on account of his commission, no ring or boycott can be arranged by buyers. A bonus of 3 per cent. was paid on fruit marketed in 1919 ; since the co-operative auction rules the fruit market, it obtains, and passes on immediately to members, the full market price, leaving little room for a bonus : this result is inevitable in an area in which co-operative sale predominates. The Society owns csier-beds from which it prepares fruit baskets for the members. The farmers are fairly loyal ; a Society holding so secure

a position both could and should impose a rule binding members to deliver all their produce, with fines for disloyalty. Class B.

The Sevenoaks Fruit Society covers the County of Kent and parts of the surrounding counties : it conducts a meat market in Sevenoaks, with a local mill for preparation of feeding-cake. The fruit is sold through a shop in the central London market of Covent Garden. Class C.
 The shop pays the full price for fruit to members, but cannot secure all their custom ; its reputation on the Covent Garden market is not yet sufficient to enable it to sell their entire output. The ordinary trade practice of placing selected potatoes at the mouth of the sack is followed and defended. Co-operators have often an uphill fight to win their reputation before the public, but they can only win with clean hands.

The class of Society hitherto described is suitable to the yeoman farmer, whose farming area will vary, in accordance with differences of soil, communications and markets, from 50 acres at Preston to 250 in the Eastern Counties. (The average area of farms in a Society will be affected by the inclusion of more or fewer smallholders among the yeomen). Twenty years ago smallholders in England and Wales were rare, and the cumbrous and expensive procedure of land transfer hampered the enterprise of acquiring land. Acts to provide allotments, *i.e.*, plots of land for cultivation as a subsidiary source of income only, had been passed with little effect for 100 years, and in 1887 local authorities were empowered to acquire land for the purpose by compulsion. Little was done in the 20 years which followed. In 1908 was passed the second Smallholdings Act, whereby County Councils receive authority to buy or take on lease land needed for smallholders and allotment-holders, reselling or letting it either to individuals or to such co-operative societies as restrict by by-law the rate of interest paid on capital. Other local authorities were enabled to take land for allotments only, the limit of an allotment being fixed at 5 acres. The applications under this Act far exceeded the land which County Councils found means to acquire. The landlord was disinclined to surrender property which was to be handed over to small farmers : many landlords wished to charge an exorbitant rent ; they distrusted the ability and willingness of smallholders to farm well and pay punctually, or looked askance upon the growth of a class which might eventually bring about, as in Ireland, their own expropriation : in an instance quoted by the A. O. S. the County Council induced a landlord to accept as rent the fair sum of £4 per acre instead of £11 claimed. More than this, the County Councils were

themselves in the hands of landlords or of employers of labour who would not welcome a diversion of their labour-supply; the Board of Agriculture was obliged to threaten and even to resort to the powers of compulsion given by the Act; in one way or another 200,000 acres in England and Wales had been acquired for smallholdings by local authorities between 1908 and the beginning of the war, representing $\frac{1}{60}$ th part of the arable area; 335,000 acres had been taken up for allotments. The male adult population of agricultural labourers and small farmers is estimated at only $1\frac{1}{4}$ million, but allotment-holders are as often townsmen as rural, and only a small acreage was cultivated by co-operators. The Agricultural Organisation Society in 1915 had federated 177 societies of smallholders and allotments. The urgency of an enhanced food supply during the war and the special legal measures taken to render land accessible led to an enormous multiplication of allotments, which in 1918 numbered $1\frac{1}{2}$ million, with an extent possibly of 2 million acres. The formation of Co-operative Societies proceeded apace, and slightly less than 1,000 such societies were affiliated to the A. O. S. in March 1920. The available land was still unequal to the demand; the Land Settlement Facilities Act directed that preference for smallholdings be given to ex-soldiers, with the result that agricultural labourers whose health or duties had kept them on national service at home, saw their applications, pending in some cases since 1910, still further deferred. Through the influence of the A. O. S. representatives of co-operation were appointed to the new smallholding sub-committees set up by law in each County area, but efforts to secure land were only too often defeated. It is again interesting to note that the Italian Government is more readily disposed to strenuous action through its Prefects when national necessity involves the subordination of vested interests: the County Councils of England and Wales are less forceful and more biased than a single administrative officer in charge of a district.

Smallholders are if possible settled by the County Councils in 'Colonies,' i.e., grouped together in a manner convenient both for their economic and social advantage. The Councils are unwise in continuing after settlement a supervision which could effectively be maintained by Co-operative Societies; the creation of Societies has in certain counties been delayed by the action of the local authority in buying or selling on behalf of the settlers more or less at the expense of the public rates. The Council should settle the men; co-operation should be the guide of their common life. Their needs are principally in the departments of pur-

County Councils.

chase and sale; breeding and insurance societies will follow. Neighbouring Societies may with advantage form a federation such as that of Bristol, with 18 Societies of smallholders and allotments cultivating 700 acres, or that of Bradford with 20 Societies and a much larger area (the exact figures were not available); scattered Societies will more prudently affiliate themselves to the farmers' co-operative of their County.

The Roxton Co-operative* Smallholdings Society, Limited, in Bedfordshire, dates from 1911: in 1919
 Roxton Co-operative Society. 17 members were farming 8½ acres in separate lots, and holding 7 acres on common account: the horses, implements, barns and stables are the property of the Society (there are no steam-or petrol-driven machines), and the 7 acres are let out to members on application, the rent supporting the property jointly held. In 1920, 16 ex-soldiers were admitted to the Society, and 108 acres obtained on annual lease from the County Council, at £ 2-10-0 per acre subject to future increment. The Society pays a 'sinking fund' to the Council in addition to rent, to purchase the land from the previous owner in 80 years: but the property when thus bought is to vest in the Council, and the Society will have paid the price for nothing. It is possible that in return for this act of apparent benevolence the Society, which is of course helpless in face of the impossibility of obtaining land unaided, receives favours and services from the Council, but it would be more efficient accountancy and less misleading social policy to charge the Society for such services and debit the annual purchase money to the funds of the body in which the freehold will vest. The members of the Society are satisfied with the situation, and consider that the annual lease relieves them of excessive liability; this attitude points to a disbelief in the consistency of agricultural policy as conducted by the State. The capital in 1919 was less than £ 100, composed of shares and reserve only: no dividend is paid. The Society carries on a small business of purchase and sale in an unenterprising way; the Secretary is too busy a man for ambitious scheme. The members are reasonably co-operative, though occasional jealousies arise; they seldom employ outside labour, and engage each other at times of stress. They are not perhaps not highly progressive, but are contented and free from debt.

Class B.

Roxton is a fair example of the smallholders who are now being organised co-operatively in England and Wales, and may be compared to the collectively leased farms with divided holdings in Italy. Only

Co-operative farming.

*The smallholder is not why of the name co-operative.

one unitary farm, at Murcot in Gloucestershire, is known to exist; it was founded with enthusiasm in 1920, and its history is in the future. Profit-sharing farms, whether unitary or divided, have been tried in various counties; those which survive have the merits and the limitations of profit-sharing industries, but do not deserve the full title of Co-partnership which they enjoy. The flourishing Co-partner Productive Society 'Morning Star' at Leicester has recently bought a farm in Gloucestershire for the production of fruit for jam, and declares its intention of converting it into a Co-partner body: no steps had been taken in 1920, and the devolution of authority will no doubt be slow. For the present the line of advance in England is towards collective leasing and divided farming. The allotments movement has a long distance to travel yet, but its course is narrowed to the satisfaction of a minor need similar to that of bee-keepers and silk worm breeders: the allotment-holder revels in the pride of prize-winning vegetables and in an improved digestion, but he is not, as allotment-holder, a factor in national life. The smallholder on the contrary may reshape England as he has reshaped rural Ireland. There are tracts of England, as of every country, in which farming must be extensive; sheep are useless to small men, as is also the land suitable for sheep-grazing: war experience has proved the futility of ploughing up grass-lands at a cost exceeding the gross value of the crop. It is not, however, necessary to transfer all the land to smallholders in order to produce a revolution both in English agriculture and in rural thought. The farmers owning five acres and upward in England and Wales number about a quarter of a million: the smallholders (neglecting the allotment-holders), who cultivate from 5 to 25 acres, may be estimated at 50,000 at least; a continuation of the present policy will bring them in a decade to double this number, and if their agriculture is sound, the demand for new legislation or more forcible administration of the present Smallholdings and Settlement Acts may be expected. The agriculture of such producers can only be successful and sound if it is co-operative: a small man is ignored or fleeced by the trader, and squeezed out of the selling market. The public opinion of town citizens is in favour of bringing men 'back to the land,' but the story in the country is not the same. The yeoman farmer is suspicious and sometimes hostile: he fails to realize that the smallholder is the ideal means of providing him with that seasonal labour which his industry requires: he will be the better able permanently to retain a few skilled men on a high wage, while the spiritless labourer for whom in winter he can find no occupation will disappear, and be replaced by the small producer whose vegetables and poultry call for his atten-

tion throughout the year. It will be the task of co-operators, and above all of the Agricultural Organization Society, to promote and organize co-operative settlements, and to see that small men do not confine their energies to a single form of activity ; smallholders cannot afford to neglect the minor arts such as rabbit-breeding, bulb-growing, and silk-worm breeding, which just turn the year's balance from a loss to a profit. The Agricultural Organization Society will also soothe the feelings of the offended yeomen who resent the upstart class : the Smallholder Societies will afflict the efficient manager of a County Society less severely with delayed and petty orders than will the individual cultivator of 20 acres ; the diffusion of Smallholders in every district will facilitate the work of smallholders' Federations, the business custom of which will, by its magnitude, convince the landlord and the yeoman manager of the importance and the merits of the Associated Societies. Smallholders may also build a bridge to cross the gulf between the co-operative consumer and producer ; they will not embark on manufacture ; they will perhaps be as willing to buy from the Consumers' shop, if it can supply on indent their tested seeds, food-stuffs and manures, as from a Farmers' Trading Society which values only large orders : certainly the Consumers' Store will be of greater utility to them than to yeomen for the supply of domestic needs : probably smallholders will sell their produce to the Stores rather than transport it, even co-operatively, to a remoter market. Ultimately the nation must bring the two branches of co-operation together ; as in Ireland, there should be only one Wholesale Society, with county depôts or mills and village shops. This consummation cannot be reached in haste ; agricultural co-operation is young, and youth provokes age to indignation by its boastings (however well justified) and its success. When the agricultural movement also is mature, with an admitted place in the nation's economy and a voice in its co-operative councils, the rivals will be drawn together into a national as well as a local alliance if not into a greater unity.

CHAPTER V.—The function of Co-operation.

The function of cooperation may be examined from two points of view; it may be considered as an immediate economic expedient or as a basis of ultimate social reconstruction. In the former aspect it is a method of mutual organisation by which all persons who suffer from a common economic stress may unite to free themselves from its pressure: in the latter aspect co-operation represents a principle on which a new social world may be so built up as to minimize or render inoffensive the extreme inequalities created by a system of capitalism.

Economic evils. A primitive society is unorganized: communications are imperfect, and individuals though independent within the narrow circle of their customs enjoy little comfort or material wealth. Exchange is directly conducted between the producer and the consumer; there are few or no middlemen; there is no credit, no trust. Consequently a local or temporary surplus or deficit of goods is irremediable, and waste alternates with want. The increase of organized exchange and the improvement of communications breed middlemen and capitalists; the competition of merchants and manufacturers leads on the one hand again to waste, on the other to commercial dishonesty. These two classes, valuable and indeed indispensable, control the business of production and exchange, and amass great fortunes at the expense both of the producer and of the consumer. To return to the simple forms of the past is neither possible nor desirable. Industry, including the industry of agriculture, must be organized. Exchange must be conducted on a plan; there must be combination, in order to secure for the ordinary citizen, both as prime producer and as ultimate consumer, the economies and profits which are enjoyed by the capitalist organizer and the watchful middleman. The average citizen possesses neither the wealth of the one nor the forceful ability of the other: in a Joint Stock Company under a Board of Directors he is no more than a voting unit without technical knowledge of the business with which the Company deals, and often without the desire to appreciate more of its affairs than the rate of the dividend; the power is concentrated in the hands of the few who know, and the subscriptions of the many tend to disappear into the same firm grasp. Neither as shareholding consumer nor as producer employee has the average citizen a real hope of evoking from a Company sympathy for his needs. By political action the

people may turn over the industrial business of the country to the State, i.e., to the group of selected statesmen who form the Government and are responsible to the legislature: in so far as his political organs and agents are not thereby either overworked or corrupted, the citizen may find that his voice is heard, his grievance is remedied, and he is safeguarded from obvious and intentional injustice. But in proportion as he multiplies the functions of the State and the supervising duties of his statesmen, the administrative machine becomes slow and cumbrous, time, money and ink are squandered, and the impossibility of effective control leaves room for the grave abuses of indifference and venality. Ultimately the average citizen, the less affluent man who suffers economically from the power of the trader and the manufacturer, must act for himself and save himself. He must co-operate.

Co-operation is the union of honest men, who feel a common economic need, in order to attain economic relief by joint effort through honest means. The union is voluntary, as distinguished from that of a family or caste, and should be based on mutual knowledge and a spirit of equality. In combination poor men may command capital, credit, technical advice, and commercial attention: disunited they are helpless. More particularly is this true of those occupations, such as agriculture or cottage industries, in which the workers are often independent in temper, straitened in means, and living at a distance from one another on a fluctuating income. It may be noted that the analysis of co-operation given above will not justify the manufacture of worm-eaten furniture in Venice, the arrangement of selected potatoes on top of the sack at Covent garden, the foundation of a consumers' shop in an Italian village where a similar shop of a rival political colour is operating successfully, or the exclusion of small farmers from a Dutch Purchase Society "because poor men are troublesome." The introduction of political and religious enthusiasms into co-operative life lends energy, no doubt, to the common movement, as alcohol invigorates the human body: so general is the desire for a party stimulus that in the present state of human nature its employment may be inevitable: ideally it should be condemned as a brilliant but false ally which will in the end mislead the judgment and enervate the frame.

The benefit of united action is not confined to the poor. The Eigenhulp Consumers of Belgium and Holland,

master-carpenters of Glent, the silk-assayers of Milan are alike entitled to the advantages of the co-operative method, and it is a narrow spirit in Belgium and Italy which demands the restriction of privileges and recognition to societies formed among the "working classes." Prussian squires were among the earliest of mortgage-co-operators. Provided the Society is open on equal terms to all who are qualified under its by-laws, and its practical administration is honourable and democratic, a society of millionaires may be co-operative. It does not follow that it is nationally desirable, and public policy might bar a few claimants : a gang of thirsty money-lenders would not be favoured.

The scope of co-operation is the entire field of economic exchange. In final analysis the abstraction of any one part from the continuous cycle of exchange is artificial : no real line of division marks off consumption from production. Except sheer waste, no consumption is unproductive : the schoolmaster at dinner is amassing strength to educate good citizens who are the wealth of the State : the user of tennis balls is fitting his mind and body for the efforts of his productive work on the morrow. It is therefore only a conventional classification that can be made of Co-operative Societies, and with that qualification they may be classified as Societies of (1) Purchase with a view to Production and (2) Production and Sale : the two classes fade gradually into one another through a cloud of doubtful instances. Credit is a form of purchase or supply, the supply of cheap money in bulk for distribution with a view to production (including consumption by productive persons) : a Credit Society is so far peculiar in its conditions and working principles as to require separate enumeration, but money as an object of supply is no more *sui generis* than shoe-leather. The end of co-operative purchase (including credit) is to secure articles which can be usefully employed (including money) in bulk and at favourable rates and of good quality : co-operative production and sale seeks to produce and dispose of articles in bulk and at favourable rates by means of their good quality. For these purposes the members are invited to lend their personal assistance in order to avoid the charges of needless staff and middlemen, to contribute also their money and liability in order to escape payment of interest, and to supervise the personal conduct and business dealings one of another. In a company the shareholders are strangers united by no promise or bond : under the State all are subjects of a governor who cannot without difficulty be changed : in a Co-operative Society

the members are voluntary associates pledged to take a personal part in a business common to them all and conducted by them only. There is no economic operation to which these principles cannot in theory be applied: the practical limit of their application is fixed from day to day by the intellectual and moral development of those who seek to escape from the evils of capitalism.

If the scope of co-operation is thus unlimited by any economic quality, it is likewise in theory unlimited in the scale of magnitude: its progress at any moment depends on the capital, the technical and commercial skill, and the political powers which the productive classes, other than the capitalist manufacturer or "enterprising" merchant, can bring together. Until they can finance a great industry, direct its operations, and market its product, all through their own specialized members, and can at the same time protect it from subversion by political opponents, the Co-operative Commonwealth is not achieved. Meanwhile the co-operator in his own generation sees each co-operative industry, including that of agriculture, forming in every country its local and national federations: the building of ships by metallurgists in Italy, the sale of butter in Holland, the purchase of raw materials and of articles of ultimate consumption by stores in England, show that the day of national cooperative industry is not remote: nor should it be forgotten that as the sulphur-miners of Sicily are demanding to control the mines, so the coal-miners of Great Britain may shortly control their pits to the practical exclusion of the capitalist. Whether this be a result to welcome or to deplore, the organisation of the coal mines can only be effected by the miners in the form of a national Co-operative Society: they may themselves fail to recognize the form which they are adopting.

The co-operator when estimating the power of Co-operation to solve the problems now set by Labour throughout the world, is led to measure his own solutions against the alternatives offered. Let us very briefly examine some of these alternatives. The discontent with capitalism felt by the manual labourer is concerned with the three questions of wages, control of industry, and monotony of work. Under the system of specialisation—the abandonment of which would involve a lowered standard of material comfort: a result possibly acceptable—monotony may be reduced but cannot immediately be abolished: the manual labourer is not alone in suffering from the evil: hours of work may be shortened and the amenities of life within and without the workshop increased.

The wage system will remain under every form of capitalism: it can be abolished by dividing the total product of each industry among the workers of the industry, or the total product of the country among the workers of the country. The quarrel as to control can be settled temporarily by a system of joint control (if real) shared by the capitalist and all the workers: or finally by the sole or joint control of industry by the workers of all descriptions and the State. Under all systems credit must be maintained, and fixed and working capital periodically renewed and extended.

An amendment of capitalism, moderating its apparent inequities by the constitution of Works Councils, (1) Joint control of industry. Whitley Councils, or other devices for joint control by employers and employed, may provide a means of temporary and superficial reconciliation. The most definite experiment of this nature has been made by the Italian Government, which after the seizure of factories in Milan and Turin in the summer of 1920, and their subsequent abandonment by the workmen who for lack of credit, technical advisers, and commercial experience could not operate them with success, appointed a commission to propound a plan of joint industrial control: the Committee failing to agree, principally on the question of grounds and methods for dismissing employees, the Italian Government brought forward and passed in 1921 a Bill to establish in each industry a permanent Committee of workmen and a parallel Committee of employers; the Workers' Committee is entitled to all information and an advisory voice in matters concerning the industry as a whole. Under a sympathetic Government, which is ready to legislate, such advice will be no less powerful than the employers' nominal authority. But no such half measure will be willingly accepted by the wage-earner, unless as a stage towards that entire control of industry which he is claiming. The restriction of the share allotted to Capital from the profits to a fixed rate of interest would be a similar intermediate measure, meeting the objection urged to the excessive profits of the capital-owner: yet the manufacturer will always dominate the situation so long as he, or his Company, own the land, the buildings and the fixed machinery and so long as a lock-out can be declared.

A more drastic remedy has been applied in Russia. Communism, which when instituted by the ruthless slaughter of all opponents is now called (2) Communism. Bolshevism, vests all capital, in the form of food, land, material, or productive machinery, in the "community": the old theory is cherished that life can be directed by and centred in

a number of almost independent villages or towns; but experience in Russia has shown that under modern conditions of interdependence the central Government must continually interfere and centralize. Each community is intended to produce all that it can, and consume only what it needs, handing over the surplus in return for a share, based not on exchange value but on personal requirements, of the surplus produced by other communes. Only a strong central Government can direct the production of the self-centred communes and insist on a free surrender of the surplus: in fact even the Bolshevik Government—the most despotic ever seen in modern Europe—has failed to carry out this task. Without a long process of education, the manual worker under Communism is not willing to exert himself for a national good which he does not comprehend, the lack of a personal stimulus to gain causes laziness, and laziness means national disaster and poverty. The Russian Communists refused to recognize the innumerable Co-operative Societies which had developed rapidly and prosperously during the last twenty years: the object of a Co-operative Society being economic gain for the members, and membership being confined to honest persons, the fundamental principle of Co-operation was condemned by the Bolsheviks, who proceeded to ‘nationalize’ the Societies, utilizing their machinery for communal distribution of the means of life to honest and dishonest alike, and without the incentive of a personal reward for thrift or effort. Co-operation therefore ceased to exist, and it was only in the spring of 1921 that the Bolshevik rulers, realizing that their ideal of altruistic production was too high or too shadowy for the Russian peasant and manual labourer, announced their return to a modified system of private ownership and permitted the suppressed Co-operatives to renew their life. It is open to a co-operator to believe that when all men are educated and most men are unselfish and honest, the Communist ideal may be attainable: it may even be attained through Co-operation, the few thriftless, lazy, or dishonest persons within the area of a Society being admitted to its benefits on sufferance, all economic operations being carried on through its agency, and all profit which remains after the distribution of each man’s food and other needs according to a fixed scale being handed over to a Union or Federation. But while such a vision is legitimate, it is not a picture of to-day.

If therefore the operation of industry is not practicable in the present age without the assistance of personal gain, the co-operator may consider the alternative of a less Utopian State. Collectivism or State Socialism contemplates the control and the more or

less direct management of all industries and all common economic life by State agency, as the Post Office, the Railways, or the Irrigation system are already managed by servants of Government in many countries. Wages are not abolished ; they fluctuate according to the demand for men, the scarcity of muscle or brains and the value of the product produced or the service performed by each industry and each individual worker. A Communist State will endeavour to foresee the demand for every necessary of life and to provide for its supply by agriculture, manufacture, or otherwise ; in the ideal system goods are not exchanged at a price but according to each man's proved need : if a money currency and money values are maintained, the worker's wage will be such as to support him in a condition to carry out his work, and all wages will tend to approximate to a uniform level. Collectivism on the other hand leaves goods to find their own price on the market, and wages to seek their 'natural' level, subject always to humane limits imposed by legislation or public feeling. The Collectivist State is a capitalist, paying the market rate of wages, but responsible to its wage-earners as members of the electorate. The stimulus to private gain is retained : a worker who desires high wages may earn them by entering a dangerous or unpopular trade which the communist would normally avoid : and the world's work is done. But not only is bureaucratic or departmental control of industry by the State slow and rule-bound, it tends to become more and more expensive and inefficient as the duties of the State are increased and the machine becomes more complicated. The world's work is done, but done badly. Moreover both as consumer and producer the citizen is discontented : he grumbles at the alleged wastefulness of Government methods and at the high price of goods which results from the enhanced wages drawn by voting workers from the common purse. The producer earns a good wage : he may even be a member of a powerful industry dominating the Government and extorting an unjustly large wage to the detriment of others. But he is still not the master of his work : he has not won that control over industry which he formerly grudged to the private capitalist. The co-operator above all is the natural opponent of State Socialism : he believes in his own powers if the State gives him a fair field : his prime object is to avoid waste, since he himself is the loser : and in his Society, whether as consumer or producer, he controls his own purse and his own work.

The abolition of exchange values by the communist being impracticable in this generation, and the substitution of a Collectivist State for

the horde of competing merchants and capital-owners being found to create new evils without removing the gravest of the old, it may appear to be the prudent course for all producers, agricultural or industrial, to combine themselves in Trade Unions and Syndicates, ignoring the political State, for the struggle against private capital and private control of industry. The Syndicalist aims at the overthrow of private capital by so pushing up the manual worker's (and sometimes also the brain-worker's) share of the profits that nothing remains for the capital-owner. The latter is imagined as surrendering his factory or his land to the employees, who thereafter carry on the business for their own benefit, presumably on co-operative lines. Leaving aside the question whether the capitalist, who may himself be a small investor and even a thrifty workman, is entitled to a certain return on the capital which he has invested, it may be pointed out that so destructive a policy as Syndicalism will react disastrously on the producer himself. He has trained himself during the struggle with his enemy to ignore or minimize the need of maintaining capital and reserves for the needs of the business, he has in all probability resisted, as imposed by the enemy, even that measure of discipline which every large organisation requires, and he has watched the squeezing of the consumer by the progressive rise in prices due to the pressure of wages. After his victory he and his fellows through their Trade Union or Syndicate have to raise funds or set aside savings for extensions and renewals, to engage and reassure managers and technical experts, and to sell their product. The battles which he has been fighting are likely to disqualify him entirely both in his temper and his experience, for these functions. He is working in a cooperative industry, but utterly without the cooperative spirit. Not only the occupation of Italian factories by insurgent workmen but also the milder seizure of Sicilian lands by impatient peasants and ex-soldiers prove that a victory in industry won by violence will be ephemeral: the victor cannot hold himself down to that steady labour which alone will secure the fruits. Syndicalist industry is co-operative in its form, but is conducted by men who have served no co-operative apprenticeship and have not absorbed the co-operative doctrine. Neither application, discipline, nor prevision may be expected from those who have never borne responsibility.

The evils which we have noted under a system of capitalism are the following: from the consumer and the political citizen's view point,

Alternatives compared.

(1) waste through advertisement and unregulated production, (2) adulteration, or the competitive production of shoddy: from

the producer's side (1) an inadequate share in the comforts of life which wages can buy : largely through defective organisation of industry, (2) subjection of the worker's economic life to the interests of Capital, (3) boredom, largely through the necessity of manufacturing low class goods. Communism, if effectively established and accepted, will remedy waste through a previous estimate of the production required and a careful division of the product according to needs; and will prevent adulteration because each producer, working (*ex hypothesi*) not for gain but in order to contribute to the commonwealth, will give the best that is in him as every free worker always loves to do. The avoidance of waste by a regulation of supply should ensure an increased share of wealth to every worker to whom allotment is made from the common fund; the conditions of labour will be self-imposed by the community; and the freedom to produce sound and beautiful goods in place of the cheap and nasty will stimulate and interest the craftsman and the farmer. Ideally, all the evils which we have in view should disappear under Communism actually, the only large scale instance which can be examined shows that the citizen worker does not yet grasp the value of working solely for the community, and the system breaks down through under-production of wealth. State Socialism with its army of officials will, if extended to more than a few natural monopolies, only aggravate waste : the goods produced will presumably not be of base quality, but will tend to be mediocre and uniform. The increase of return to the worker will be limited by the inefficiency of official management, and above all the prime producer has not conquered the control of his own life and industry, which remains in the hands of the State. He is still resentful and still bored. Syndicalism, which implies industrial monopoly, should obviate waste, if the various industries are not competing with one another : and bad quality will certainly be barred : no worker wishes to do bad work. But the control of men who have defeated the enemy in pitched battle through amassing of forces, will inevitably continue to be centralized and militarist : the National Syndicate will rule the industry (*vide* the Chamber of Labour at Massa Lombarda) and the producer, corrupted by the nature of his past struggle, will be unfit to discipline himself and to enjoy the freedom to which he aspired. The essential fault of Syndicalism lies not in its object but in its vicious method.

To those who desire that men should work to express the good that is in them rather than to acquire greater wealth than their neighbours, [Co-

The Co-operative Solution.

operation will appear less exalted, less idealistic, than Communism. At present, as Lenin himself admits, the world is not ready to work without individual gain, and Co-operation may claim to offer a means of removing the evils of capitalism without exciting the passions of the Syndicalist or accepting the clumsy yoke of the State. The desideratum is to win industrial freedom with an increase, or at least no loss, of wealth. Capital must be found and maintained : the skilled worker with brain or hand has to be attracted and satisfied, and the proceeds of industry (always including agriculture) to be fairly divided. The principle of Co-operation is to pay a fixed and guaranteed return to capital, a sufficient salary to skill, the skilled worker being if possible a member of the co-operative unit and sharing in the annual bonus, and a minimum wage necessary for the support of life and the attraction of labour to the less skilled labourer, who also shares in the surplus. The wage system is preserved in name, but is in reality only a periodical instalment of the annual share in profits : no sharer will long argue that he is being robbed of his rightful share : if the majority agree with him, they may readjust the shares and observe the effect on the attraction of capital, brains, or manual skill. Subjection is ended : advertisement, competition, and waste may be eliminated by co-operative federation and an "intelligence" system ; and æsthetic production may be encouraged by subsidies from a central and directing Union.

It is convenient at this point to discuss the merits of Consumers'

Consumers' control.

Co-operation as a basis of social organization :
Distributive Co-operation in the Consumers'

Stores has attained a position so preponderant at all events in England its home that the name Co-operation is apt to connote and denote the Store only ; agricultural co-operators are shy of the title and disguise themselves as Farmers' Associations, while industrial co-operators are described merely as Co-partners. The Distributive Stores, finding that goods as sold even in the wholesale market include the superfluous profits of middlemen, and perceiving also that they are regarded with unfriendly eyes by the traders, advance not only to the constitution of a Wholesale Society which shall purchase for them on a large scale and secure the economies of bulk, but to the erection of their own productive factories, in which they pay a good wage often above the prevailing rate, to their employees, and deliver the goods to their adherent Societies as near as possible to cost price. The employee remains a wage earner : he may receive a bonus out of profits, there may even be instances in which he is represented on the Board of Directors : but he is

a subject employee working for a capitalist, and as producer he has gained nothing. It is argued that every man is a consumer ; he should buy from his Store whatever it can offer, until finally it will offer him everything that he can demand, and should be content to realize that he as consumer is master of himself and his fellows, and is pocketing in dividend the surplus which he might have claimed in wages. In the strict economic sense this may be true doctrine or may not : it is not worth the pain of argument, because the " co-operator " of the Stores is ignoring the spirit of the times : the winners in the struggle between Capitalist (not Capital) and Labour will be the producing labourer with his brain-worker allies, and he will feel no less distaste for a capitalistic Co operative employer than for an individual captain of industry or a Joint Stock Company. Every man is more closely touched by the conditions of his work than by the cheapness and quality of the goods which he buys and consumes : the latter aspect of his life is important, but the former is the essence of his life : a man is what he is when he works, not when he eats or clothes himself. The Co-operative Consumers in their productive activity are not only on a wrong track, they are misleading others also as to the meaning and function of co-operation, perverting the Trade Unionist from the foundation of his own workshops to a wasteful assault on those capitalistic strongholds which he should be content to mask and neglect.

Similarly it is unsound from the social point of view that producers should control their product after the completion of the stage in growth or manufacture with which they are directly concerned : ideally the factory of beet sugar should be controlled by the labourers employed in and around the building, not by the owners of the fields in which the beets were grown. In a free and democratic industry each stage would be ruled by those who are handling the material at the moment : for practical reasons it is impossible and unnecessary to divide the rights of employees within a single factory or on a single farm, each of which must be treated as an indivisible unit for the purpose of co-operative ownership. The miners or farmers are entitled to sell their produce jointly to the co-operative factory owned by its manual labourers and technical and clerical staff, who again pass on the raw material, which they have worked up from mineral or agricultural produce, to a factory or a succession of factories in which the finished article is elaborated ; ownership changes at each point perhaps even more than under the aggregated capitalism of to-day, but the charges levied at each stage are fixed partly by the competition of the capitalist, so long as he survives, and partly (and at last

Producers' control.

totally) by deliberation in a local or national Federation of cooperative industries. For it should be borne in mind that in order to carry co-operative organisation through every department of industrial life Co-operative Societies must be horizontally associated as well as vertically federated. Every Society of bootmakers will adhere to the national Federation of leather-workers' Co-operatives, but will also join the local Association of Co-operative Trades and will debate policy and prices with the local butchers, builders, and Consumers' Stores. The only exception to the rule of co-operative ownership by employees will be found in those trades or professions of which the function though valuable and productive is not immediately economic : the schoolmasters will not own their schools, nor the persons their churches. They with the doctors and lawyers will be protected by professional (*i.e.* co-operative) associations and will exert influence on the substance and the manner of their work : but the men themselves will be servants of Government or the Commune.

If an industrial democracy ought in theory to be based on free co-operative producers, leaving to the Consumers the function of association for purchase and distribution only, it must be admitted that Society is still far from such a goal. Manual workers are uneducated and hasty, brain-workers are disunited and are suspicious of handworkers, capital is not entrusted to those who can offer little material security. Provided that no single branch of industry or agriculture attains a predominant position, a productive Society's control of factories in which others work as employees is preferable to the same control in the hands of individuals or Companies : at least the principle of co-operative work is accepted, and the attitude of the co-operative employer towards a rival enterprise of true co-operative workers which might arise to question his right to mastership will be less uncompromising than that of the private owner. Such semi-co-operative production may be regarded with resignation, and tolerated until the employee on the land or in the factory has advanced to the capacity of guiding his own fortunes. The three methods of factory ownership, by the seller, the factory employee, and the buyer, will continue side by side until the employee rejects the authority of those from whom he buys and those to whom he sells, and takes his co-operative factory into his own hands.

The difficulties confronting the employee appear from without his industry and from within. He has first to convince the outside world, directly or through a Co-operative Bank which cannot afford to finance an unsteady institution, of his

External difficulties of producers.

credit-worthiness, and to obtain his capital. He may contribute a portion himself : rarely he may be assisted, as in Italy, from the public purse : the bulk of the funds must be derived from Joint Stock Banks, from sympathizers or from prudent investors. Capital will be suspicious at first, and will vanish if the business is ill-organized or the members are lacking in diligence. Quite £0 per cent. of the Co-partner Societies which fail, fail within their first four years. Every year's balance sheet builds up slowly that public confidence which a wealthy individual capitalist commands in virtue of his name and wealth at the commencement of a new enterprise. Competition must be met ; a competition often directed with particular animosity against the co-operative undertaking as such : there will be price-cutting, false rumours, and boycotting. Even the co-operative consumer may be an enemy : for the first customers of a Copartner Society will be individual co-operators or Societies ; a big Consumers' Society has been known to set up a " productive " branch on capitalistic lines at the very door of a Society of working producers, whose competition it fears. The Consumer can be disarmed by Federation, all disputes as to prices being referred to a common superior authority. In the age of capitalism preferential rates should be given by productive Societies to Consumers' Societies over non-co-operative customers, and Co-operative Consumers should buy from Copartners at a price above that at which they can themselves hire wage-earners to produce for them. When finally the regime of private capitalism is ended, all prices will be settled by the highest co-operative body.

The internal dangers of a Society of working producers are those of indiscipline, jealousy, and selfishness. For the two former the remedies are education and experience : a lazy Society, or one which permits insubordination, will produce bad or insufficient goods and show no profits. If the manual workers are jealous of their brainworkers or experts and grudge them a salary at market rates, they will attract men of low calibre, their work will be inadequately done and their goods will not be sold. There is no smooth road to wisdom : every man and every Society must learn from his own experience and the example of his neighbour. Thousands of Societies have foundered on these rocks, and thousands in Italy (and pre-war Russia) have won through to smooth water. Selfishness is among co-operators an evil attendant on success. The original or earlier members of a prosperous Society may wish to exclude newcomers from membership, to exact an unreasonable entrance fee, or to relegate them to a dependent ' branch factory.' Nonmembers are employed on a wage-footing in order to swell the members' profits.

Internal difficulties.

or voting power is assigned to shares rather than to persons. The cures for selfishness are supervision by a Federation, and competition by a true cooperative Society near at hand. Selfishness is the antithesis of cooperation : it is a serious form of 'growing pains,' and when full development has been attained and all producers are co-operators, no room is left for the evil.

The Co-operative was represented as more attainable than the Communist commonwealth, on the ground that it affords through personal gain a stimulus to productive effort : the personal gain is acquired through membership of a prosperous factory, farm, or commercial business, in which the profits will vary with the organisation and the diligence of the members. Competition, with a resulting inequality of income, is essential to success in the transitional stage during which Capitalism as the earner of profit is being gradually replaced by Capital on a fixed fee as the servant of Labour. When all industry is finally co-operative, and all Societies have been federated in a national Union, it is possible that competition and inequality within a single industry will to a great extent, whether automatically or by ordinance of the Union, cease to exist : prophecy as to so remote an event is of little utility. If it be so, the organisation of co-operative industry will approximate to that known as National Guilds, in which each industry is organized in a single self-governing guild, and all guilds are united for industrial administration and legislation in a Guild Congress : the State incorporates each guild by charter, and negotiates with the Congress on industrial matters of national importance. When competition has been removed, the wage-system as such can no longer survive, since there can be no market rate of wages : the worker will be paid, whether in cash or otherwise, a regular pay directed towards a certain standard of living, and will draw his pay whether he be at any given moment required to work at his assigned and habitual activity or not. The principal distinction between a Co-operative Commonwealth in this final stage and a guild system as visualized by the National Guildsmen will probably lie in the spirit of local autonomy, which will spontaneously continue in a nation formed of independent co-operatives but will need careful nursing under a guild system ; the latter anxious though it be for local spirit is yet an organisation constructed from above, even by a Syndicalist storming of the industrial castle, and may show a tendency towards a burdensome centralisation.

CHAPTER VI.—The Duty of the State.

The duty of the State towards the co-operative movement may be considered under four heads; the use of official staff, the form of the law, the value of official favour, and the attitude of the State in matters of finance.

Four heads of the question.

(1) Co-operative officials.

It may be boldly stated that in no country whatever is there found a staff of co-operative officials similar to that of British India. The official Dairy Inspectors of Holland, appointed in order to guarantee the standard of butter and cheese bearing the Government 'mark,' are not of necessity co-operators, and impartially visit co-operative and non-co-operative institutions. The Belgian Commissioners in the war-devastated areas, who criticize and assist the Societies of Reconstruction, are primarily bureaucratic servants of the Ministry of the Interior, maintaining a detached though sympathetic attitude with regard to the obstacles which impede the Societies in their work. The Italian Prefects and their semi-official Committees in the provinces do indeed assume a co-operative air; their task is to analyze and assess the sincerity of Societies claiming to be co-operative, which under the title of Societies of Production and Labour, whether industrial or agricultural, enrol themselves in the prefectorial lists and desire to obtain public or communal contracts on the favourable terms permitted to them by the law. When the prefect himself or a leading member of such a Committee is a true and forceful co-operator, the local inspection or enquiry in which the members will from time to time find themselves engaged will be a genuinely co-operative proceeding. Above these provincial Committees stands the Central Commission in Rome, under the Director-General of Credit, Thrift, Co-operation and Insurance. This somewhat remote authority may be compared to a legal or other technical adviser to Government in a specialized subject, undoubtedly of value to the administration and to the public, but not necessarily an enthusiast for the moral principles underlying the cooperative 'religion.'

The most conspicuous and active officials in the countries which have been discussed are the English Registrar and his two Assistants. It should be clearly grasped that in Holland, Belgium, and Italy there is no servant of Government personally entrusted with the duties of registering Co-operative Societies and of insisting on their conformity with the requirements of the relevant law and on the production of audited and certified annual and periodical returns. The English Registrar does not tour; he does not inspect, he does

Needed in India.

not audit ; but he has definite functions of enquiry and consequent action in stated circumstances, and he does not fail to set on foot a criminal prosecution against Societies which neglect to file the documents required by statute or rule. In the other countries the registering agency on the foundation of a Society and in its subsequent legal acts is a Court of law or a Chamber of Commerce : there is no insistence on the fulfilment of the law, and its formal prescriptions are continually ignored, with consequences eminently harmful to the Societies concerned. The conditions under which in British India an official staff of propagandist officials, from the Registrar through Inspectors down to local Supervisors, came into existence are entirely different from those of Europe. Our peasantry and poorer urban classes are still largely illiterate ; the educated classes, especially in the towns, have hitherto been seldom in contact with their humbler and less fortunate brethren ; public opinion is therefore weakly organized : and finally the isolation of India, both through distance and through illiteracy, renders ineffective the influence of European examples. Co-operation in Europe overflowed from one country to another, and found a citizen body more or less willing and able to accept and disseminate its principles. When in 1905 the elements of the doctrine were first taught in India, there was no organisation other than that of Government, which at the same time extended throughout the land, was capable of a certain prevision, and commanded also the men and the funds for a wide social and economic movement. The ideas were new, the public was uninterested or even hostile. Only Government could initiate discussion, promote experiment, give confidence to the investor, and face the obloquy of misrepresentation. The great and perhaps unexpected success of Co-operation, principally in the form of agricultural credit, since its commencement in 1905, has led to the growth of a large official staff, engaged simultaneously in propaganda, organisation, and audit. All these duties are carried out in Europe by professional but non-official Inspectors, though the right of audit tends more and more to be confined to chartered accountants or their local equivalent. The advantages of still using officials in India lie in economy and efficiency : at the existing stage of Indian development men of the right educational and moral standard are not everywhere to be found : they must be attracted by security as well as by good pay, such as only a mature and firmly established Co-operative Union could offer : a similar scale of pay under a private institution would not secure workers of the same calibre, and it would be necessary to provide for them financial inducements altogether beyond the means of the co-operative bodies. Moreover, the public still demands that

assurance as to financial methods which arises from an officially prescribed audit, and since the profession of chartered accountants in India is confined to a few centres and unequal to the task of examining innumerable small Societies in remote villages, only a paid employee of the State can in the first instance fill the gap. The State watches with interest and approval the uprising of an auditors' profession and the formation of controlling Unions which may become fully competent to undertake both propa-

Growth of independence.

ganda and supervision. As these developments take place, the State will gradually withdraw from all work to which co-operators may become equal: the Registrar will limit himself to his legal duties of registration and cancellation, inquiry in special cases, and insistence on audit and annual returns. Owing to the wide distances unprovided with means of rapid communication he will still need an establishment of Assistant Registrars, but the number of official Inspectors may be permitted to diminish by normal retirement until this class possibly disappears altogether. It should not be imagined that this time is near at hand: provincial Federations, a new and valuable type of organ, are untrained and without funds; auditors in several provinces are unofficial, but have neither the experience nor the ability to work without supervision. The intention of the State, however, should be to encourage without forcing a slow transference of co-operative functions, other than those legally committed to its servants, to unofficial hands. This transference may most safely be begun in those areas and those categories in which the co-operator has attained his highest level of understanding and organisation: it will not be sound to throw on co-operators, at all events before an advanced stage of their independence has been reached, the burden of experiment in strange fields; a novel type of undertaking may for a long time to come, and perhaps always, be a suitable sphere for the activity of the State and will involve the employment of permanent or temporary officials until its economic success is assured or its social value proved: the official then retires in favour of the private co-operative body and seeks for other ventures to be tried in the co-operative cause. The ideal of Co-operation is to be entirely independent, but the co-operator must qualify for his independence: it is ungracious to throw him in the water before he can swim.

It is not proposed to discuss in detail the provisions of the law, which vary according to the peculiarities of each country and are not necessarily applicable in the same form or with the same results, among different peoples. The questions of the scope of the co-operative

(2). Co-operative law.

law, and of the executive methods of its enforcement are of importance. Mutual Societies of insurance, with Societies of thrift or benefit, are not usually regarded as co-operative in European systems : there will be a separate law for Insurance, covering the large Societies of Joint Stock type with the usual centralized control on a basis of shareholding, as well as the Societies of small men who unite on a basis of equality and personal knowledge to insure each other against a single kind of risk. The Co-operative Society proper on the other hand is considered as one of a more active type, not merely as a defence against danger but as an enterprise directed towards economic gain ; it is classed as a commercial Society, though separately defined and treated in the Commercial Code. In England, which has no Commercial Code of law, Co-operative Societies for credit and cattle insurance are registered under the Friendly Societies Act, Societies for trading, housing or public utilities fall under the Industrial and Provident Societies Act ; other Insurance Societies are dealt with in specialized Acts. It would appear desirable in the public interest to unite all forms of co-operation under a single Act, distinguishing them as a means of thrift or economy from profit-seeking bodies which fall under a Companies Act or other commercial enactments. In an industrial civilisation such a Co-operative Act would be more complicated than in British India, nor would it be so convenient to relegate questions of practice to rules in a country of uniform customs as it is in India where allowance must be made for local divergence of temperament and ideas ; but its drafting should not be beyond the power of the statesman. The discrimination between co-operative and commercial registration in India, the authority to insist on such discrimination resting in the hands of a responsible officer, protects the public from the fraudulent or merely selfish groups which under shelter of European commercial codes or even within the bounds of the English Building or Industrial and Provident Societies Acts obtain for themselves in a select circle of relatives or business allies the privileges and the public credit intended only for Societies open to all qualified persons and working for the common good. A Registrar in India will refuse registration to a Society of self seeking friends or will cancel its registration if he has been misled into approving it : an English Registrar can only cancel registration in a few cases, as when a Society exists for an illegal purpose, or wilfully and persistently violates the law : within these limits a Society with an entirely unco-operative spirit is immune from interference. In a country which has no Registrar there is no remedy whatever against such a Society unless it infringes a provision of the

commercial code ; a premium is placed on ingenious misuse of the legislator's intention.

The objects of the legislator in respect of co-operation should be to devise a simple and a cheap law. Not only in the co-operative Act itself, but also by modification of other laws or minor regulations he should remove technicalities and obstacles from the co-operator's way. The co-operator is usually though not necessarily a man of modest position, without legal knowledge or the means to buy it ; also without a large disposable capital. The Italian Government accordingly has relieved him of the necessity to deposit security beforehand when applying on behalf of a Labour Society for a public contract, has excused him from bidding in open auction, and has promised him preference over other bidders at a like price. Similarly by special decrees the pious foundations are permitted and incited to let their lands to co-operators, and prefects have been directed to take possession even of private property, where occasion arises, on behalf of landless Societies. In England a few minor legal favours of this kind are accorded. County Councils for instance may lease out to Smallholders' Societies of approved by-laws the land which they acquire for the settlement of small holders : and a public utility Society similarly approved is qualified under the Housing Acts for assistance from the Public Works Loan-Commissioners. But in general the British Government has left the co-operator somewhat severely alone without privilege before the law.

The favour of officials other than those directly engaged in co-operative duty is helpful at all stages in the shape of friendly recognition and interest : open partiality and promotion by other servants of the State is not desirable until finally the ideal of a Co-operative Commonwealth has been adopted by the Government as a scheme of social reconstruction ; it then becomes the national policy, not subsidiary to the programme of partisans and accepted only as a means to their obscure ends but itself the fundamental principle of administration and the criterion of every measure proposed. Excessive official activity and interference at a time when co-operation is young and undeveloped prove to be weakening and misleading : the spirit of self-reliance and free thought is stunted, the privilege of making and profiting from mistakes is denied, and there grows up a tendency to call always for official assistance without realizing the value of personal effort. The action of non-co-operative and sincerely benevolent Government servants in pressing those with:

whom they have been brought into contact in the course of their duty, to form or join or support a Society, is more often than not a source of trouble in the end : the stimulus given is temporary and unnatural and is followed by a reaction when the pressure is withdrawn. The promoters of the local institution fail to understand that they have not been supported on the merits, and are the more despondent when adversity follows. Wherever encouragement is given to co-operators by an official whose duty is not directly concerned with their tax-paying capacity, his opinion and even his participation may be valued, because no suspicion of an ulterior motive can arise : similar interest by an officer thus closely concerned may be lively and warm, but his actual participation is not often desirable. His abstention will delay the pace of growth, but provided there is adequate attention given by a trained co-operative supervisor, official or unofficial, the life of the Society will be more healthy and its spirit wholesome and independent.

Servants of the State, on the other hand, should avoid the opposite and very unreasonable extreme of "cold-shouldering" co-operative institutions : it does not follow that a body of persons who claim to be able and entitled to help themselves, can do so if they are boycotted : they will in any case receive no cordial welcome from the middlemen (money-lenders or traders) whom they seek to replace, but the State is not required to support their established rivals to the exclusion of the newcomers, provided always that the latter are efficient in their function. If, for instance, the State has reason to distribute loans or other assistance to the general body of its citizens for purposes of subsistence or of productive work (e.g. cheap food and clothing in wartime, or money for agricultural needs in their season), the co-operative channel of distribution is to be used not less than another, and the more willingly in that any profit derived from the operation accrues to persons from whom it was drawn and not to the middleman. When again an industrial or agricultural expert wishes to recommend certain tested or experimental varieties of raw material or instruments, or to demonstrate new methods of productive work, he will be unwise to address himself only to the wealthy individual and to neglect the associated Society of small producers, who if organised on a sound footing are as progressive as the large-scale worker, and more keenly interested, in virtue of their comparative poverty, in the economic results of his teaching.

In England and in Holland the co-operative consumer complains that during the war he was ignored in the appointment of industrial

European Example.

Committees, and treated with disfavour by officials : this attitude was no doubt due to the pressure exerted on Governments by private traders and contractors with whose services the State could not dispense. The co-operative producer in these two countries does not tell the same story : he met difficulties enough, but since the preoccupation of every State in war time was with production, the producer was protected and the consumer suffered. The case of Belgium need not be considered since under German administration the civil interests of the country were naturally subordinated to military requirements. In Italy the behaviour of the Government, especially from 1916, was entirely different : keen sympathy was shown to Co-operative Societies of production, as being the best and indeed the only check on the extortionate prices and base products of private traders and contractors. Consumers' Societies were everywhere recognized and employed as means of distribution, and the semi-official *Enti Autonomi* were not directed to their detriment : both institutions enjoyed equal favour.

The policy of the various Governments on the termination of hostilities was characteristic of their national temperaments. The object of Governments which in a capitalistic Society assist agricultural co-operation is to secure the food supply and multiply a stable and conservative population on the land : consumers' co-operation is promoted in order to lower prices, principally for the benefit of the middle classes ; while in encouraging Co-partner Societies of industrial production they aim at the contentment of the manual labourer and the mitigation of the "class-struggle". Released by the armistice from its apprehensions as to the food supply, and anxious to return to a normal pre-war condition of low prices and "legitimate" trade, the British Government announced the early discontinuance of its grants to the Agricultural Organisation Society, which appeared strong enough to stand alone : and opened its attack on high prices, not only by the appointment of Profiteering Committees, on which co-operators could with difficulty obtain representation, but also by taxing the reserves and threatening the income of Consumers' Stores. The Building Guilds meanwhile received a chilling treatment despite the dearth of houses. The Dutch and the Belgian Governments returned to a policy of moderate support to co-operators, renewing their subventions to the Central Agricultural Banks and consulting and using the Consumers' Societies in the attempt to moderate retail prices. Restoration of the devastated areas in Belgium is carried out through officialized co-operation of indifferent quality and through the excellent agency of the *Boerenbond* and such Societies as the

Ghent carpenters. In Holland special help is given to the Consumers' Wholesale Society, and the war restrictions which hamper the free export of dairy products are swept away with the minimum of delay. The impulse given by the Italian Government to the growth of co-operation of every kind in the post-war period has been already described : arsenals, dockyards, and factories are handed over, State funds are at their disposal, the lands of the Crown and of private owners are parcelled out to settlers. The difference of policy is due not only to the sympathies of statesmen : it depends also on the development of co-operation in each country. No nation has created a spirit such as the Italian, or is ripe for so broad a policy of reconstruction. No governing class at this time is so firmly conservative as the English in economic matters, or so suspicious of the demands now made by those who have not on those who have, for a fundamental change in the principles which govern the distribution of wealth.

The grant and acceptance of financial support from the State is a subject of much contention among both co-operators and their enemies. Such support may take the form either of exemptions, partial or entire, or of direct subsidies : in both cases a distinction must be observed between the early and weak Societies which cannot secure their footing unaided on a ground already commanded by "legitimate trade", and the strong ambitious organisations which eventually undertake a reconstruction of the world.

Remissions and exemptions are rightly allowed in order to foster a spirit of confidence among men of relatively modest position in face of powerful and established rivals, provided that the weak are not merely engaged in a selfish struggle to raise themselves, individually and to the detrimental exclusion of each other, to a position of power and advantage. When once the independence of the citizen is admitted to have a high social value, the co-operator who grants to every worker a share in the profits (and loss) and the control of his work, and to the body of workers the entire profits and entire control, is not to be classed with the captain of industry, who, whether his wealth be inherited or self-acquired, desires to "be master in his own house" and take the profits (or loss) himself. Fees of registration, stamp duty and publication, are therefore reduced or abolished for the benefit of new Societies in England, Italy or Belgium, while a compensatory grant to meet expenses is made in Holland. Profits similarly have been exempted from taxation on the ground that they represent an excess payment by members who bought, or a deduction from the dues of

members who sold, and will be distributed on a basis of purchases and sales. So long as co-operation was young, engaged in credit, distribution to consumers, and simple forms of purchase for producers, no objection was offered to a policy which conferred benefits on the "deserving poor" without hampering the speculations of the trader. When however co-operative institutions acquired the power necessary for competing in the open market with substantial individual merchants, it was urged that even the recipient of a returned excess payment should contribute by some means to the revenues of the State. The answer was correctly given that he contributes through income tax if his income is sufficient to render him liable; and this answer is always valid as regards the individual member. In so far however as the Society accumulates funds for extension of business and competition with rivals, and refrains from distributing its surplus to the members, a stronger argument for the refusal of advantages and the imposition of burdens can be brought forward. The reserves of a co-operative Society may be exempted up to a certain point, just as there is a minimum limit of income liable to tax; but since all taxation must ultimately fall on the savings or the profits of the citizen, it is not more unreasonable that the joint saving of co-operators should assist the Treasury than that the income of the individual citizen should perform the same function. In illustration of this theory the Italian Government is seen to remit duties on deeds and contracts of co-operatives only so long as the Society is new and its funds of limited amount: the excess profits tax was paid during the war and the immediately following period: and income tax is paid. The total taxes for instance, paid by the Peasants' Bank of Reggio, amounted to a tenth of the year's outgoings. It is clear that as the magnitude of co-operative business increases, the State cannot afford to forgo its levy on so large a share of the nation's wealth: should it do so, it would find that with the gradual transformation of commercial activity into the co-operative form the taxable wealth from which the revenue is to be drawn would be so contracted as seriously to diminish its resources. Unpopular as the admission may be among co-operators, it follows that the attempt of the British Chancellor of the Exchequer to assess to income tax or to corporation tax that part of a co-operative society's profits which in any year is carried to the reserve and is not distributed among the members, is justifiable in the public interest, such an addition to reserves from the surplus is a form of joint saving, not of profit-taking, but there is no reason why such savings should not contribute to the national revenue as do the savings of individuals invested in interest-bearing securities. The opposition in England is partly due to a natural desire of those who enjoy a privilege, to cling to it

and decry those who question its justice, and partly to a belief that the motive for the taxation is not so much the need of widening the field of taxation, as a jealous plot on the part of individualists to punish the co-operator who has throughout the war been voicing the protest against the profiteers and is now threatening their safety by his efforts. With the advance of the movement a stage arrives in which all fiscal and financial privileges should be withdrawn from big Societies : it can hardly be contended that the Italian metallurgists, whose business now embraces the greater number of the arsenals and dockyards in the Kingdom, or the associated sulphurminers of Sicily or ironminers of Elba, if their co-operatives make good their position, should withdraw from the State the help hitherto derived from the private owners of their huge undertakings.

Direct financial subsidies are given for three reasons. In the experimental stage the State promotes an activity which it believes to be for the national welfare as opening up a new road of advancement to the poor man, it being apparent both *a priori* and from experience that what he is unable to accomplish in isolation he may achieve in the mass. For this reason the Dutch Government makes a grant to a new Society, the Guildford Town Council in England takes shares in Onslow Garden Village, and the British Development Commissioners substantially subsidize the Agricultural Organisation Society until in their opinion it has tried its powers and can dispense with official money. At a later date the Government subscribes to the income of those institutions which are of value to the commonwealth whether in the co-operative form or not : the Dutch (mutualist) Herdbooks are assisted in the interest of cattle breeding, the General Savings Bank (*Caisse d'Epargne*) of Belgium places its funds at the disposal both of the non-co-operative Agricultural Mortgage Banks (*Comptoir Agricoles*) and of the Central Co-operative Banks such as Louvain ; and in any country a co-operative school or hospital will naturally earn the same grant which Government gives to similar institutions of a private but recognised description.

The third class of subsidy is that given by a co-operatively-minded Government with the more or less clear perception that by this means their country may attain to a freer and better life. The Dutch Government took its first step in 1920 by advancing 5 million florins at interest for 20 years to the *Handelskamer*, the Dutch Co-operative Wholesale Society at Rotterdam, in order that the Society may compete with the profiteer and reduce the cost of living. The French Government has for nearly 20 years favoured

Direct support.

National reconstruction.

the Productive Societies with loans from the Bank of France, and has during the post-war period of reconstruction largely enhanced its subsidies; the money being given at a nominal rate of interest is to a certain extent demoralizing and creates a plaintive and dependent spirit. The Italian Government has followed a bolder course than any other, by means of the Banks of Naples and of Sicily, the Credit of Latium and the other agrarian bodies set up in the provinces of Central and South Italy and the islands, and above all by the National Institute of Credit for Co-operation and by the National Committee (Opera Nazionale). A large proportion of the working capital of these bodies proceeds directly or indirectly from State advances at the full market rate of interest and is applied to the propagation and strengthening of Co-operatives: no party in the State now ventures to oppose the policy, money is provided in abundance at a time when the national finances are more heavily embarrassed than in any year since the unification of the country, and the entire economic life of the nation is being rapidly transformed. It would be a mistake to deduce from the accounts of local disorders published by newspapers that Italy is in a desperate condition: she is strained and disorganized after the war, but the bomb and the revolver have not been unknown of late in the British Isles, and no nation whatever lying east of the Alps has escaped serious disorders in the last few years. A policy of co-operative subsidies which might well prove disastrous in another country is bearing excellent fruit in Italy on account of the qualities of her people, and in proportion as these qualities are found in other peoples a similarly bold policy will be successful among them. The Italian is a hard worker (save in one or two southern towns), he has abundant confidence in himself, and knows well how to join with his fellows on a footing of equality and independence. He is therefore ready and fit to demand and accept the help of Government without being weakened: he is not afraid of the responsibility of starting a new venture and does not shrink from the effort required. He may often fail, but is always ready to try again. Consequently he is one of the aptest co-operators in the world: he is enthusiastic, thrifty, and enjoys publicity and meetings. It may without offence be pointed out that the attitude of the Frenchman towards his Government is different: he expects State help to be given him as a normal right, instead of grasping it as a rare opportunity for personal effort: the cause may be historical but is not at the moment relevant. The Frenchman is the most industrious of men, but by no means a good collaborator in common undertakings: he stands apart and forms groups. The Englishman is also a hard worker and has confidence in himself, but he shows a certain hesitation

in discussing publicly his own affairs : and he dislikes owing money : the Italian prefers it. If Italian co-operation, as it is likely to develop in the next few years, does not appear too "temperamental" and unstable to the British mind, it is possible, though unlikely, that a movement towards workers' production may take place : in such a case a demand for State help on a large scale would arise, and might be favourably regarded by an advanced Government : its prospect of success would depend on the degree in which the workers believed in themselves as a class and were prepared to unite, as Italians unite, not merely for increased wages but also for more democratic conditions of control together with reasonable discipline. No such development is visible as imminent in Holland, where the peasant contentedly owns his land, and the industrial worker shows no great passion for independence. In France and Belgium the State is likely to follow the Italian example with a certain caution, and to subsidize new co-operatives both of consumption and production in order to provide an outlet for the energies of Syndicalists who resent the authority of capitalistic employers. The tendency to give State aid at an artificially low rate of interest is unfortunate and will always lead to weakness : the first qualification of the co-operator is the resolve to be his own free employer : he does not lose his freedom if he accepts abundant State money on business terms and without needlessly detailed restrictions on its use : but before he can follow in the footsteps of the Italian he must regard himself as his own master, not as dependent on Government aid : he may then use without danger all the subsidies which he can extort.

CHAPTER VII.—Co-operation in the Punjab.

The information collected and the theories expressed in the preceding chapters will afford material for a co operator to form his own opinions : it is neither necessary nor practicable for the writer to deduce from them conclusions which will command general assent. The comments now offered on the co-operative system of the Punjab, though shortly and even dogmatically expressed, are in reality based on very tentative beliefs : the principal lesson to be learned from a comparison of systems is that there are many ways of securing a desired end, and any one of them, if followed in the true spirit, may be as direct and as good as another.

Three aspects of Punjab co-operation should be distinguished. There is in the first place the relation of the co-operator to the State ; secondly we may consider the internal structure and policy of the movement ; thirdly a few of the innumerable differences of practice and detail may be mentioned, all of which it is not possible to discuss and on many of which no rule can wisely be laid down.

A.—CO-OPERATION AND THE STATE.

1. As pointed out when dealing with the “duty of the State”, Indian conditions were such that in 1905 when after various ineffectual attempts had been made to relieve rural indebtedness by other social or legislative means the first Co-operative Societies Act for India was passed, no organized body existed which could undertake the work of propaganda, supervision or finance, and it was evident that this function must be fulfilled principally by Government. The peasants above all, whose problems were the most pressing, were disorganized and largely illiterate. The law consequently entrusted great power to the Registrar, far exceeding that of his English prototype : he was also provided, as the number of Societies grew, with official Assistant Registrars and Inspectors : even the auditors (sub-inspectors) now unofficially paid by the Punjab Co-operative Union and controlled jointly by the Union and the Registrar, were for some years a charge to Government. At the end of July 1920, the Registrar was supported by 6 Deputy and Assistant Registrars and 45 Inspectors, together with 229 auditors (sub-inspectors), to deal with 7,174 Societies and 205,000 members. With the growth of unofficial federations he will be able gradually to devolve the labour of propaganda and of routine inspection, but

Co-operative officials.

until the Union or other Federations are really and fully competent to carry out these duties, there can be no better economy than to provide the Registrar with an adequate staff of well paid and highly qualified officials. Parsimony means inefficiency, and in co-operation, of which the essence is strictness and punctuality, inefficiency means disaster. Working among an illiterate though intelligent peasantry, the Registrar and his staff will for many years need to retain in addition to the functions of registration and of collecting annual returns which occupy the English Registrar, a certain right of uninvited inspection and inquiry and above all the power of compulsory liquidation for non-co-operative practices. Without this power he may see the movement perverted by selfish landlords or by village financiers to unexpected objects. European countries which know no Registrar suffer from precisely these evils.

2. Local officials lent their influence and even their authority to promote the foundation of early Societies. The result in certain parts of the Punjab was a formation of paper Societies which being forced or premature, never enjoyed a real life. The Belgian Societies of Reconstruction show a similar tendency; though some are genuine and all will perform the galvanic actions required by official orders, the policy of their creation was unwise. The diffusion of co-operative knowledge among the Punjabis now renders pressure by servants of Government actually harmful, though interest, sympathy and encouragement are valuable. Deputy Commissioners have usually been Presidents of Central Banks, in which capacity the majority gave guidance and help: the time has now come, with the acquisition of controlling shares by the affiliated Societies and the accumulation of business experience by leading co-operators, for the transfer of this dignity to a non-official.

The existence of Societies as an important element in the economic life of the community should not be ignored by the administrator: the Dutch and Italian Governments use Co-operative Societies as well as municipal or specially constituted organs for the collection of opinions in economic matters and for the distribution of economic necessities; similarly the sale of oil, cloth, salt, fodder or seed, and the allotment of State loans (takavi) to agriculturists, to and through Societies in the Punjab have been highly successful proceedings and no better agency can be found than an association of consumers who have nothing to gain by making profits at their own expense.

3. Societies formed by Government servants among themselves are convenient if and in so far as the members secure, in virtue of their common employment, some advantageous method of recovering loans or transporting goods ; this advantage implies the exercise of official authority, and the Societies are in compensation deprived of full autonomy. The commonest form of departmental Society is that of postal or railway servants of which an instance was described in Brussels. They are handicapped by the fear of official displeasure on one ground or another, and flourish best if the highest departmental officers abstain from membership ; anxious though such officers may be to forward a scheme which is evidently for the good of their subordinates, or half unconsciously reluctant to allow within their sphere the growth of an appreciable force which they cannot control, their presence, which encourages members to join the Society, is apt to discourage them from a frank use of it. The North-Western Railway and the Telegraph Societies of Lahore are marked by the strength and the weakness characteristic of such bodies.

4. It has been shown that loans from the State are advisable in two cases only ; to initiate the movement when no other financing body exists or is ready to come forward, and again at an advanced stage when co-operators are prepared to rebuild the fabric of civilisation. The latter conditions exist in Italy, and the timid grant to the Dutch Handelskamer is of the same nature, but the bankers of England and Holland and the thrifty Catholic peasants of Belgium have placed sufficient confidence in co-operative institutions to relieve them of the necessity for State money whether such aid would have been given or not. Even for mortgages the Louvain Central Bank no longer borrows from the Savings Bank, and the smaller Central Banks of Belgium take less from year to year. The Punjab Banks have not been found willing to advance funds or discount agricultural paper on a scale commensurate with the problem, and in the earliest years those who believed in the success of Indian co-operation were few. Loans were directly given by the State to primary Societies because no other creditor would trust the peasant, whose moral stability had been sapped by his own unpunctuality and the money lender's guile. Central Banks have also been supported in times of crisis. But since co-operation demands independence, a proved Bank should now attract its own money from the market, and only for new ventures such as a Cattle Reinsurance Society, to assess the risks of which there are at

present no actuarial data and which cannot therefore apply to a Bank, or a Dyers' Union which can offer little material security, should the temporary assistance of the State be taken. A Provincial Bank, if worthy of confidence, will finance itself.

5. Cash grants to propagandist or supervising bodies were seen to be given by the British, the Dutch and the Belgian Governments, the principal object being to facilitate the audit of agricultural Societies. Such grants are sound since a special auditing staff is needed for rural work, the Societies being scattered, the conditions of rural life peculiar, and the population simple. The Italians neglect audit work and suffer for their neglect. A grant from the Punjab Government to the Punjab Co-operative Union would be equally justified, since the Sub-Inspectors who are paid by the Union are engaged in propaganda and audit.

6. The exemption from stamp duties and from fees of registration, which is granted in the Punjab, is in accordance with the custom of other countries, and is intended to assist the poor and weak against rich and heavily capitalized rivals whose scale of business can easily bear these minor expenses. The rebate of 75 per cent. of money order fees on remittances between Societies rests on the same ground, and is particularly useful in encouraging the safe deposit of idle village balances in Central Banks. There may arrive a time or a stage of development at which these favours will no longer be allowed; the Italian Government fixes a limit of age and of capital within which certain remissions are made; a victorious and dominant Society cannot make the same claim as a new and struggling body, especially in the field of industrial production from which the modern State draws an increasing proportion of its revenues.

Exemption from octroi, which has occasionally been allowed, does not seem equitable: the proceeds of municipal taxation are applied to purposes of immediate utility to the poor as well as the rich, and a small difference of cost in a market protected by octroi may give a virtual monopoly; such a difference should be earned, not granted.

Exemption from income tax is claimed not only as a concession to weakness, but on the stronger plea that a co-operative surplus consists of savings made by the members, and is not a profit. This is no longer true if a Society, whether of producers or consumers, employs wage-earners on the capitalistic method; it should then be taxed as an ordinary maker of profits on joint-stock capital. Ideally, a factory should be co-operatively owned

by its workers: a cotton ginning factory in the Punjab, financed and controlled by landowners or Societies of landowners or of consumers, would not be ideally co-operative, and a reasonable case could be made out for imposing income tax, at all events after a term of years. The surplus consists undoubtedly of savings, but of savings made through the labour of non-members.

7. The legislature *prima facie* intended section 19 of the Co-operative Societies Act to secure to a Society a lien over that property of a member, chiefly in the form of agricultural produce or raw material, which was procured with money borrowed from the Society. The Dutch and Belgian law similarly allows a Society to proceed, without a decree of Court, to seize and sell the property of a debtor over which it has a lien. The Indian law however has been legally interpreted to grant priority only as between a Society and another creditor, both holding decrees. The parallel quoted would support a demand for an amendment of the section.

8. A variety of reasons, including the insufficiency of public revenues and the venality of minor officials, has compelled the Punjab co-operator to supplement the efforts of the State to carry out certain of its duties; there have in consequence grown up co-operative schools, hospitals, post offices, and Societies of Arbitration. In so far as the State has failed to meet a public demand, these co-operative activities imply a reproach; it is suggested by them that Government has neglected or misapplied its powers. The Indian co-operator however may prefer to contribute towards an institution in his own home and under his own control, rather than to pay a lesser amount in the form of extra taxation to a Government institution. So long as the co-operative institution is efficient, he is entitled to his preference.

Such forms of co-operation are not common elsewhere. The English Congress demands and is founding a Co-operative College; it does not allege that the British Government has neglected its duty: the desire is for a special type of education which the State cannot be expected to provide.

The Frisian Dairy Union having failed to persuade the Dutch Government to establish a local Research Station, contemplates forming its own; this is a reflection on Government comparable with a co-operative hospital or a post office in the Punjab.

9. European States become intimately and distressingly concerned with co-operative questions through the perversion of the latter by religion and party politics. The enthusiasm or fanaticism lent by these motives are outweighed by the disunion and idle competition which they introduce. The experience of Europe shows a heavy balance against partisan co-operation and the evils have been described in treating of Holland, Belgium and above all of Italy. It would be a misfortune for India if ever a tenure of co-operative office were to become a qualification for election to a municipal committee or District Board or for attaining any extraneous dignity. Similarly the formation of rival communal societies in one area is an invitation to faction : a Society embracing all communities has sometimes the hardest struggle but wins the most striking victory.

B.—THE POLICY AND STRUCTURE OF PUNJAB CO-OPERATION.

1. Rural credit and indebtedness were the great problems which confronted the first organizers of co-operation in the province. State loans had failed to relieve the cultivator, their application being uncertain and the method of recovery inelastic. Misused intelligence and legal opportunity were setting up the money lender as a lord of the villages, and the peasant was becoming more reckless as he sank deeper into debt. The problem though complicated by illiteracy, bad communications and caste or religious divisions, was identical in India with that which co-operators had faced in Europe ; and the solution was the same. Credit must be restricted to useful objects, and for them only rendered available on moderate terms ; finance and management must be local but public, democratic but not thoughtless. European countries have suffered with equal intensity from the plague of thriftless credit, Italy above all ; the Punjab remedy has been, as in Europe, the small Raiffeisen Society in a limited area with mutual knowledge and supervision and a ban on profit-hunting. The usurer still lingers in Italy but his extinction is a matter only of attention and time : from Holland and Belgium he has disappeared. In England instead of lending money he sold indifferent goods at high prices on credit ; he is now reformed or side tracked. There is no reason whatever why the Punjab money lender should not in a few years be a fragrant memory, no longer visible in the flesh : Societies of ten years' standing have cleared the bulk of their members' debts, and the good work continues. Thirty-five thousand Punjab villages should harbour 30,000 Credit Societies, for menials and tenants where the landowners are in easy circumstances ; some 7,000 already exist.

2. From rural credit the Punjab peasant proceeds to agricultural improvement, he buys, sows and stores pure seed, learns the use of new methods and implements, and combines to sell his produce. Purchase of materials has been in England the first form of rural co-operation, in place of credit: in Holland, Belgium and Italy it has been the second step. Sale comes at a more advanced stage, but in the Dutch dairies and Italian Wine Societies has been developed to a point at which the rural producer holds a recognized position in the international market. The great exports of the Punjab are wheat, rape-seed and cotton; the cultivator's prime needs are good seed and good cattle. What is required is an expert co-operative organisation which will select, buy and store raw material of all kinds and *guarantee* the quality of its exported produce, in other words an Export Union * or an Agricultural Wholesale Society. The English A. W. S. recommends emphatically that the central institution be founded first, and the primaries afterwards: in this there may be financial difficulty but much administrative convenience. Even Punjab rural Societies of Credit which existed and grew strong before the days of a Central Bank are unwilling to submit themselves to the control of the latter: still more is this the case in the sphere of trade, in which each manager is confident of his own business ability. The Weavers' Central Stores of Amritsar have felt the strain, and it will be still heavier if local Societies of purchase, whether acting on behalf of producers or consumers, become proud and independent before a whole-sale Society is established.

Agricultural co-operation.

* Cf. the Punjab Co-operative Commission shops for sales of grain, etc.

3. The industrial problem, in a country so predominantly agricultural as India, did not at first appear urgent, but in the last ten years it has assumed a great importance. India and the Punjab are not yet swallowed up by the giant of Capitalism, but his jaws are agape. No European country has evaded him; Russia in destroying him has paralyzed herself; only Italy is seeking a less fiery escape. If sincere workers were forthcoming, it should be possible to forestall the evil beast in India. A small beginning has been made among artisans, and in the Punjab are Weavers' Societies of purchase and sale, with a secondary and supervising institution in the Stores, and a few scattered Societies of dyers, leather workers and smiths. A determined effort to organize the poorer classes of the towns, not only in artisans' Societies and ultimately in self-governing workshops and factories but also as Societies of labourers, contractors and transport workers, would

Industrial co-operation.

at the present moment be more profitable to India than a one-sided growth of purely rural co-operation. The towns of the Punjab are expanding, and large industry is upon us: industrial co-operation cannot begin in great factories, it must arise by accretion out of small Societies, but these we should organize and finance with the utmost speed if the artisan or menial is to be saved from becoming a mere unit of labour, a "factory hand."

4. The Consumers' movement is pre-eminent in England, and takes a great place in other European countries. In the Punjab it is backward and of late birth: the Societies draw their members, not as in Europe from the class of wage-earners and shopkeepers, but from the professional and clerical classes: similarly in Belgium and Holland the middle class Eigenhulp Societies were among the earliest of Consumers. Such Societies tend to become sluggish through lack of the real necessity for thrift and through a false pride which leads the members to shirk the admission of such necessity: the weakness of the Punjab consumers lies in just this snobbishness and laziness. The cure is to call in the less educated employee of shops and offices, and where his residence is permanent, the skilled or unskilled labourer. These are the mainstay of the English and European Stores: the middle classes only too often regard Co-operation as undignified. Such men will however require a shop, not a Society which orders on indent: their earnings are small and possibly irregular, and they cannot afford to buy in bulk. The foundation of shops for labourers will not be simple, even where the population is comparatively fixed; it will need the help of those unofficial organizers whom the Punjab towns appear to lack. A non-political League of Social Service is required.

5. Federation has hitherto been a relatively straight forward process, the Societies of the Punjab being nearly all of one type; village Societies form a local Union, Unions and primary Societies together found, often with help from individual sympathizers, a Central Bank. Doubts arise when the Societies in each locality are of diverse types; is there to be a bond between the village Societies of Credit, of Purchase, of Sale and of Insurance, etc., or only a vertical affiliation to a Central body? A number of Societies have been described in Terbanck, co-ordinated on the Boerenbond method and depending on a non-co-operative association to which all members must belong: this is the Catholic plan, but implies a pre-existing bond among the members which can only be found in a Communal Society. Whereas in Italy, the religious

association does not actively direct the co-operator, local Societies of various function unite in a regional Union ; thus the Catholic and "undenominational" federations of Girgenti are composed of Societies of Credit, of Purchase, of Labour, of Farming, etc. This principle of horizontal as well as vertical federation is of social value, and is to some extent followed in the Punjab, Credit and Purchase Societies alike affiliating themselves to regional Unions and to Central Banks, and artisans' Societies seeking admission to supply or credit Unions. The practice should be extended more widely as the Unions learn to undertake other functions than Banking, or as special supervising bodies separate themselves from the banking institutions. There will perhaps not be room for a directive body, as distinguished from a financial institution, in an area smaller than a district, but it is essential to the formation of co-operative opinion and the guidance of policy that every Society should join not only its specialized superior institution, whether of finance, of commercial purchase and sale or of technical direction, but also the nearest local Union through which it can take part in the co-operative life of the neighbourhood. An artisans' productive Society should join a Credit or Purchase Union formed principally by Societies of rural credit, even though it is itself financed and audited from another centre, and above all every Society should be affiliated to the District Congress, if such a permanent organisation exists, or to the District Bank until a Co-operative Congress of the district is formed. By such means the Italian co-operators within each party or sect—for nothing can overcome their trifid partition—are brought together in a conference of all local Societies and taught to feel their co-operative unity.

The Central Banks of European countries do not as a rule concern themselves with questions of policy apart from finance ; the Boerenbonds of Eindhoven and Louvain treat matters of wider co-operative interest than the Boerenleen banks ; Utrecht combines both functions, but the co-operative Central Banks of the Catholics and the Liberals in Italy are subordinate to their Federations, and the Socialists draw funds from the National Institute for Co-operation which is solely a financial institution, while their policy is decided by the National League. These examples would seem to indicate that whether the time is ripe for a Provincial Bank of the Punjab or not the higher finance should be separated from policy : the true foundation on which to build a Punjab Co-operative Union is not that of the Central Banks, but of District Congresses representative of primary

Societies and of all regional Unions (whether Banking or Supervising) which are directly in touch with the primary Society. The result will no doubt be an embarrassing but salutary strictness in the business methods of the Bank to which the primary Society will learn to adjust itself and a healthy freedom of expression among co-operators in a Congress which obeys the rule of reason rather than the money-stick.

C.—CO-OPERATIVE RULES AND PRACTICES.

1. Strictness is the first essential of good co operation ;
 not only a strictness in adherence to business methods but an insistence on the moral principles which distinguish the co-operator from the prudent individualist. Unpunctuality in repayment of loans is considered by the Boerenbanks as a reason sufficient in itself for refusing a further credit to a man of substantial means, if not for still more stringent action ; the weakness which, according to the Wollemborg Federation, has brought about more failures in rural credit Societies of Italy than any other cause is the tendency to be lenient with neighbours and to avoid the discomfort of dunning a defaulter.

The taking of security on loans is almost universally required by the by-laws, though there is some irregularity in practice in Italy and Northern Holland ; these latter also sometimes allow men of means to give real in place of personal security ; the Boerenbanks claim that they take personal sureties in all cases, The Dutch Societies of the North excuse their laxity firstly on the ground that prominent men are insulted by the demand for a personal guarantor, and secondly by the ease with which recovery can be made from goods subjected to a lien ; the Italian Societies cannot plead the latter argument. In any case such invidious exceptions are not justified by reasons of convenience, and the Punjab rule of taking personal sureties in all cases, with real security in addition if necessary, is the rule of the Boerenbanks and leaves no room for jealousy or risk.

The Italian loans of honour without security, which have been quoted in support of an experimental laxity, are loans given to non-members by those urban Banks in which a share is of a large amount beyond the means of the poor : the device is non-cooperative, and it would be simpler to issue shares of low value for those who need them.

3. Unlimited liability is ordinarily accepted in Societies of rural credit : in England where there is no rural credit, it is now unknown. A few rural credit Societies in Italy limit their liability, but elsewhere as in Holland and Belgium it is unlimited. It was mentioned that no member of the office staff at Medicina knew whether the liability was limited or not : the meaning of the phrase is evidently little understood and a story is told of a Belgian Society which had worked contentedly for years on an unlimited basis but shrank with horror from the thought of substituting a tenfold liability on shares. Dutch co-operators are also accustomed to the unlimited risk in Societies other than those of credit, and it is in no way exceptional for an individual to be thus pledged in several Societies at the same time : technically the value of his guarantee is destroyed, but it is pointed out that the various village Societies are formed largely of the same members who are also the principal depositors, and if a credit Society exists the other Societies are often financed by it. The same persons are involved in all cases and a limitation of liability in (for instance) a Purchase Society would in case of loss only transfer the danger to the Credit Society. In so far as the same persons are really concerned, the answer has force, but except under the Boerenbond system, in which all members of Societies must be members of the Bond, there is no absolute assurance of their mutual connection, and a disaster befalling a trading Society formed by the well-to-do members might deprive of all security a depositor in a Credit Society. The Punjab rule has been that no man may pledge his unlimited liability more than once ; the restriction is for the reasons given above less important than it might at first seem to be, but is worth maintaining. The liability of a Mortgage Bank should therefore be limited. Many secondary bodies in Holland, including one Central Bank, and a few Federations in Italy, are of unlimited liability : in the Punjab this is not allowed, since under even the most democratic constitution the individual co-operator cannot closely control a relatively remote body.

4. Frequent complaint is made of poor attendance at general meetings : sometimes a fine is imposed for absence without cause. There is in consequence a deplorable rule in most countries that a meeting adjourned for lack of a quorum may be held at a later time without a quorum ; the adjournment may be for an hour only ! Or proxies are allowed, especially in Societies of Purchase and Sale which operate over a circle of wide radius. Both expedients are from the co-operative point of view indefensible, and are in

Liability.

Attendance and proxies.

fact defended only on the score that a quorum cannot be obtained. The Punjab has wisely abstained from so unsound a policy, with the exception of departmental Societies in which the members are prevented by official duty as well as by the cost of the journey from coming to headquarters. The right remedy in such cases is that applied by the C. W. S. of Manchester: an identical agenda should be submitted to the discussion and the votes of numerous district meetings, and the votes should be added up in the Central Office. The admission of written opinions is also practicable, as in the Weavers' Central Stores, and in the Silt Clearance Society of Montgomery District.

5. English Societies use only a single Managing Committee: in Holland, Belgium and Italy is found also a Committee of Supervision, and occasionally also a Committee of Advice. The useful function of these extra organs is almost nil. They are intended to watch the proceedings of the management, but if active at all—usually they are not—they are far more likely to induce quarrels and hamper prompt action, especially in purchase and sale. In a Punjab Credit Society a second Committee might theoretically check the tendency of the managing members to take excessive loans, but where such a tendency is present, faction is likely to arise from the interference of a rival Committee: the offence is better exposed and punished in general meeting. The multiplication of committees removes from the ordinary member the burden of responsibility which he must learn to assume.

6. If Societies of purchase are financed by their local credit Societies, as normally under the Boerenbonds, a formal entry of payment for all goods can if necessary be made in the books on behalf of those persons who are members of both Societies. In a village, *e.g.*, Terbanck, the two Committees will be almost if not entirely identical, but the loan account of the member will be examined at the time of the entry, and he can be checked if he is approaching his limit. Where a credit Society is at hand, non-members of that Society are generally compelled to pay cash in the purchase Society since it is always open to them to become members of the Credit Society. If however there is no Society for payment, and in England this custom is practically universal even if forbidden by the by-laws. The Punjab practice has varied; it was soon found that a rigid rule of cash payments for all goods, even if a member were laying in six months' stock in advance, could not be enforced; members

evade it by fictitious entries or return to the more expensive but lenient shopkeeper. To secure the greatest thrift there should be free transfer of debts from a purchase to a credit Society within the borrower's limit, and if there is no credit Society in the area, the members who need credit should be invited to found one : otherwise they should pay cash. The English practice is not to be commended.

7. The Boerenbond rule is that rural credit Societies should give loans only to agriculturists, and not for land purchase : the Raiffeisan Bank of Utrecht and the Italians allow loans for all useful and necessary purposes, and this is the rule adopted in the Punjab. An analysis of loans given by some rural credit Societies of the Punjab showed nearly 50 per cent. granted for objects necessary to social and to economic life but not primarily and directly productive, such as clearance of debt, payment of State dues, marriage expenses, and land purchase. The Boerenbond rule is narrow and lacks full justification ; it may be due to a certain opposition between town and country interest, in which the Bond by intention or accident finds itself the representative of the countryman. There seems to be no danger in the Punjab of non-agricultural persons swamping or dominating a rural Society to the peasant's detriment : on the contrary any widening of the field of credit should render funds more fluid, and the Societies of the north-western districts in which the countryman is frequently also a trader will serve the interests of their members as much by financing (with adequate security) their commercial enterprise as by supplying their modest agricultural needs.

8. Loans from Government being now negligible in amount, the Punjab primary Societies draw their capital from their own members to the extent of 54 per cent. in the form of shares and reserve and 6 per cent. as deposits ; 6 per cent. consists of deposits from non-members, and the remaining 34 per cent. takes the form of loans from co-operative Central Banks and Unions. Less than half the funds of these secondary institutions also is provided by deposits. The most striking difference between Indian co-operation and that of the European continent lies in the proportion of the capital derived from deposits, and especially deposits of members. (English Societies, which are not of credit, depend upon share capital and advances from Joint Stock Banks : they are, in comparison with the continental Society, of a peculiar and

commercial type). The European peasant trusts his Society and places his savings in its charge: the Indian peasant still prefers either to bury cash or to convert it into jewellery at a loss of half its exchange value. The reasons are historical and temperamental: it has never before in India been safe to admit to the possession of wealth, nor often prudent to entrust it to the keeping of others: openings for its employment were also lacking, and the investor was suspicious of an operation which he could not personally supervise. European conditions in the villages of 100 years ago were not very dissimilar: education and peaceful Government have given confidence and offered opportunities. What is now demanded in the Punjab is an educational campaign, which will teach the peasant what he loses by hoarding and gains by investment. During the war the Dutch and Belgian peasants so poured their savings into the Boerenbanks that the rate of interest on deposits fell in some cases to $1\frac{1}{2}$ per cent.; yet the money continued to flow in. Meanwhile the Punjabi peasant as well as money lender was sinking his money in holes and ditches where a large portion of it will remain for ever, the possessors of the secret having died in an epidemic. One obstacle to be overcome is that of delay in withdrawals: the European peasant leaves his money contentedly in his Society because he knows that it can be returned on demand or at very short notice; much the greatest part of the members' deposits are withdrawable at call. This is possible in countries of banking facilities and rapid communications; the rebate of money order fees simplifies the problem in the Punjab. But the ultimate remedy may be a co-operative cheque, which the village Society will endorse to the Bank or Union in which its surplus lies or its cash credit is available, and the latter will remit the proceeds directly to the drawing depositor. The system of compulsory periodical deposits for stated purposes, adopted in a few Punjab societies though valuable in itself does not really meet the requirement of a Savings Bank for deposits at call.

9. If deposits can be secured, shares are of less importance; in Credit Societies they are commonly small and withdrawable on resignation. Only the English semi-commercial Societies of purchase and sale demand a large share; in the Stores the maximum of £ 200 is often reached by accumulation out of dividends through a long period of years. If a considerable share capital is considered desirable in order to inspire confidence in the business world, it should as far as possible be realized in small instalments in order not to exclude men of modest position. Those Societies of Credit, rural or urban,

Shares.

which in the Punjab have built up a large share capital, are inclined to grant lavish loans, to be remiss in recovery, and to look askance on new applicants for membership. Or if new members are admitted the rate of interest is kept unduly high, and a fat dividend distributed.

10. The payment of a "dividend" on shares, *i.e.*, a return varying with profits, as distinguished from a fixed rate of interest, is happily rare in Europe : in India also it is a blemish which the Punjab is almost alone in displaying. A dividend as understood by European co-operators is a rebate on purchase or a bonus on sales : a credit Society pays a fixed return to capital, whether it be contributed by shareholders or by other persons. The evil in the Punjab sprang up from that very distrust which prevents the free deposit of savings ; in order to collect money an appeal was made, naturally but not wisely, to the instinct of greed rather than of thrift and foresight, and received a hearing from certain communities in which the acquisitive is more conspicuous than the liberal spirit. The false doctrine is being gradually expelled but some tribes are stubborn. It is not right to yield to their preferences : a co-operator who hunts profits is a faked article, and if he refuses either to make the common fund of profits indivisible or to limit the dividend on shares to a very moderate rate such as is paid on a year's deposit, his Society is only a breeding ground for corrupt opinions.

11. The possibilities of new types of co-operation may be shortly mentioned.

Future developments.

Dairies in India have little prospect of success until the educated classes really demand pure milk and pure ghi, and are prepared both to pay an enhanced price and control their recalcitrant servants. In College Societies the cook is the enemy. In Europe there is an insistent and effective demand for pure quality : above all, purity is the first condition of success in the export market. Indian cattle give so low a yield of milk that export is impossible.

Cattle breeding, both for strength and for milk, is impeded by the difficulty of selection and rejection ; the need is obvious. A good Dutch herd will give an average yield of 17 quarts* of milk daily from each animal for ten months ; an English or Italian cow may average 10 quarts. In the Punjab an *average* of one quart daily from each milk-giving cow or buffalo for ten

*A quart of milk is equivalent to about one ser.

months would be an extravagant estimate. But the problem must be faced : shirking the facts is as useless as to deny them : the European milch-cow is obtained by selection, and selection means rejection of the unfit, both male and female.

Egg Societies should succeed excellently in the Punjab town or village : bad communications both in the villages and on the railway form the chief stumbling block : if good eggs can be collected and transported, there is a market for them, and the larger varieties have a limited market of their own in the principal towns. A simple carbide testing-plant, and a really energetic and careful collector, are the requisites. Roermond and Framlingham are giants, but they grew up from pigmy Societies in the villages.

Insurance of all kinds is comparable with thrift ; it is eminently a poor man's safeguard, and when he has formed the habit of insurance, he does not lose it. But it is born of a belief in the stability of institutions and the honesty of men ; the illiterate man is always suspicious, and education may change the Punjabi's attitude. The peasant and the townsman of Belgium and of Holland increasingly insure their persons and their live stock against accident and sickness, their houses against fire, their crops against hail, and the funds of their Societies against theft. The Punjabi has everything to gain by doing the same. Actuarial data are scanty, but in any case the rates must at first be pitched high, in order to form a reserve : experience will show how far they can be reduced. An appreciable measure of success has attended the 24 Societies of Cattle Insurance already registered.

Labour Societies have been discussed : the Silt Clearance Society is instructive in this connection though at present employing chiefly hired labour : smallholders should do the work themselves : repair of unmetalled roads by contract under District Boards, construction of bunds, and possibly excavation of new irrigation channels should be attempted. The Od tribe offers a possible field.

Co-operative farms will be conveniently managed by a group of men leasing an entire village or estate from a single proprietor, especially in newly-colonized areas where an old population of tenants is not in prior residence. In the beginning they will require no agricultural expert, but will farm on their own methods : their advantage will be a reduction of rent, since a shopkeeper who leases five squares for Rs. 1,500 per annum in a Colony sublets them to tenants at Rs. 200 or more per half square. The land granted in Montgomery on " half-resumable " conditions to

colonists whose former holdings have been destroyed, might be held on a joint tenure by a Society : the members would have the keener incentive to urge each other to develop the land, since at the time of resumption some men would find their holdings resumed and half the holding of a neighbour allotted to them. The Lift Irrigation Society is analogous to co-operative farming, and it should be possible to settle a body of colonists on high-lying ground by means of similar Societies.

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