



The Co-operative Society as an Instrument of Economic and Social Construction

by

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In countries where the process of industrialisation is not complete, or where it has not yet transformed the ways of living and patterns of thought of the people, there arises a special problem of economic and social reconstruction and remoulding of customs—the problem of well-balanced adaptation.

This problem is the subject of the following article. The author examines its many aspects in the light of the vast experience which has made him a recognised authority in this field. He then shows the contribution which the co-operative method, properly applied under the guidance of specially trained full-time co-operative staff, can make to its solution.

PROBLEMS OF TRANSITION

THE function of a co-operative movement in those countries, chiefly in Asia, Africa, and Central or South America, in which a large indigenous rural population is still for the most part dependent on subsistence farming should be more extensive than where a capitalistic economy is already established. The conversion of the older social and economic systems to a state more closely resembling that of Europe and North America may or may not be a desirable change. On this question statesmen, merchants, and the indigenous populations concerned,

will hold diverse views, but there will be almost universal agreement that an approximation to a "Western" economy is inevitable. The more general use of money in place of barter in kind, the production of goods for sale in a world market in preference to consumption at home, the rapidity of transport, and the penetration of remoter regions by 'commercial enterprise, all these forces bring the less developed countries and peoples into close contact with ideas, opportunities, and temptations, by which they cannot fail to be influenced. So deep and subversive, in fact, is the influence, that accepted beliefs are criticised and condemned after the scantiest hearing, new modes of life and action are adopted, first by the young and later by the older folk, without full realisation of their effect on the social body, and practices which may be harmful even to Western men and women, partially immunised against their effects, are imitated by others on whom they bring more regrettable consequences.

Yet there can be no return to the former way of living. The traditional fences have been thrown down, and what the Asiatic and African peoples need is no longer restriction, but guidance ; before all, training in self-guidance. Europeans and Natives repeat to one another that the best of the old social system should be preserved and amalgamated with the knowledge and the tools which the West can supply ; but in only too many cases this comforting formula, for lack of exact meaning, leads them to no modification of conduct, and the process of interaction, friction, and possible deterioration, continues because no one knows how the formula is to be applied. Application implies a positive attitude and specific action. Means of selecting that which is worthy of preservation, of substituting a new method, economic or social, for that which is outworn, have to be devised by the less advanced¹ peoples for their own salvation ; social and economic organs, suited to modern relations in an international community, must be evolved by conscious experiment and cultivation, and the task of the more advanced peoples is to suggest and advise according to their own experience, to repeat their advice whenever it appears to them that Western experience, often dearly bought, is imprud-

¹ This term is employed to express the less commercialised peoples who are being dragged into the *mêlée* of the world. The less advanced may be in no way inferior to the more advanced. They may be superior. In reality, the honours are divided, though neither side is very ready to admit the fact.

ently being ignored, but to leave the final selection or adaptation of means towards better living to the judgment of those for whom the better living is intended, the Natives themselves. The European maintains order, without which no thoughtful and reasonable process of adjustment can be carried on. He gives deliberate teaching, and does not expect an African tribe to find its way unaided out of the maze in which the missionary, the merchant, the mechanic, and the administrator, have placed him ; but he seldom compels his wards to follow a social economic path leading them to a position which they have not chosen for themselves. This, at least, is the ideal relation between the more and the less advanced peoples ; it is not everywhere maintained.

The revolution which Asiatic and African economies are undergoing is scarcely, if at all, more sweeping than that which has taken place in Europe ; but it is more rapid. A certain measure of industrialisation may be recognised in Western Europe as early as the XVIth century ; international commerce expanded largely in the 200 years which followed, and the scientific attitude of mind began to replace, however slowly, adherence to traditional beliefs. The more violent shocks of the XIXth century fell, therefore, upon men already accustomed to changes in opinion and behaviour, and the fabric of human society, though strained, was not torn in pieces. Thus the co-operative movement in England and Germany had to deal with men who were distressed but not overwhelmed by a sudden catastrophe. Its leaders were moved partly by an idealistic revulsion against economic servitude and partly by a practical desire for social reconstruction, the "underdog" claiming to escape from his uncomfortable position and stand socially and economically on his own feet. The principal effort of the co-operators, however, was economic. If they were financially and commercially free, a new society, a "new Jerusalem", might be built ; so long as they were economically helpless, the strength for social readjustment, always a painful process, was lacking. Hence the Rochdale co-operators in England, the followers of Raiffeisen and Schultze in Germany, while not forgetting their ultimate ideal of a co-operative commonwealth, busied themselves with saving pennies and buying groceries ; and clearly they were right. They were not buried under the ruins of a collapsed civilisation. Their civilisation was standing, and the poorer classes, wage earners or small farmers, were

ready to dwell in it and build it higher, if they could escape from the cramped quarters in which they were confined.

Asia, Africa, and some other regions, on the other hand, have enjoyed no such respite as the centuries of gradual commercialisation allowed to Europe. Tropical Africa, in particular, has been occupied effectively only in the last fifty years, and roads, railways, motor transport, and aviation, have combined with schools (missionary and secular), laws (alien or codified Native), and taxation, to bring the full pressure of European thought and conduct to bear upon the stunned African. His civilisation—for he was seldom a barbarian—has been paralysed, and the more enterprising individuals are now driven to seek fresh outlets for their enterprise, since war is forbidden to them and hunting restricted. Though they may become genuine Christians, the Western outlook is strange to them and can only gradually be adopted, while the former set of traditions is entirely lost; many are content to be agnostics and “go-getters”.

South and Central America have had more time to adapt themselves; yet the peon of to-day finds himself in the evil plight of the European underdog a hundred years ago, and no Owen or Raiffeisen has appeared in South America. Asiatic civilisations are stronger in resistance. The cohesion of the village community has hitherto given it much protection, especially in China, but the *tempo* is now fast, and European ideas are reaching the most lonely hut. The peasant is compelled to re-shape his life, to alter his economic practices, and to re-think his social and religious rules. Peasant or peon, he must adjust himself to commercialism, attain a new balance, or sink into a misery which will end in unreasoning rebellion. He needs not only an economic status which will give him sufficient food but also a social and spiritual stability which will make life worth living. Individual struggles raise individuals above the mass, but do not solve the mass problem; they render it more difficult. Social happiness of a people is won only by the collaboration of groups, led but not dominated by individuals. Adjustment of social customs requires the consent of many, and a reasoned consent, not a mere drift. Is there in Co-operation an agency which can meet this urgent demand for a means of conscious adjustment, social or economic? Recent experience indicates that, if the function of the co-operative movement in undeveloped countries be rightly interpreted, Co-operation will do much to remake the unsteady civilisations which Western criticism,

international commerce, and the forceful ways of the European administrator, have weakened, if not destroyed.

Three propositions, which commend themselves to the present writer as true, are first put forward for the consideration of readers.

(1) The mechanism of co-operative societies differs from that of tribal or of early village institutions in being formal and legalised. The government of a village or a tribe, even if autocratic in appearance, rested on custom and general assent. A co-operative society rests on rules drawn up to meet a special, often a novel, necessity. It starts from the assent of a section only, and may never win universal assent. It can therefore attempt tasks for which custom makes no provision because they are new, and with which the village institutions are consequently unfit to deal. Since, however, the people are ordinarily illiterate and simple, the machinery of Co-operation must also be simple. Each society should attempt one task only, and a combination of functions in one society will defeat the object of the social builder. The formalities of a complicated society will be confusing to the people whose assent has to be won.

(2) A rise in the economic standard of living is not of necessity beneficial. That which seems miserable poverty to one type of mind may be sufficiency to another. The economic improvement of the less advanced peoples does not always increase their happiness, their intelligence, or their spiritual value. The real reason for promoting their economic improvement is that in a world of international commerce the competition of a producer whose standard of living is low causes loss to other producers elsewhere whose standard is higher, tends to force their level down, and creates international quarrels. While a rise in the standard is not necessarily beneficial, a fall is always distressing, and international amity depends on the rise of the lower rather than the fall of the higher standard.

(3) World-wide uniformity of social customs is not desirable, nor does it conduce to international amity. It merely makes the world a duller place, and cuts the root of tradition from which national pride springs. Social behaviour must, however, be amended so as to fit each community for close and constant contact with other communities, trading with them, exchanging ideas, and submitting to their moral judgments.

ECONOMIC OBJECTS OF CO-OPERATION

The weakness of a community in which production has traditionally been directed towards the satisfaction of local needs is lack of foresight in economic matters. There was previously little occasion for foresight. The requirements of the community were unvaried from year to year. If the harvest was favourable, the farmer exchanged a portion of his produce for the goods of the artisan, and both were content. If the harvest was unfavourable, both alike went hungry, and credit was limited to the minimum which could be satisfied from the crops of the following year. Credit advances, moreover, were made in kind. Only when a surplus of production could be conveyed to a distant market and sold for cash, and above all when "commercial" crops of high value were introduced and raised for that purpose, did money pass frequently into the hands of the cultivator. He had little experience of its use, and no experience of the dangers of credit, and soon fell into debt to landlord, moneylender, or the State. This was the early history of both peasant farmers and artisans, as commercialisation took place in Asia, Africa, South America, and indeed in Europe itself. Commercial crops, such as cotton, coffee, jute, and rubber, brought in a good cash return, but for lack of training in thrift the higher standard of material enjoyment which they rendered possible brought no real benefit to the small producer, who spent more on wives and weddings, houses, bicycles, and gramophones, but thought nothing of balancing his annual budget. Other causes of debt are often cited: the uncertainty of the seasons, the heavy rate of interest, the regularity of taxation, etc.; but these are all conditions, not causes, of the plight into which the producer fell. If he had refrained, as did his grandfather, from borrowing more than the next crop could repay, he would not have become indebted. The rise in the standard of living was not balanced by an increased foresight in spending and saving, and in this lack of foresight the root of the trouble lay.

It is true that the small producer, agricultural or industrial, received less than a fair price for his produce and paid an unfair price for that he bought. Particularly was this true where "commercial" products—those for which there was a recurring demand in the world market—were grown by simple and unorganised men. Both in buying and in selling they suffered; but

no removal of this inequality by co-operative or other controlled marketing or purchase would really have helped them so long as they spent more than they received. The way out of the economic tangle, for the small producer in uncommercialised countries, is thrift and prevision; and there is no other. His thrift may take the shape of a credit society, in which the individual saves money through shares and deposits and the group saves in the form of an undistributed surplus; of a consumers' shop, in which savings are returned to members as a dividend on patronage; or of a marketing society, which enables him to live on its advance payments against his delivered produce and presents him with a final payment at a later date. In all these the essential element is a series of minute but frequent sacrifices by the co-operator, in order subsequently to obtain a substantial sum which may be employed in useful expenditure and for the avoidance of debt. It is quite possible to be a co-operative member of any such society and still be thoughtless and extravagant, but the likelihood of such folly is greatly reduced.

The type of co-operative society which will be developed in each country depends on the circumstances of that country. Industrial wage earning on the South African Rand, peonage in South America, clerical service in the offices of Madras¹, may make the distributive society of consumers the most convenient type; wage earners and salary earners save best by under-spending. Those farmers who have inherited no burden of debt and are growing a commercial crop, as in West Africa, prefer the marketing society, and save by postponing receipt of part of their income. Wherever, on the other hand, heavy debt is already inherited and small farmers are cultivating mixed crops for consumption near home, the credit society is the right instrument. It has been the means of educating the peasant and the artisan in self-help and mutual help, in thrift and wise spending, in nearly every region of Asia, in Egypt, and in eastern Europe. Co-operative organisation in Africa has proceeded rather along lines of commodity marketing. In many rural areas there was no previous debt, and the importance of marketing in those places has diverted attention from the need for controlled credit and saving in the towns,

¹ The consumers' society has not flourished in Indian towns as it should. Madras is a notable exception. Failure may be due to urban indebtedness and to the prominence of the credit movement in rural India.

and also among rural tribes who no longer depend principally on agriculture. African Natives of the Transkei territories, for instance, many of whom labour for long periods in the South African mines, persisted—and quite rightly—in setting up thrift and credit societies by their own efforts, although the authorities invited them in vain to engage in joint marketing. It is instructive also to note that the cocoa marketing societies of the Gold Coast are now adding the issue of credit loans to their trading function. Whether or not the combination of the two classes of business in a single society be sound policy, the provision of controlled credit for men who are in touch with a commercial market, and whose standard of living is rising, is very sound.

The credit obtained from a co-operative body is controlled credit, and no other can safely be granted to a peasant who is still unfamiliar with the ways of business and with the daily use of money. The essence of the co-operative credit society is that loans are made only to a member of the group, whose character was considered by the other members before they admitted him; only for declared purposes which the elected committee of the society believes to be useful to the borrower and within his means; and only subject to the guarantee of one or more other members as sureties, and to the daily observation of the committee and all other members. A village or tribal institution of the traditional kind, if it had funds or goods (seed, cattle, etc.) for distribution, could not comply with the first of these conditions—that only persons of approved character should receive assistance—for its jurisdiction extended to all residents of the village, good and bad, and to exclude an individual from a share in the communal store of seed was a sentence of death. It was, moreover, difficult for a village to watch the employment of the goods, since a recalcitrant member could not, save in extreme cases, be expelled. Expulsion also was a sentence of death. A village institution, therefore, works well so long as the communal life is uniform and temptation to disobey the rules is absent; it ceases to cover the whole ground, so soon as changes begin to be made in the communal pattern and the choice of good or bad conduct lies with each individual. A voluntary and selective rather than a traditional and all-embracing institution is then required, wherein the more thoughtful individuals may, in collaboration with one another, make economic or social experiments, the results of which become

evident to the remainder of the people. The prime necessity of an indebted peasantry is to escape from debt, and the voluntary institution which they welcome is a society of thrift and credit.

It may be suggested that the government should help them with loans, advanced either directly or through a recognised bank, instead of leaving the people painfully to save or collect money for themselves. The answer is that governments have in the past presented themselves to their rural subjects as powerful and occasionally bountiful agents, but seldom as rational economic allies. The peasant therefore feels no moral obligation to assist a State institution by repaying its loans ; he repays if and because he is compelled to do so. Lending many small sums to many small farmers on such a basis is expensive and laborious, and bad debts are numerous. The classic instance of such a policy is the former Agricultural Bank of Egypt, which lent to individual peasants throughout Egypt, and was only able to recover its dues by distraint and sale of their property on a scale which the Government held to be contrary to the public interest. Advances to the peasantry were thereupon rendered almost impossible by the five-feddan law.

The (non-co-operative) Popular Banks in Java offer an argument on the other side. Though administered by officials in the village and controlled by higher officials from headquarters, they have flourished and done good service. They existed, however, before the commercialisation of economic life under Dutch rule, and are still regarded by the peasants as their own institutions, to which fair treatment is due. Loans are granted for very short periods, and objects of longer term, however useful, cannot be met from them. The growth of nationalist feeling in recent years has stimulated criticism of "official" credits, and co-operative credit societies are now being organised and multiplied with the approval of the Government.

The value and efficiency of co-operative credit lie in the sense of social obligation which it creates. This is the lesson of India, Japan, Egypt, the Philippines, and a number of other countries. By no means all credit societies succeed in evoking such a sense in full degree; where indebtedness is prevalent and commercial economy has only recently penetrated the villages, however, the moral effort involved in repaying a debt to a co-operative society, which cannot wield the powers of a government and charges lower interest than the moneylender who is also clamouring for payment, is the only educative force suf-

ficient to strengthen the character of the farmer and make him really thrifty and progressive. Many an Indian village society, after ten years of steady work, has released the majority of its members, perhaps all of them, from accumulated debt which they could never have shaken off without mutual supervision and encouragement. The same is true of Japan and Egypt; progress has been more uneven in the Philippines, and a beginning only has been made in China, and among Arabs in Palestine and Africans in the Transkei; the rate of advance varies with the adequacy of the law and of the skilled guidance given by the co-operative organisers and auditors, but the principle is the same. An isolated member of a community rapidly changing from a subsistence to a commercial economy, and exposed to every kind of advertisement and temptation, cannot hope to save himself from debt and the demoralisation which is produced by debt. The indebted man is slow to accept agricultural improvements; his creditor, not he, will receive any higher income which they bring in. He is indifferent to education, except as a means of migration to the towns and escape from rural dullness. He pays no heed to rules of health; apathy prevents him from listening to instruction, poverty bars him from the purchase of what he should use.

The co-operator is not immediately transformed into a man of wisdom or of wealth; as the idea that an alternative to permanent indebtedness is possible slowly enters his mind, however, his outlook is gradually altered. It is now worth while to try, there is some advantage in being able to understand, it would be comfortable to avoid the constant attacks of fever, the lassitude due to parasites, if this could be done. Perhaps it can be done after all; and so the peasant, the labourer, or the craftsman, begins to think, to consult his neighbours and the various experts of the administration, and one by one, with sidelong glances at doubting friends, to take steps towards better farming, better business, and better living.

When once the thinking process is begun, economic and social changes follow. A rise in the economic standard is brought about not only by abstention from thoughtless borrowing and wasteful expenditure of money, but also by attention to the quality of goods. The supply of third-grade food and shoddy clothing is an evil not limited to the poorer classes of the towns. A commercial system draws the high-grade food to the town, and leaves or sends back the lower qualities to the village.

This was not the case before commercialisation, and co-operative action through a village store or a purchase society has to be taken to restore the situation. At the same time the countryman's attention is given to bulking and grading of the goods which he has to sell, and a marketing society performs this duty for him. The grading of quality, both in buying and in selling, is a novelty to the inhabitant of an undeveloped country, and is in itself highly educative. Producer and consumer alike are induced to think in new terms which were not included in the vocabulary of pre-commercial custom. The impossibility, moreover, of buying genuine goods or selling high-grade produce as a single individual, the necessity of uniting with neighbours in joint but voluntary activity and playing fair with them, leads the peasant to see himself as a member of a larger community with wider social obligations than those of the self-sufficient village. A new man and a new citizen is brought to birth.

CO-OPERATION FOR SOCIAL PURPOSES

The new citizen does not aim solely at an increase of income or a greater return for expenditure. When he is no longer crushed by debt and is able to sell his produce and buy his requirements on fair terms, he will move forward to consider his manner of life as a whole. The village of his grandfathers has been transformed. It is now full of gimcrack jewellery and sewing machines, alcoholic liquor and quinine pills, fractious newspapers and radio education. Which of these does he want, which is he to discard? It is inconceivable that the individual should reach a right decision without consulting his neighbours, and for preference those neighbours who have given evidence of self-control in a credit society, judgment of values in a purchase society, and loyalty to promises in a marketing society. Progress and the revival of social virtues in a disintegrating community are not effected by all persons at once; there are always the vicious and the weak, who cannot or will not keep pace. Progress is the work of intelligent groups, whose example is approved and imitated. A community in process of commercialisation, then, such as we have described, will advance in the social or moral as well as the economic field by means of co-operative organisation. The two kinds of group should be held distinct. It is not advisable to impose on members of a co-operative society,

formed for a specified economic purpose, a rule or rules of social behaviour unconnected with that economic purpose. The persons anxious for economic improvement may not be identical with those interested in social changes. Men, for instance, may be primarily concerned with the one and women with the other. Nor are the officers and committee members who can lead the group in one kind of activity the same who can lead it in quite a different kind.

Co-operative societies for social objects are not found only in Asia and Africa. The Health or Medical Societies of Yugoslavia, in which peasants and all other rural classes contribute towards the maintenance of a co-operative doctor and a hospital, are one of the conspicuous achievements along this line¹. The village communities of the Balkans have for historical, political and economic reasons remained comparatively uncommercialised and undeveloped. Since the post-war Government of Yugoslavia could not afford to introduce social services everywhere immediately, the people were encouraged by local leaders to experiment in self-help, an experiment to which the authorities have given financial and technical assistance. A vigorous co-operative movement in credit and agriculture has supported the idea of voluntary organisation for health.

Medical co-operative societies number several hundred in rural Japan, but there are only a few of this type in British India, where numbers of rural hospitals and dispensaries are already maintained by the provincial and local governments. The interest of Indian co-operators in health has been exhibited in two ways. There are 2,000 co-operative anti-malaria societies in Bengal, and a central society in Calcutta. The primary societies are composed of village folk, old and young, who fill up or otherwise render harmless the breeding places of the anopheles mosquito in their own homes or around the village, plan with technical advice from the Government the realignment or control of drains and watercourses, and extend their activity also to general measures of hygiene. The advantage of co-operative registration for these groups is the status given by public recognition; there is further a statutory audit if funds are collected for the society's objects. Ordinarily only a small subscription, if any, is levied, but in a few instances a dispensary is opened with larger financial aid from a local authority. The second

¹ Cf. M. COLOMBAIN: "Rural Hygiene and Health Co-operative Societies in Yugoslavia", in *International Labour Review*, Vol. XXXII, No. 1, July 1935.

co-operative health organisation is that of the "better-living" societies, which now exceed 1,000 in the Punjab and United Provinces, with a few examples elsewhere. The better-living co-operative society was evolved in order to reduce by voluntary agreement the ruinous and competitive expenditure on weddings, funerals, and other ceremonies, which was an outstanding cause of rural debt. Every peasant man and woman admitted the absurdity of this extravagance, but was afraid of the social slur cast on the family by moderation, so long as others were wasteful. A better-living society pledged all members, who were often all the residents of the village, to conform to certain modes of entertainment on occasions of ceremony and to abstain from others. If the rule was broken, the managing committee, elected by the members themselves, could impose a substantial fine on the offender. These societies proved effective before the agricultural depression of 1929, but the low price of agricultural produce then brought down the standard of life and placed extravagance out of the question. The societies consequently turned to health, an aspect of better living to which some of them had already devoted attention, and have dealt in increasing degree with rural sanitation, raising subscriptions but still more often organising the labour of their members—the one form of wealth which a village never lacks—to build parapets round drinking wells, drain the village lanes, fence the ponds, and even set up a small house which a travelling dispenser may visit on stated days.¹

Societies for the improvement of farming methods, for the better breeding of livestock, for production and sale of milk, silkworms and silk, eggs, and handicraft goods, can only be mentioned here in passing. Though primarily economic, they too have their social value as education agencies, training the producer, male or female, to think in terms of quality, cleanliness, exactitude, and punctuality. They help to create the character of a public-spirited citizen. More essential to our present purpose are the types of society not generally counted as co-operative in Europe and North America, of which a few instances will here be given.

¹ Many credit societies also open dispensaries, but this practice is not really sound in principle, since the patients are for the most part non-members. There should be a separate better-living or health society with its own membership.

Arbitration Societies

Why does the peasant in an undeveloped country fail to avoid debt, or fail to better his condition, in spite of the increased return brought to him by organised marketing ? One at least of the reasons for this failure in communities very recently brought into touch with Western law and Western theories of property is the waste of money in litigation. Disputes which would never have arisen in an age less familiar with exclusive personal rights, or would have been conciliated or decided summarily by a village authority, are now argued on legal grounds in a court remote from the scene and possessing none of the traditional sanctity which moves men to tell the truth. Money is squandered on lawyers, on witnesses, possibly even on judges, and the peasant, while enjoying the excitement of the gamble (for such it is), loses his heritage in payment of the bill. Arbitration of disputes between members, or between a member and the society, is provided for by the rules of most co-operative institutions throughout the world, but this provision is naturally limited to questions concerning the business of the society. Elders (*probi viri*, etc.) have seldom difficulty in ascertaining the facts in such cases. A co-operative arbitration society, on the other hand, is intended to deal with every dispute of every kind arising among its members ; though the rules grant the arbitrators, selected on each occasion from a panel of local citizens, the right to refer the parties to a law court whenever there is a complicated and technical issue between them, the majority of quarrels, domestic and often petty, are eminently such as should be settled on the spot, without legal refinements and in an atmosphere which inspires a man to tell the truth in the presence of his fellows. Reference of disputes to arbitration is compulsory for all members, and a member who resorts to a law court without special permission may be subjected to a substantial fine by the committee.

The utility and moral influence of such an institution require no argument or proof. Arbitration societies exist, more than 100 in number, in British India, and are slowly multiplying. Advance cannot be rapid, for an arbitration society, to achieve its object, must embrace all or nearly all the residents of the village, including the women. These societies were all at one time suppressed on the complaint of legal opponents, but were revived after a short interval. This method of co-operative education deserves the close study of co-operators in similar countries.

Thrift Societies

Thrift is not necessarily dependent on co-operative organisation. Any individual can save if he will, and burial clubs or feast clubs, even unregistered and imperfectly administered provident societies, are not uncommon among indigenous populations, urban and rural, in Asia and Africa. The idea of saving for a ceremonial object appeals to them, especially if they be Moslems, some of whom consider lending and borrowing at interest as forbidden by their religion. Unfortunately, for reasons stated on an earlier page, indigenous institutions which have long governed the practice of men in a traditional sphere do not exert the same force when new circumstances arise, and thrift¹ is seldom a virtue of Asiatics and Africans when first drawn into the sphere of commercial economics. Such people are best induced to be provident, to plan for the future and collect money with a view to prudent expenditure, if they are united in groups, mutually pledged to make savings of an agreed amount at fixed intervals, and preferably for a stated object. Very successful in this class are the thrift and loan societies of British Malaya, drawing their members from the offices of the Government and of business firms and arranging for the deduction of the agreed instalment from each member's pay-sheet. Their accumulated funds have reached a point at which secure investment is a puzzling problem for the managing committees. Compulsory deposits are a common feature of rural credit societies in China and urban credit societies in India ; but the primary object of members of such societies is and must be borrowing, at least until their old debts are cleared off. There are also, however, thrift societies proper—for saving rather than borrowing—among the educated classes of British India and among labourers on the rubber estates of Malaya. Some 1,500 of the former and several hundred of the latter have been placed on the co-operative register, thus insuring regular inspection and audit, and guarding against errors and misappropriation of the funds. In Europe the initiative in calling for investigation is left to the members themselves, and action may then be too late. Co-operative registration under the laws of British India and British colonies is intended to secure a regular inspection before the damage has been done.

¹ Thrift should be distinguished from parsimony. The latter is negative and often useless, the former positive and constructive.

Consolidation-of-Holdings Societies

The consolidation of agricultural holdings by the repartition of scattered and fragmented patches of land might seem to be a purely economic proceeding ; and as an economic reform it has great importance. There are, however, communities in undeveloped countries whose conservatism, especially where land is concerned, precludes all hope of repartition, obvious as the economic benefit may be, before the confidence of the peasant owner has been won by the success of some other co-operative venture. It was only, therefore, in those Indian districts in which the credit societies were well established and had been accepted by the people as a part of their own economic system that proposals for consolidation received a hearing. The farmers of a village agreed to form a co-operative consolidation-of-holdings society which would assist a surveyor, lent by the government, in the work of repartition ; and each such scheme, when the final map had been drawn up, was subject to the approval of all the landholders or rightholders in the society. If the approval was not unanimous, the scheme was rejected. By this means hundreds of Indian villages were so repartitioned as to give every farmer a block of land, in which he might sink a well or carry out other improvements, in place of the tiny patches on all sides of the village which had previously been cultivated laboriously and wastefully by him. The educative effect of these voluntary societies was apparent when after ten or twelve years several provincial governments in India were able to pass, with a general approval which would not earlier have been granted, laws for consolidation of holdings in which unanimous assent to the final details of partition was no longer required, the assent of an adequate majority being accepted, as in European laws on the same subject. Consolidated villages—about 1,000,000 acres have now been repartitioned—are more ready than others to listen to agricultural advisers on every subject, and to weigh the advantages of education and sanitary measures. Co-operation has opened their minds, taught them to think.

Education Societies

Co-operative education societies may be (a) those in which adults pledge themselves to study—usually in order to attain literacy—and to make small payments in support of their teacher or to meet the cost of primers, lighting, etc. ; or (b) “ compulsory

education" societies, in which parents pledge themselves, in a country or district not subject to a régime of compulsory education, to send their children regularly to school until they have attained a certain standard. In both these cases Co-operation performs a duty which often falls to it in undeveloped countries; that of demonstrating to the people that a service offered by the authorities is beneficial and should be welcomed, and to the government that the people are now ready for such a service. Thus the adult education societies of India, which were registered in large numbers under the co-operative law of India after the war, have now been taken over by the Education Department, to which they naturally belong, the necessity for them having been recognised. The "compulsory education" societies, in the same way, if successful in inducing many parents to make their children attend school regularly instead of keeping them at home to tend the cattle, prove that a village or area is ready for the legal enforcement of compulsion. They still exist in India, not all having attained such popularity in their villages as to justify the application of the law.¹ Some, naturally, fail and are removed from the register.

General-purpose Societies

Reference has been made to the rural reconstruction societies of north-eastern and the better-living societies of north-western India.² A society aiming at general reform, not at a specific and limited object, is in danger, as pointed out on a previous page, of becoming cumbrous in mechanism and unintelligible to the simpler members. It then passes into the hands of an educated oligarchy and loses its co-operative quality. So long as the activities of the society involve no commercial business, such as loans, purchase, or sale, the danger is not serious. Peasants can grasp the meaning of a proposal to clean the village, to build a road with their own labour, to restrict foolish expenditure, etc. No accountancy enters into these matters, and all men and women can express an opinion. Societies, on the other hand, which ambitiously try to carry on those several activities and also a series of financial enterprises, such

¹ Compulsory education is not universal in British India, but is applied by notification to towns or villages in which the opposition to it is not strong enough to render enforcement impracticable.

² See also "Co-operation and Rural Reconstruction in Far-Eastern Countries", in *International Labour Review*, Vol. XXXVII, No. 3, March 1938.

as stockbreeding, landholding, irrigation, afforestation, house-building, etc., soon become highly complex and technical, and probably end in disaster. They have, in any event, no moral or social force for the education of the members, who do not understand them. Many such institutions have been set up in China at the instigation of zealous organisers, who do not realise what a peasant can do and what he cannot. Their influence is, in the writer's view, either negligible because they do not function or harmful if they do. Societies of similar wide powers are found in Japanese villages, but for the most part they are content to arouse public interest in a new idea and then organise a separate co-operative society to put the idea into action. In this respect they resemble the *Boerenbond* (Peasants' League) of Belgian and Dutch villages, though these latter are not registered as co-operative societies. It should also be borne in mind that the majority of Japanese peasants are literate, and can thus control a more complex society than peasants of China and India. Rural reconstruction societies in India, too, have done good work so long as they confine themselves to enlightenment, stimulation, and the organisation of labour; but there have been sad mishaps when they have embarked on a variety of undertakings involving money and accounts. General-purpose societies have recently been founded in British Malaya, which encourage thrift, better farming, hygiene, and the restraint of extravagance. In addition to this, however, certain of them have ventured on the purchase of requirements, and here they are on unsafe ground. One of their more prudent occupations is the destruction of squirrels, for which object the members, whose crops are being damaged, unite their efforts. No outlay is involved, and nothing can be more educative. A hundred years ago a local headman or chief might have mustered the peasantry for a task of common benefit, but his authority is weaker now, and a more democratic method, commanding the assent of the community, must be used in place of an outworn tradition. Indian societies for eradication of the *lantana* weed, and Japanese societies for planting chestnut trees and edible lilies on the hillsides, are comparable with the Malayan societies in this class of work.

When discussing Co-operation with rural Arabs in Palestine, the writer was asked whether credit or agricultural societies were worth while at all, since the spirit of faction in the villages moved the young men secretly to cut down by night the most

productive olive trees of their enemies. It was explained to the Arabs that so long as the loss of the trees fell on their respective owners the pernicious game would be continued ; if the villagers would pledge themselves, in a tree-and-crop-protection co-operative society, to distribute such losses over all persons in the village, the ill-doers would fail in their plan of causing loss to their enemies, and would abandon the game. Owing to a change in the direction of the movement, this idea was not pursued, but it is essentially co-operative, and indicates the way in which Co-operation may be used as a remedy for evils which are moral as well as economic.

THE NEED FOR EXPERT ASSISTANCE

It will be obvious that the population of an undeveloped or imperfectly modernised country cannot initiate or put into force such economic or social reforms as we have described without the assistance of trained co-operators. The root of their difficulties resides just in this point, that the transformation of their life and surroundings is too rapid and complete for them to re-orientate themselves and see in which direction they should move. Western dress and habits, Western education, purchase and sale on an international market, are offered to them, thrust on them, and if no help is given they are unable to distinguish the good from the bad. Even the educated indigenous leader is, for a while at least, bewildered by the conflict between the education of the school or the market place and the traditions which still linger in his home. He is a useful ally, but not in the beginning a trustworthy leader. Leadership must come from the West, whether in the shape of Western men and women or of educated indigenous persons who have made a special study of the problem of economic and social adaptation, and in particular of the co-operative movement. It is often objected that in such circumstances Co-operation "is not a movement but a policy". It may be a policy, whether of a government or of a social group, but it loses no credit thereby and does not cease to be a movement. A policy of considered action is better than a policy of drift, and the movement of a locomotive is not less real because the motive power is derived from electricity or steam.

A foreseeing government, then, of an undeveloped country, realising that commercialisation is inevitable, should first pass

a law granting corporate status to registered co-operative societies, exempting them from the more exacting provisions of the commercial code, and providing for the appointment of a co-operative officer, commonly entitled the Registrar or Director of Co-operation, with a subordinate staff of officers as may be required, and the duty of examining applications for registration and subsequently arranging for the audit, inspection, and (when necessary) the cancellation and liquidation of registered societies. It would seem again to be obvious that the co-operative staff so appointed should be fully trained for their work, whether before or after appointment; but this manifest necessity has not always been grasped, nor adequate training given. The ignorant have been sent to lead the ignorant, the blind to guide the blind, and the result has naturally been disastrous.

Training of Leaders

The second business of an intelligent Government is therefore to train its co-operative staff for leadership in economic and social reform, so far as such reform is to be carried out by persuasion and not by legislative compulsion in matters for which the people are not ready. The need for an intensive study of Co-operation by co-operative officers has been understood by the Governments of China, Egypt, Japan, Siam, the Netherlands Indies, and a number of British territories in Asia and Africa ¹, and many able officials and non-officials have examined the achievements of Europe and North America. On their return they have, nevertheless, not always been patient ² enough to wait until a subordinate force of inspectors, auditors, supervisors, etc., was fully trained by them before beginning the work of organisation.

What ought a co-operative officer to learn, and to be able to teach to others, if he is to guide the people of an undeveloped country in the process of gradual but not headlong commercialisation to which it must submit in the modern world? The types of co-operative society to which we have referred are concerned

¹ Ceylon, Gold Coast, India, Malaya, Nigeria, Nyasaland, Palestine, Tanganyika, and Uganda. Jamaica also is now awake to the necessity. Very little has been done by any Central or South American country to train men for co-operative organisation of the indigenous population. Mexico is more progressive.

² The lack of patience is sometimes in the government itself or a legislative body, which demands impossibly quick results.

with agriculture and crafts, credit and thrift, education and health, social reform and national reconstruction in many directions. Clearly the co-operative adviser, auditor, inspector or organiser, cannot become an expert in all these matters, and it should be equally clear that, whether he be expert in one of them or not, such limited knowledge is not sufficient. He must know where to turn for expert advice whenever a new problem arises ; and the new problems which arise from day to day while an old civilisation is adapting itself to modern conditions are innumerable. The first requisite for such a man is to understand human society in his own country, and the nature, language, and customs, of the people. The second is to study the economic and social influences brought to bear upon that society by the West; the third to learn how far co-operative organisation has been of service elsewhere, and may be of service in his own land, in easing and aiding the transition and in enabling the ordinary man and woman in town and village to discriminate between that which will renovate the social fabric, while holding it together, and that which will disrupt it. It is too much to hope that every supervisor of twenty or thirty co-operative societies should possess all this advanced and philosophic knowledge, but it must be possessed, so far as is humanly possibly, by the Registrar, and in lesser degree by every co-operative auditor, inspector and supervisor, official or unofficial.

It should at the same time be evident that, while every co-operative officer cannot possess the maximum of knowledge, he must be trained solely for co-operative duty, and the whole of his time will be devoted to co-operative duty alone. Co-operation cannot be treated as an instrument for casual use. It is so powerful for good, and if misused so dangerous for evil, that only a trained man is qualified to handle it, and co-operative thought and practice will occupy his entire attention. Sad failures have resulted from the enthusiasm of unskilled district officers, who lack the experience and the guidance of a co-operative expert ; and equally sad perversions from the appointment of agricultural, financial or other experts to a co-operative charge, even after training, in addition to their ordinary functions. The co-operative leader must see the human and the national picture from every side ; it is unsound to limit his vision by tying him to a departmental standpoint.

Let us examine the course of training given in a province of

British India to the staff of co-operative inspectors.¹ Its duration is four months. The instructors are selected Inspectors of Co-operative Education who are occupied throughout the year with the business expressed in their title ; occasional lectures are also given in the course by the Registrar and his Assistant Registrars or by qualified non-official persons. The pupils are candidates for inspectorship, recruited either from young Indian graduates of the universities or from the less educated Indian supervisors of societies who have some years of good work to their credit. The teaching is divided into four sections :

(i) Co-operation : its principles and history, and the chief types of society existing at home and abroad ;

(ii) Economics : elements of political economy, theory of the State, agricultural conditions in India (land tenure, debt, improvements in cultivation, the place of women, farm accounts), industrialisation ;

(iii) Local laws governing Co-operation, property and land, criminal procedure, and evidence ;

(iv) Practical work in the organisation, inspection, and audit of societies, including central societies and federations.

Shorter and less difficult courses are held for the supervisors and auditors of societies.

It will be observed that technical instruction as experts in agriculture, hygiene, banking, or any other special subject which touches co-operators, is not included in the training of co-operative officers. For advice on such matters the co-operator turns to the agricultural, medical or financial expert, just as he would employ a builder and an architect if he were engaged in co-operative house building. The rules of the house-building society would, on the other hand, be drawn up by a trained co-operative organiser, and its proceedings and accounts are best examined by co-operative inspectors and auditors. It is this principle that the Asiatic and African administrations mentioned above have accepted when establishing a co-operative department in pursuance of their co-operative "policy", and Western critics should not be offended by the importance of the part played by servants of the government. The test to be applied is not the nature of the office held by the organiser but his fitness for his duties. Does he understand Co-operation ? Is he thinking out

¹ The Punjab province was the first to institute a course of thorough training for co-operative officers. The difficulties in which the Indian movement found itself, in consequence of the agricultural depression, led other provinces and some Indian States to imitate the Punjab method, and similar courses are now being started in many places.

the right way of using Co-operation in the country in which he works, or is he introducing a system unsuited to that country or contrary to the true principles of the movement and therefore certain to fail ? There is no ground for disapproving of co-operative organisation by officials or non-officials as such. The question is whether they are the right kind of men, duly trained for their co-operative duties and performing them in a spirit of cautious enthusiasm.

Duties of Officials

Among a largely illiterate population experience seems to show that a supervisor may be able to guide from 25 to 50 primary villages societies, unless they are trading institutions with complicated business and accounts. His circle will then have to be smaller. He does not himself do the work of the societies or of their secretaries, but visits them frequently, especially those of them which are the least punctual and efficient, in order to teach new members admitted from time to time, to maintain the interest of old members, to see that secretaries and cashiers are not negligent, and to advise on any question referred to him. If the question is too difficult for him to answer, he refers it to an inspector or the Registrar, but in every case the final decision of the question rests with the society. Co-operative laws grant few powers to registering or inspecting officers, other than a power to insist on publicity in the shape of regular audit. It is not reasonable to expect the people to manage their societies from the first without advice, since the machinery is strange to them ; though the idea of joint action is not strange, it has not previously been embodied in a co-operative society with rules, or applied to the present purposes. The more sensible groups of men, urban or rural, learn little by little to dispense with outside help, and then receive only the annual audit required by law. The staff necessitated by these arrangements may seem large in Western eyes. An Indian province with 20,000 societies will perhaps have a Registrar and a dozen Assistants, 100 inspectors, and 500 supervisors and auditors. The last class may or may not consist of government servants. In some provinces the supervisors and auditors are employed by Co-operative Unions or Co-operative Banks, with or without a certificate from the Registrar, in others the auditors at least are directly responsible to him. In China the circle allotted to a supervisor often covers 100 societies, and that of an inspector as many as 1,000. These numbers are

far too high to allow adequate supervision, and in China the duty of audit is altogether omitted. This evil is due to the rapidity of organisation and the imperfect perception of the value of a trained staff. Training courses in China are short, and narrow in scope. Similar short courses are held in the other countries under reference, but nowhere has the need for a thorough and wide training been grasped so fully as in India.

Training does not of itself produce good Co-operation. It merely makes the best use of the material available and of the circumstances in which a people is placed. It may be true that literacy in Japan has enabled the peasantry and the townsfolk to establish a stronger and more independent co-operative structure than that of India and other illiterate regions, even though the courses of training given to those who guide the movement and to the members of the societies themselves may there be less careful or less complete. The cohesion of the rural community in China, again, where the force of public opinion in a village renders disloyalty to a society rare and uncomfortable, may compensate to some extent for the defects of the leaders and of the official and unofficial ¹ staff, and allow the people to derive considerable benefits from ill-planned institutions. It is not the less true that in every country Co-operation well taught and wisely guided is better than Co-operation badly taught and imprudently carried on. An unsound system may be moving step by step in the wrong direction, and the error may not be detected until it is too late. For lack of teaching there was some years ago a danger of break-down in Ceylon; a serious disappointment has for the same reason recently been experienced in Tanganyika; and nowhere have the penalties for early mistakes been more expensive than in India. There, too, a full training plan is in several provinces only now being drawn up, after thousands of societies have been brought under liquidation.

Responsibility of Governments

The government of an undeveloped and uncommercialised territory cannot evade the responsibility for leading the people. They are confused and divided, even the most highly educated of them, and therefore, though the consent of the people as a

¹ In many districts of China the movement is stimulated by private agencies (banks, missions, associations, etc.) which lack the advantages of full instruction, as do the official departments of Co-operation.

whole has to be secured and the opinion of the educated must be heard before a line of advance is chosen, it is for governments, with help in rare cases from such enlightened unofficial bodies as the China International Famine Relief Commission, the Rockefeller Foundation, and the Carnegie Corporation, to take definite action and offer to the people the opportunities which they need. The best form of offer is through co-operative societies under trained leaders. Nor should they timidly restrict their intention to the economic sphere. It is simpler to do so; economic proposals sound practical, and recommend themselves thereby to doubting statesmen, but they do not solve the whole problem. Economic prosperity without social reform may corrupt the individual character and disintegrate the community; if social changes are to be made by the people themselves in consultation with one another and with the government, which alone knows what has succeeded elsewhere and can point to similarities and contrasts in the respective situations of diverse countries, then the government must equip some of its officers, foreign or indigenous, for the task of giving sympathetic but intelligent advice, not only on economic but also on social questions, to itself, its subordinate authorities, and the population at large.