

# Some Trends within the World Co-operative Movement: II<sup>1</sup>

THE MAJOR IMPORTANCE OF THE AGRICULTURAL CO-OPERATIVE  
MOVEMENT IN THE ECONOMIES OF THE UNITED STATES AND CANADA

## *United States*

For a number of reasons it is difficult to assess the degree of co-operative development in the United States. In spite of the excellent surveys carried out by the Departments of Agriculture and Labour the periodical statistics are not complete. Moreover, the term "co-operative" is not always employed in its usual sense. The traditional distinction between urban and rural consumers' co-operatives does not exist: agricultural co-operatives often act as consumers' co-operatives and under the label of "consumers' co-operatives" the Department of Labour includes all co-operative organisations, of whatever kind, that supply the needs of urban and rural consumers in town and country.

In 1954 the consumers' co-operatives serving urban consumers had 6,135 shops with a turnover of just over \$1,704 million. In 1939, 2,400 societies (each with a number of shops) had a turnover of \$1,073 million, so that in view of the tremendous economic expansion in the United States over the last two decades it is difficult to assert that there has been an improvement in the position of urban consumers' co-operatives. Urban co-operative sales, moreover, account for only about 1 per cent. of total urban sales in the United States, and as regards sales in food shops the proportion of sales by co-operatives fell from 0.45 per cent. to 0.28 per cent. of the total between 1949 and 1954.<sup>2</sup>

On the other hand from 1949 to 1954 the number of medical care organisations in which the "consumer" had a say rose from 222 to 279, and their membership rose from 3.13 million to 7.77 million, while housing run or built on co-operative lines increased from 82,855 units in May 1953 to 121,963 in December 1956. It is chiefly in agriculture, however, that co-operatives have grown during the last few decades.

Table II provides interesting information on the growth of agricultural co-operatives from 1938 to 1957 (the last year for which comparable figures are available).

The following trends should be noted: (a) the increasing strength of agricultural marketing societies, both in membership and in turnover, in spite of the decrease in the number of societies; (b) the great development of purchasing societies or of the purchasing section of co-operatives (many marketing societies provide purchasing services); and (c) the

<sup>1</sup> The first part of this article appeared in Vol. LXXIX, No. 5, May 1959, pp. 537-549.

<sup>2</sup> United States Department of Labor: *Consumer Cooperatives*, No. 1211, Jan. 1957, p. 11. See also *Proceedings of 20th Biennial Congress of the Cooperative League of the U.S.A.*, Chicago, Ill., Oct. 24-26, 1956, p. 12.

TABLE II. AGRICULTURAL CO-OPERATIVES IN THE UNITED STATES, 1938-39 AND 1957

Item	1938-39 (A)	1957 (B)	Ratio of B : A
Farmers' gross income from sale of products (thousands of dollars)	7,872,000	29,757,000	3.8
Number of agricultural marketing co-operatives	8,100	6,500	0.82
Membership of agricultural marketing co-operatives	2,410,000	4,200,000	1.7
Net turnover of marketing co-operatives (thousands of dollars)	1,765,000	7,500,000	4.2
Farmers' outlay on fodder, cattle, fertilisers and seed (thousands of dollars)	1,639,000	7,841,000	4.8
Number of purchasing co-operatives	3,113	3,300	1.1
Membership of purchasing co-operatives	890,000	3,400,000	3.8
Turnover of purchasing co-operatives (thousands of dollars)	335,000	2,200,000	6.5

Sources: For 1939: United States Department of Agriculture: *Statistics of Farmers' Cooperatives* (Washington), and *Agricultural Statistics* (Washington, 1956). For 1957: "The Balance Sheet of Agriculture, 1958", in *Federal Reserve Bulletin* (Washington), Aug. 1958; Cooperative League of the U.S.A.: *Fact Book on Cooperatives* (Chicago, 1958); and data published by the United States Department of Agriculture.

rise in turnover for both kinds of business, which is greater than the rise in farm income from the sale of produce on the one hand and the rise in farm outlay under the four main heads (fodder, fertiliser, cattle and seed) on the other, this being a rough indication that agricultural co-operative societies have made yet more headway.

It may also be noted that both electricity co-operatives (905 with 4 million members in 1957) and fire insurance co-operatives (1,700 with 3 million members in 1957) are extremely important in rural districts.

In the United States the agricultural co-operative movement is extremely powerful and as stated by R. L. Mighell "probably three in five farmers . . . belong to one or more co-operative organisations". The same author states that "the significance of the farmer co-operative movement . . . is greater than one might think from the percentages of the total volume of goods handled. Co-operatives frequently have promoted new and more efficient methods, . . . and served as pilot operations for larger segments of an industry."<sup>1</sup>

Finally, co-operative credit is also well developed in the United States, where it takes two main forms—credit unions, of which about 16,000 were registered in 1956-57, and the general farm credit scheme that operates under the Farm Credit Administration. In 1952, however, this very impressive cohort of agencies provided only a little over 16 per cent. of the credit required by farmers, and the balance was made available by individuals, commercial banks and life insurance companies.

<sup>1</sup> Ronald L. MIGHELL: *American Agriculture, Its Structure and Place in the Economy* (New York, John Wiley and Sons; London, Chapman and Hall, 1955), p. 126.

The United States farm credit system cannot be described here, however briefly, but it can be said that the farm credit organisation with its four divisions corresponding to different forms of credit, its federal banks and, on the bottom layer of the pyramid, its national farm loan associations, forms a highly integrated system, which is closely co-ordinated with the requirements of the country's general financial policy through the mutual subscription of shares by the banks and through the Government's close control over the 12 federal banks. Such a general credit system, in which fully co-operative primary organisations obtain credit from secondary organisations that are themselves more or less sustained and supervised by a public or semi-public agency exists with variations not only in the United States but also in India and in France, for example, which demonstrates the great flexibility of the co-operative movement in adapting itself to economic and social requirements.

*Canada : An Example of the Role of Co-operatives in National Development*

The growth of co-operatives in Canada is of particular interest because this country has, for 20 years, been undergoing a process of full economic expansion. Although there have been no fundamental changes in the structure of the co-operative movement, has it kept up with the general rate of economic growth? In what fields has it made the most progress?

The following conclusions can be reached from table III, which contains a number of basic data for Canada:

TABLE III. THE CO-OPERATIVE MOVEMENT AND NATIONAL INCOME IN CANADA<sup>1</sup>, 1939 AND 1956  
(In millions of dollars)

Item	1939 (A)	1956 (B)	Ratio of B : A
Gross national product . . . . .	5,636	30,098	5.3
Farm income . . . . .	716.1	2,667.1	3.7
Retail sales . . . . .	2,577.6	14,298	5.6
Total turnover of agricultural co-operatives	201.7	1,019.8	5.1
Turnover of agricultural marketing societies . . . . .	180.7	750.6	4.2
Turnover of farm supply societies	20.4	258.8	12.5

Sources : Dominion Bureau of Statistics : *Canada Year Book* ; and Department of Agriculture : *Co-operation in Canada, 1957*.

<sup>1</sup> The membership of Canadian agricultural co-operatives rose from 486,589 in 1939 to 1,115,412 in 1956, i.e. 2.3 times, while the number of co-operatives increased by 50 per cent. from 1,332 to 2,041.

Between 1939 and 1956 the number of co-operative societies increased by about 50 per cent. and their membership by a factor of 2.3, so that the average membership nearly doubled. Moreover, as regards 1956 the number of patrons can be compared with the figure for the total agricultural population (latest figure, from the 1951 census, 2,827,732) and

for the total rural population (5,381,176). Since each patron generally represents a farm family it can be stated without hesitation that a large proportion of the total number of Canadian farmers belong to co-operative societies.

The gross national product is 5.3 times larger than it was in 1939 and total farm income is 3.7 times larger (the difference being due to the fact that over the last two decades Canada has increased its national income mainly by industrialisation), while the total turnover of agricultural co-operative societies was 5.4 times larger.

It can be concluded that the turnover of agricultural co-operative societies has increased concurrently but at a faster rate than the gross national product. If the turnover of co-operative societies is broken down into sales on behalf of farmers and purchases by farmers it appears that sales increased 4.2 times, that is on much the same scale as the gross national product and farm incomes, but also that purchases by farmers through their co-operatives increased 12.5 times. This shows the increasing extent to which co-operative societies are supplying farmers with all kinds of goods.

What is the general trend underlying these figures? In the growing economy of a country undergoing fundamental changes in the course of rapid development the co-operative movement has adapted itself to new tasks and new problems; co-operative organisations have proved to be fully as efficient as private commercial firms, and above all the co-operative movement has grown in areas where development is rapid; it has gradually filled an economic vacuum and has grown even in fields in which it was weak before the Second World War, where it has secured an important place. All this may be of great importance for countries where economic development is taking place.

### *Conclusions*

The prosperity of the agricultural co-operative movement in Canada and the United States, countries where free enterprise is one of the corner-stones of the economy and of society generally, is worth emphasising, since it shows what tremendous possibilities there are for adapting co-operative methods to a particular people's way of life. In these countries the co-operative movement does not conflict with private enterprise; it is a form of private enterprise which competes in the country with other businesses, of whatever kind and however organised, on the basis of relative efficiency.

Can it be said, then, that the co-operative movement is a business like any other in the United States? Admittedly its practical aspect is emphasised, but it is sufficient to read the annual reports of the larger agricultural co-operative societies to see how much care they take to keep their patrons—that is, their members—abreast of their affairs and to secure their opinions and their votes. The membership in turn plays a very active part in co-operative organisations, attends general meetings and makes the necessary financial sacrifices to ensure their prosperity. The co-operative movement is the modern counterpart of the mutual help which has been characteristic of country life in the United States ever since the first immigrants reached its shores.

In Canada, where economic development is proceeding by leaps and bounds, the co-operative movement is growing at the same rate, and sometimes faster. It is well adjusted to economic development needs and remedies the lack of economic organisation in development

areas, especially rural ones. It is the natural form of organisation in farming areas, and has been so long established that it is not as difficult for it to raise money there as in underdeveloped countries, where it cannot rely on the accumulated wealth of generations and on technical resources. As a result the co-operative movement in Canada can expand with no more difficulty than competing undertakings.

#### PREDOMINANCE OF RURAL CO-OPERATIVES IN THE WEST INDIES

A recently published description of the co-operative movement in the British Caribbean<sup>1</sup> shows that in that region the co-operative movement is chiefly concerned with the processing of all kinds of agricultural products, and to a smaller extent fishery products. The same applies in other parts of the Caribbean, but mention should be made of the attempts to link the development of arts and crafts with that of tourism by establishing co-operative societies in the French West Indies.

#### THE RAPIDLY EXPANDING CO-OPERATIVE MOVEMENT IN ASIA AND ITS ROLE IN ECONOMIC DEVELOPMENT

In the report on the development of the co-operative movement in Asia prepared for the Asian Regional Conference of the International Labour Organisation in 1950<sup>2</sup>, attention was drawn to a number of trends: the rapid growth of the movement in Asian countries, the increased variety of societies springing up in fields in which there were few of them before the Second World War, and the new responsibilities entrusted to them by governments.

Since that time the co-operative movement has continued to expand steadily, in terms of number of societies, membership and financial strength, all of which have made impressive progress. In Ceylon, for example, from 1938-39 to 1957<sup>3</sup> (a) the total number of societies rose from 1,112 to 10,812; (b) their membership increased from 66,000 to 1,353,026; (c) the total number of co-operative stores rose from 24 (with 11,000 members) to 2,569 (with 689,852 members); and (d) the number of primary credit societies rose from 1,279 (34,000 members) to 3,743 (123,892 members). Moreover, there were 77 different kinds of co-operative societies (but it is intended to reduce the number considerably under a reorganisation scheme at present in hand). Finally, the technical staff of the co-operatives department increased from 57 to 1,353 persons.

Although extraneous circumstances such as also exist in other Asian countries no doubt facilitated the rapid development of certain groups of co-operatives, it is probable that the expansion of the co-operative movement as a whole was largely due in Ceylon to the introduction of systematic promotional methods which have proved successful in the island and could be applied elsewhere. It will be noted in this connection that most of the countries which have become independent since 1945 and were previously under British administration have retained and

<sup>1</sup> Philip M. SHERLOCK: "The Co-operative Movement in the British Caribbean", in *International Labour Review*, Vol. LXXVII, No. 4, Apr. 1958, p. 325.

<sup>2</sup> I.L.O.: *The Development of the Co-operative Movement in Asia*, Studies and Reports, New Series, No. 19 (Geneva, 1949).

<sup>3</sup> The case of Ceylon is cited here because comparable statistics are available and its structure and problems are similar to those of many Asian countries.

often developed the system of registrars already mentioned in connection with Africa. There is no doubt that the present strength of the co-operative movement in Asia is largely due to the registrars, the "guides, philosophers and friends" of the co-operative movement, and to the officers whom they have trained.

Another interesting case is that of the development of the co-operative movement in India and Pakistan. It is difficult to compare the co-operative statistics for 1938-39 with those for 1955 owing to the partition of India and Pakistan that took place in the intervening period; but a comparison of the figures for India in 1938-39 with those for India and Pakistan in 1953-54 gives the results shown in table IV, which also contains figures for India alone for 1956-57.

The rapid growth revealed by the table in the number of co-operatives not providing credit facilities shows that while the credit co-operative movement is basic to rural organisation in India and Pakistan other forms of co-operation are making swift progress. Indeed, credit co-operation was already highly developed in these countries before 1939. The Governments' recent systematic policy of rural development in both agriculture and the handicrafts has led to and is in fact based on the promotion of organisations to market agricultural and handicrafts products.

In most Asian countries the co-operative movement has developed broadly along the same lines as in India, Pakistan and Ceylon. In Indonesia, for example, the number of co-operatives rose from 574 (with 52,216 members) in 1939 to 11,902 (with 1,990,373) members in 1956.

TABLE IV. PRIMARY CO-OPERATIVE SOCIETIES IN INDIA AND PAKISTAN, 1938-39, 1953-54 AND 1956-57

Year	Number of societies				Membership (thousands)	
	Agricultural		Non-agricultural		Agricultural	Non-agricultural
	Credit	Other	Credit	Other		
1938-39 (India) .	93,770	11,510	6,700	8,800	3,550	1,314
1953-54 :						
India . .	126,954	30,306	8,389	21,137	8,361	5,910
Pakistan .	26,471	4,091	2,226	5,912	1,433	2,019
Total . . .	153,425	34,397	10,615	27,049	9,794	7,929
1956-57 (India) .	161,510	31,905	10,150	28,522	11,875	6,403

Sources : For India, documents of the Reserve Bank of India. For Pakistan, *Year Book of Agricultural Co-operation, 1956*, p. 226.

In Burma, Singapore, the Federation of Malaya and the Philippines, co-operative growth was similarly more or less rapid according to the stage of development reached 20 years ago.

In Japan the co-operative movement, which was already highly developed in 1939 (the 1939 Review mentioned, in particular, the existence of 14,984 agricultural co-operatives with 5,610,000 members), made yet further progress after the Second World War; the summary to be found in the 1958 Directory provides information on the existing position of the co-operative movement in that country. Its economic importance is now considerable: for example, the rice harvest is collected by agricultural co-operatives under a scheme which is very similar to that existing for the collection of wheat through the National Wheat Board in France. In Japan the Government shows the same concern as is shown in other Asian countries with large populations and particularly wishes to prevent a drift of country people to the towns by giving villagers an opportunity of economic development. The decision to build new villages that would derive their livelihood from both fishing and farming with a view to making a systematic search for a source of prosperity in each village involved the preparation by the co-operatives themselves of a development plan which implements the Government's decisions. This three-year plan for the reform and strengthening of co-operatives demonstrates that it is in overpopulated countries more than in any others that the co-operative movement has become a staunch ally of governments in the implementation of their economic policies.

#### *Some Present Trends in Asia*

"Pakistan is a land of villages in which live six out of seven of its people . . . . In any national development plan the progress and welfare of the people in villages must have first precedence . . . . Thus a co-operative society is the most appropriate type of social organisation by which the self-help principle of Village Aid can be implemented."<sup>1</sup> These remarks hold good, not only for Pakistan but for all those parts of Asia where rural conditions predominate: despite the existence of great industrial centres, the essential problems of everyday life are mainly rural.

India's Second Five-Year Plan devotes particular attention to the progress of the village, and the report of the Planning Commission published in 1956 stresses the important part that can be played by the co-operative movement in achieving it. Co-operation is in a sense the best means by which planning can be brought inside the village, and many instances might be given of this. For example the Indian Rural Credit Survey provides for the establishment of a central warehousing corporation—a publicly owned institution to be responsible for questions of storing agricultural produce at the national level—but the co-operative organisations will be responsible for stocks and storage in each district: a structure comprising a state institution at the apex and co-operatives at the base is thus gradually taking shape. As regards Japan, it has been reported that the co-operatives are made responsible both for collecting and purchasing rice. This is the case also in Pakistan, which gives the co-operative organisations an important place in its development plan.

The following passage from one of the reports on the Indian Second Five-Year Plan states in general terms the official attitude on the role of co-operatives in national planning—an attitude which is common to

<sup>1</sup> Government of Pakistan, Village Aid Administration: *Village Aid—Five Year Plan (1955-56—1959-60)*, pp. 1, 29.

many Asian governments: "The state-partnered co-operative seems now to be generally accepted as the most important type of organisation in the future economic development. . . ."<sup>1</sup>

Although it seems that this policy is being applied most systematically in India, the majority of Asian countries give co-operatives an outstanding place in the development plans now being implemented or prepared, for they consider—as the Government of Ceylon points out in the preliminary report on its six-year programme of investment—that "in his co-operative [the producer] remains master of his own destiny and preserves most of his cherished social values . . . he can combine modern enterprise with his moral values of self-help and mutual help".<sup>2</sup>

In Burma the whole co-operative movement is an integral part of the five-year plan (which is being extended for a second five-year period); nor is co-operative education forgotten, indeed a clear separation has recently been made between the economic activity of the co-operatives and their educational and social work. In Taiwan a five-year plan, started in 1952, is to democratise the co-operatives, accentuating their economic character and establishing local and regional banks. In the Philippines a five-year plan started in 1955 is directed towards developing a system of co-operative education, and setting up a co-operative wholesale society, a co-operative advisory council, and a co-operative credit system.

The co-operative movement in Asia is thus tending towards a single objective—to raise the standard of life of the people without overthrowing their traditions and particularly without destroying the village way of life. Establishment of multi-purpose village societies (which will provide the credit to finance crop harvests, sell the crop, and supply members with any goods they require) is directed towards this end; such societies appear to meet the over-all requirements of the village, which—although gradually becoming less of a closed economic unit—has not yet reached the stage of a market economy. The recent instructions of the Government of Ceylon dated 1 July 1957 amount to the establishment of a multi-purpose society in each village, the existing societies being regrouped; this process has rapidly gained impetus and 8,128 "co-operative development committees" (to precede the multi-purpose societies themselves) had been set up—out of the 11,248 intended—by the end of 1957.

The permanent institutional forms which collaboration between the State and the co-operative movement is to take have been debated on many occasions. Should the State pay the secretaries of local co-operatives? Should it have relations with the co-operative societies only through the product handled—i.e. should it use the co-operatives as instruments for providing a service without intervening in their structure? Should it take shares, with or without the right to vote? All these questions are being ardently discussed in Asia. In a report prepared at the request of the Government of India in 1957<sup>3</sup> Sir Malcolm Darling recommends the organisation of co-operatives with state participation in various proportions, and the results of this experiment will certainly

<sup>1</sup> Government of India, Ministry of Information and Broadcasting: *Second Five Year Plan—The Framework* (New Delhi, 1955), p. 148.

<sup>2</sup> Government of Ceylon, Planning Secretariat: *Six-Year Programme of Investment, 1954-55 to 1959-60* (Colombo, 1955).

<sup>3</sup> *Report on Certain Aspects of the Co-operative Movement in India*, op. cit. and *Co-operative Information* (Geneva, I.L.O., 1958).

exceed the limits of the Indian movement, for it will make a factual contribution to the solution of the analogous problems which now face most of the co-operative movements in Asia.

#### CONTINUED DEVELOPMENT OF CO-OPERATION IN OCEANIA

In Australia and New Zealand, the co-operative movement has continued to grow. In New South Wales, where the movement has always been particularly active, there were 159 organisations (123 of which had 50,860 members) in 1938-39. In 1955, 1,641 co-operatives (of which 110 were in liquidation) had 340,541 members. If 1,000 housing co-operatives with a limited life-span are deducted from the total it will be seen that the number of permanent societies has increased fourfold in 20 years.

In the South Pacific, particularly in the territories that fall within the scope of the South Pacific Commission, the development of the co-operative movement, which was weak in 1939, constitutes an interesting attempt by the people to deal with their everyday problems. Most of these societies have a variety of functions: they centralise the production of their members, particularly copra, and sell them staple commodities. However, there are also many specialised agricultural co-operative societies.

#### THE CO-OPERATIVE MOVEMENT IN WESTERN EUROPE—STABLE, MATURE, BUT FACED WITH NEW PROBLEMS

The economic strength of the co-operative movement in Western Europe is considerable. Throughout Europe in general, co-operative methods have become part of everyday life: wherever men and women have an economic problem to face or wish to protect themselves against abuse, they tend to set up co-operatives; and inversely the mere presence of co-operative arrangements is often enough to preclude abuses which would otherwise probably have occurred. "Co-operation" in this special sense has made its mark not only on the economic life of Western Europe but also on the structure of social and even of political life; it is one of the forms of democracy.

The profound disturbance and change which Europe has undergone in the last 20 years make numerical comparisons difficult, particularly in countries whose boundaries have been modified.

In Austria, Germany and Italy, where the co-operative structure underwent far-reaching alteration between 1930 and 1940, the movement has developed along satisfactory lines since the end of the war, and now holds an essential place in the economic life of these countries.

On the other hand, it is possible to make comparisons between the 1939 statistics and those of recent years in a few countries where political geography and economic structure were not greatly affected by the war, such as the United Kingdom, Sweden, Denmark, Switzerland and France.

(1) On aggregate, the number of consumers' co-operatives in the group of five countries mentioned above has diminished since 1939 (little change in the United Kingdom, decrease from 1,317 to 986 in Sweden); but the number of members has increased enormously—from 1,700,000 to 3,600,000 (more than double) in France, from 8 to 12 million in Great Britain, and from 420,000 to 670,000 in Switzerland.

(2) The agricultural co-operative movement has developed in a similar way, though less rapidly. Table V gives figures illustrating the

growth of agricultural co-operatives in Sweden (chosen because of the continuity of its economic development) between the period from 1936 to 1940 and 1956.

TABLE V. THE AGRICULTURAL CO-OPERATIVE MOVEMENT IN SWEDEN, 1936-40 AND 1956

Item	1936-40	1956
Number of local co-operative dairies . . .	736	640
Membership of local co-operative dairies .	157,360	254,600
Number of local supply co-operatives . .	777	740
Membership of local supply co-operatives .	106,500	144,500
Total number of members of co-operatives	670,000 <sup>1</sup>	1,121,600

Sources : *Statistisk Årsbok för Sverige* (1946) ; and *Kooperativ Verksamhet 1956* (Stockholm, Kommerskollegium, 1958).

<sup>1</sup> Approximately.

If the total membership of the agricultural co-operatives is compared with the number of agricultural employers in 1950 (334,168) or with the number of farms in 1951 (378,095), it will be seen that almost every Swedish farmer belongs to a co-operative, and that many are members of several specialised societies to which they sell their products.

As regards France, comparisons are difficult to make because of the lack of comprehensive statistics on farm co-operatives. However, it is estimated that 82 per cent. of all grain marketed is handled by these societies, which also collect 60 per cent. of the total oil-producing crop and 40 per cent. of all milk for processing, besides selling 50 per cent. of the fertiliser and 40 per cent. of the fodder required on French farms. Although the pre-war figures are not known, it is certain that the co-operative movement has developed considerably. Fairly stable in 1939, it was given fresh impetus by the results of the war—the need for a better distribution of the products in short supply required by farmers, the general trend towards higher productivity in agriculture, the necessity, in European countries, of obtaining a greater yield from family holdings without disturbing their social structure, and lastly the issue of plans for agricultural development and price stabilisation—all this has helped to spread and strengthen the co-operative movement among farmers and to improve its organisation. Moreover, the growth of co-operatives for the provision of services, which enable small farmers to obtain services that were formerly available to the large undertakings only, has been particularly striking all over Western Europe ; there are now such arrangements for the use of agricultural machines, for artificial insemination, and even for technical and scientific operations (usually made available by unions of co-operatives) to raise the productivity of small and medium-sized holdings.

(3) Housing co-operatives of the various kinds—tenants' societies, building or reconstruction societies, etc.—have also developed considerably, above all in the last ten years. War damage, the general urge for

greater well-being (reflected in this case by the desire for larger and more comfortable homes) and the need to restore or add to buildings which were often neglected even before the war have involved a big volume of construction. With private capital in many cases insufficient, the State has been obliged to provide financial or technical assistance and has encouraged the development of housing co-operative societies. A pamphlet entitled *Housing Finance in Western Europe*, published by the International Co-operative Alliance between 1950 and 1955, shows not only that housing co-operatives have spread fast but also that their membership has risen even more sharply than the number of societies themselves. Of course, activity in the building industry is linked to the general economic situation and trend; if, as appears very probable, building continues to expand in the next few years, the housing co-operatives will probably do the same.

(4) Among other developing forms of co-operation, fishermen's co-operatives are an interesting feature. They have grown up mainly in the Scandinavian countries, and have as yet but little influence in France, the Federal Republic of Germany or the United Kingdom.

It is always difficult to evaluate the activity of co-operative loan societies, whether urban or rural, for in Europe the structure of credit is highly centralised and the work of local co-operatives is sometimes difficult to distinguish from that of the central organisations. Moreover, the inflation that has plagued Europe in recent years does not facilitate comparison. In any case, in Switzerland the Raiffeisen credit funds increased from 731 with 69,000 members in 1942 to 1,000 with 111,000 members in 1955—a rise of one-third in the number of funds and a slight improvement in average membership.

### *Problems of the Co-operative Movement in Western Europe*

The vogue of "productivity" that has gradually spread across Europe in the last ten years has reached the co-operative movement, which aims at modernisation in order to compete with private traders on an equal footing. The most impressive of the new achievements by consumers' societies has been the self-service shop. The first of these was opened in Sweden before the end of the war, apparently without much success. In Switzerland the first such shop was opened at Zürich in 1948; by 1952 there were over 100; and in 1957 the number of self-service co-operative shops throughout Switzerland was 467. The total number of self-service shops in 12 Western European countries increased from 4,700 to 15,100 (including nearly 6,000 co-operative shops)<sup>1</sup> between 1953 and the end of 1956, and more are being opened every day throughout Europe, not only in the cities but also in country towns and villages, despite the big investments which are required to set up shops without or with a reduced number of counter staff. Indeed, shops of the traditional type are no longer established if self-service is practicable.

There are other problems connected with the need for an increase in the productivity of consumers' co-operatives: for instance, the leaders of the Danish movement are now concerned with centralising and re-allocating storage space; and the Independent Commission in the United Kingdom recommended amalgamating societies and combining

<sup>1</sup> *Bulletin d'information et de documentation* (Brussels), 6 Dec. 1958.

some of the shops (stating that the number of societies should be reduced from 932 to two or three hundred).<sup>1</sup> Some people even wonder whether the age of independent co-operatives has not passed and the time has not come to set up in each country one national society including all the others.<sup>2</sup> Lastly, the establishment of the Co-operative Retail Society (for strengthening the financially weaker co-operatives) in Great Britain, the *Svenska Varuhusföreningen* (society for the operation of department stores) and *Svenska Hushållsföreningen* (trustee society for weak co-operatives) in Sweden, and the forging in Denmark, France and Germany of close contractual links between the national federations or unions and the co-operatives which are in trouble or merely need credit—all these developments are as many reactions to a single problem: the co-operative movement is obliged to regroup its components and to concentrate its economic and financial power. It is usually the national organisations which profit from this, and as the increase in their strength sometimes unfavourably affects the individual societies, the regrouping process gives rise to difficulty. The British Independent Commission's recommendation to establish a society for the development of co-operative retail trading, which would organise chains of specialised stores and exist side by side with the present co-operatives (and with the wholesale societies), was adopted by a majority of only 91 votes out of over 10,000; this indicates the disquiet among present co-operatives at measures which are considered necessary and justified by the need to increase the productivity of the British movement. In that connection the Independent Commission's report and the proceedings of the Blackpool Congress which met to discuss it are of exceptional importance for most of the European consumers' co-operative movements.<sup>3</sup>

The agricultural co-operatives have similar problems. Reference has already been made to the reduction in the number of co-operative dairies in Sweden. In Denmark the number of such dairies decreased from 1,404 in 1935 to 1,223 in 1958, although the volume of milk handled rose from 90 to 90.5 per cent. of that collected by Danish dairies of all kinds. Analogous phenomena are occurring all over Europe; it is relatively easy to ascertain the minimum acceptable productivity of a factory, having regard to the quantity of produce it receives for processing; if the minimum cannot be reached, amalgamation with another society must be faced. There is a further reason obliging agricultural co-operatives constantly to strive for higher productivity, namely the organisation of the market in agricultural products, which is often more or less controlled by the State, as are also the distribution of credit and of capital expenditure. The case of the French grain co-operatives is particularly interesting, for decisions to establish co-operative storage facilities appear to depend less on the desire of groups of farmers than on the joint action of the National Grain Office and the National Agricultural Credit Fund. *It would seem that a new pattern of agricultural development is gradually emerging in Europe: a group of small farms, each sufficient to maintain a single family, forms round a processing*

<sup>1</sup> *Co-operative Independent Commission Report*, op. cit.

<sup>2</sup> Recommendation of the committee which was instructed to study the structure of the co-operative movement in the Netherlands (but the Co-operative Congress decided to regroup the 260 societies of that country into 23 regional organisations).

<sup>3</sup> See also Thorsten ODHE: "Changing Structures, Economic and Co-operative", in *Review of International Co-operation* (London), Sep. 1958, p. 261.

*co-operative, which sells the members' butter, fruit or meat within a market which is more or less actively controlled by the State.* The co-operative, which must handle a certain minimum of produce in order to pay its way, gradually comes to supervise the activity of the small farms concerned, not only as regards marketing but also with a view to improving production techniques. In France, for instance, the big wine-growing co-operatives do not only ask the growers for high-quality grapes; they also take part in treatment of the vines, help in the search for the best wine-making methods, and play an active role in applying the legislation on the wine industry; a process of vertical integration is thus established which may be compared to the integration of the various factories which process a given industrial product in turn.

However, co-operation in agriculture has limits, and hitherto—save perhaps in Sweden—it has hardly been able to solve the problem of wholesale marketing. Progress is made, but slowly. The producer, despite good organisation in a co-operative, frequently only receives a very small part of the price paid by the consumer for commodities such as fruit, vegetables, meat and—to a smaller extent—dairy produce. Hitherto neither the action taken by the agricultural co-operatives to organise the market, nor inter-co-operative action between the producers' and consumers' movements, appear to have had any substantial effect. The idea of mixed formations, in which producers grouped in co-operatives would be associated with consumers and the State, is making progress: for instance, the establishment of railway station markets and of mixed societies for the export of certain goods may be an important stage in the standardisation of agricultural products.

#### *Co-operative Democracy and Price Policies.*

Although the co-operative movement in Europe has not gone through the stages indicated by Charles Gide, it now covers much more than a mere sector, to use Dr. Fauquet's expression.<sup>1</sup> It is a power with which the State must reckon and sometimes one from which the State must seek support. Frequently the big consumers' co-operatives officially represent the organised consumer at tripartite meetings with producers and government. In agriculture, representatives of the co-operative movement often take part in the work of the committees which fix the prices of agricultural products or farm supplies; sometimes, too, they are functional members of official bodies (e.g. of the Economic Council or the boards of public corporations in France); lastly, the influence—direct or indirect—of the co-operative movement in national legislatures is considerable. And what State could at present start a housing construction programme without having recourse, not only to co-operative societies for help in building but also to methods very similar to those of co-operation in administering the scheme? Sometimes, indeed, the policy of the movement is aimed much higher, and tends to reform the economic structure of the country; in other words, co-operation has become an affair of state.

At the same time, however, the direct responsibilities of the co-operatives are increasing. Occupying as they do an important or even—as regards some branches—a monopolistic position in the national life, they can influence the general price level to an extent far exceeding that which results from mere competition between retailers. Indeed, when

<sup>1</sup> See G. FAUQUET: *Le secteur coopératif* (Basle, 1942).

one considers the margins applied by two self-service stores, both well equipped, well situated and operating under similar conditions as regards competition, one being co-operative and the other belonging to a non-co-operative chain, it may well be wondered whether such competition still exists. Competition is carried backward to the wholesale societies or even to the level of the producers' organisations, and as a result of import controls, customs duties, quotas, and the like, it becomes a national question in respect of certain basic consumer products. Suffice it to mention here the striking successes obtained by the Swedish co-operatives, whose position in the country is such that they can bring down some prices by the mere threat of building factories or importing their own supplies.

In these circumstances, payment of the "dividend" to individual members loses its original object, which was to give the consumer the benefit of "cost price" or bring an analogous advantage to producers. The co-operative no longer has to economise on overheads and return to its members the savings thus made; instead, by an "active" price policy it seeks to extend to all the consumers or producers of the country the prices which, in principle, ought to have been set for members of the co-operative alone. The dividend subsists less and less in its original form at the level of the retail store<sup>1</sup> and is in a sense transposed to the national level, so that all the people benefit from the efforts of the co-operative movement and it becomes effectively a pilot sector of economic life.<sup>2</sup>

The repercussions of this state of affairs on both doctrine and practice are considerable, and one of them is particularly important, for it enables a reply to be given to questions which weigh heavily on the future of co-operative methods in the western countries: what is the consumer's place, what chance has he of exerting any control over these sumptuous shops, these huge factories, whose efficiency, turnover and financial means rival those of the biggest capitalist undertakings? What becomes of mutual aid or, to use Dr. Fauquet's formulation, if the co-operatives are a "business" what becomes of the co-operative "society"?

Evidently the link between the 50,000 members of some big consumers' co-operative is not the same as that which united the little group of weavers in Rochdale; but the problems of today do not arise in the same terms as those of a hundred years ago. In fact, it is at the national level that the big price problems are discussed, and it is at that level also that much of the work of the co-operative federations and unions goes on today. On all sides these federations give increasing attention to the education of their members and to developing the spirit of mutual aid; they establish schools, arrange lectures, distribute scholarships; and they have been one of the chief promoters of the fundamental democratic education which, for instance, the Swiss Consumers' Co-operative Union has made one of its leading interests. Not only is the work of the Rochdale weavers still carried on in the uncounted little co-operative stores which stud the towns and countryside of Western Europe; it has gradually risen to the level of the nation itself. The establishment of an

<sup>1</sup> Often in Europe dividends are fixed once and for all, in practice, before the close of the financial year. See, again, the recommendations of the Independent Commission in Great Britain.

<sup>2</sup> An accurate study of the various price policies followed by European co-operatives at the production and consumption levels has yet to be made. It would be extremely valuable.

economic democracy through small units has had a pronounced effect on democracy itself, and the co-operative movement now stands as an essential factor in Europe's social peace and social freedom.

### THE NEW CO-OPERATIVE MOVEMENT OF EASTERN EUROPE

The 1958 Directory gives a certain amount of information on co-operation in some Eastern European countries—Bulgaria, Czechoslovakia, Poland, Rumania, Yugoslavia and the Soviet Union, including the Ukraine. Although some of the co-operative movements in this region, such as those of the Soviet Union, are of fairly long standing or were based on what remained of the pre-1939 co-operatives after the war, their present form is extremely special owing to the new tasks conferred by government on the co-operatives and the thorough transformation which they have undergone.

Furthermore, most of the co-operative movements of Eastern Europe are so recent that the tendencies underlying their present development cannot yet be discerned. However, these movements do appear to have the following characteristics: they are highly centralised (there is, in general, only one union or federation for each branch of co-operative action); they are particularly active in two branches—work on behalf of all kinds of consumers, and agricultural production—but in many cases classic co-operative functions are transferred to state agencies (for instance, distribution of food products in Bulgaria); they have vast economic importance, due mainly to the official policy of relying largely on them in certain sectors; and an attempt is made in many countries to establish the movement's own undertakings for production, particularly of foodstuffs (bakeries, canning plants, drinks factories, etc.).

Co-operative action in Eastern Europe should accordingly be studied within the framework of the national economies, which—in that region—are planned. The present tendencies of the movement and the problems met with<sup>1</sup> confirm the view that co-operative questions in any country must be studied in the light of its economic, social and political evolution.

### THE SLOW PROGRESS OF THE CO-OPERATIVE MOVEMENT IN THE NEAR EAST

Economic and social structures have hitherto hardly been favourable to the development of co-operative action in the Near East, where there is no parallel for the rapid growth seen in various Asian countries for instance. However, the movement is spreading through the whole eastern Mediterranean area, although a numerical comparison between the situation in 1939 and in recent years is difficult to make because few figures were formerly available (only Egypt, Turkey, Cyprus and Palestine appear in the 1939 Review article) and a number of political changes have taken place.

However, the position has improved rapidly in several countries, particularly since 1950. Consequently it was possible to include in the 1958 Directory information regarding the position of the co-operative movement in almost all parts of the Near and Middle East. It will thus be found that the movement has continued to develop in Turkey, Israel, Egypt and the Sudan, where it holds an important place in the

<sup>1</sup> Cf. M. Vučković: "Recent Trends in the Yugoslav Co-operative Movement", in *International Labour Review*, Vol. LXXVI, No. 5, Nov. 1957, p. 467.

respective national economies, and that it is now growing rapidly in several other countries such as Jordan, Iraq and Iran.

The consumers' co-operatives are faced with difficulties, due mainly to the structure of retail trade in these countries. Everywhere, people do most of their shopping in the "bazaar", to which they are attached for social as well as economic reasons and where there appears to be some degree of competition, so that the prices paid by consumers are probably not prohibitive. Moreover, the consumers' co-operatives are making progress, in many cases from initial purchasing groups set up by the employees of big establishments or public departments. Thus in Iran it was the army co-operative which served as a starting point for the recently formed Federation of Co-operative Societies; in Egypt the first co-operative was formed by employees of an oil company, and in Iraq the Bagdad public transport workers' co-operative is one of the outstanding consumers' organisations in that city. Often the State grants these bodies valuable facilities—fiscal or customs exemption—which give them a sound basis for their early operations.

The agricultural co-operatives have developed under the influence of two main types of action: agrarian reforms, and arrangements to bring hitherto uncultivated land into use; secondly, action taken by governments to promote or organise the marketing of agricultural products (in Turkey, for instance, and also in Israel, where the agricultural co-operatives through their unions play a very important part in the marketing of produce and in applying the Government's agricultural policy). Furthermore, governments use the co-operatives as a channel through which farmers may obtain the materials and products they need and as a means of combating the chronic indebtedness of most farmers; this struggle can only be successful if the farmer is freed from the necessity (still common) of pledging his crop in advance so as to obtain—on exorbitant terms—the money for his immediate livelihood.

The growth of agricultural co-operatives thus appears likely to contribute to a stabilisation of rural conditions and to economic development in the Near East.

Housing co-operatives are also spreading in some of the countries of the region, particularly Turkey, Jordan, Egypt and Iraq. In many cases such co-operatives are formed after consumers' societies have been established and developed. The State makes loans and allots land to a specific group of persons (civil servants, railway workers, employees of various undertakings) so as to help them to improve their standard of life.

Credit co-operatives are growing—slowly on the whole, but on a wide scale in some of the countries such as Turkey. The general tendency towards creating a system of supervised rural credit sometimes makes the establishment of organisations a rather laborious task, for the essence of the problem is not only to make loans to farmers but also to control the use of the money advanced, which might otherwise fall into the hands of usurers. The position of the credit co-operatives often depends on the attitude taken by the central agricultural banks, which desire to establish loan funds in which individuals may deposit their money and from which they may borrow. The difficulty of accumulating savings in this region, and on the other hand the availability to governments of certain resources—for instance from oil—hamper the growth of a credit system based on the unlimited liability of members, the system which served as basis for the development of credit in India.

Moreover, security co-operatives for handicraftsmen have been established in connection with the People's Bank in Turkey to enable individual craftsmen to obtain large credits without too much risk for the lending institution.

The co-operative movement in Israel is a very special case, for this country is a real laboratory of co-operative methods and provides an experimental field where new forms of organisation are constantly being tried. Among the most interesting achievements here is the *Moshav*, and its many variants, a method which preserves the independence of the small producer while obliging him to accept the discipline that is essential to increased farm output and a higher standard of living and which resembles the old structure of the Syrian *Musha* villages.

Lastly, governments are showing an active concern for co-operative procedures. Governmental co-operative services, either independent or attached to various ministries, have been set up in most of the Near Eastern countries. Most of their work is of an educational character—they supervise the co-operatives, audit their accounts, organise training sessions for officers of the societies, as in Egypt, and bring together persons interested in the co-operative movement, collaborating closely with such private organisations as the Turkish Association for Co-operative Action, which has already been in existence for a considerable time and plays a decisive part in co-operative development in Turkey.

### Conclusion

The development of co-operative action throughout the world seems to have two major aspects, although these are not easy to distinguish but frequently merge as business conditions fluctuate.

In the economically backward countries the co-operative movement has developed rather rapidly and holds an essential place. Even if, as is frequently the case, its economic weight is no more than moderate, it is a nucleus for economic organisation, for grouping the strength of countless individual producers and consumers. Particularly in rural areas the co-operative movement may gradually fill the vacuum, the lack of all economic organisation, which is one of the principal characteristics of underdeveloped countries. For this reason it is not only the faithful ally of governments but frequently also their essential means of reaching the rural population.

This is true both of countries in the midst of industrial expansion, like Canada, and also of those still regarded as underdeveloped. No doubt in the former group the co-operative movement is considered by its members to be chiefly a means of doing business in their own interest. For the latter group it is often the only means of raising standards of life and improving conditions. These two points of view are not mutually contradictory, but occur at different levels of economic development.

In a number of countries, however, co-operative development appears to have reached saturation point; in other words, the movement has attained a degree of extension such that it is obliged to devote its energies more to work of organisation and reinforcement than to a search for new fields of action. This is the case in some African and Asian countries, where long-standing co-operative structures tend less to multiply than to consolidate, even managing at times to amalgamate or eliminate some organisations with a view to increasing the productivity of those that remain. This has its reasons: often, in agricultural or the handicrafts, it is the very character of the commodity to be handled

which demands the expansion of processing or marketing co-operatives. When a co-operative factory handling, say, rice or cocoa is in existence, with buildings and equipment, it is often more economical to increase its dimensions when new members come along than to establish another. In fact, the practicable number of co-operative undertakings is limited: in Denmark, for instance, there is no longer any question of starting new co-operative dairies—on the contrary there is a move to regroup, for productivity purposes, those that now exist.

Each new leap forward by the economy, due to outside circumstances, involves a new development of co-operative organisations. The case of Canada is highly characteristic: thanks to new techniques it has been possible to exploit the natural wealth of the central provinces in the last 20 years; and it is in these provinces that the progress of the co-operative movement has been greatest and most systematic.

In the western world the movement occupies quite a different position. In agricultural areas it has become part of everyday life, and is one of the permanent institutions of the rural community; it has a large place in the wine, milk and grain production sectors; and it often collaborates with governments in applying agricultural policy, particularly as regards stocks of surplus products.

The consumers' co-operatives are of importance both economically and financially and have in the last 20 years shown great stability in face of well organised commercial organisations. Can they expand still further at the expense of private commerce? Perhaps the future course of the consumers' co-operative movement is that which has been followed for some years by Swedish co-operators, who consider that the struggle for the "best" or "fairest" price should no longer be carried on at the level of the individual consumer but has moved up to the national level: accordingly, the consumers' co-operative movement must have its own factories and constantly seek to increase its productivity and decrease its selling prices, so as to counteract the monopolistic tendencies of the international cartels.

Lastly, the housing co-operative movement is developing in step with building activity in Europe, i.e. very rapidly at present; and the fishermen's co-operative organisations are growing slowly but have not had a decisive effect on national markets, except in a few countries such as Norway.

What becomes of the consumer among these huge organisations? What chance has he of really controlling the activity of the powerful bodies which make up the European co-operative movement today, particularly on the consumption side? The search for maximum productivity, which induces consumers' co-operatives to establish central managerial agencies for their department stores, does not seem to leave much scope for action by the individual consumer. The development of co-operative education in all its forms, in which many of the European movements are engaged, is certainly a valuable element for a reply to this question.

The co-operative movement was created in Europe as a weapon in the fight against the shortcomings and abuses of commerce and industry. In the last hundred years these abuses have greatly diminished and needs are more and more completely satisfied by various means, of which co-operative action is one. Trade unions, political parties and associations of many kinds have acted on lines parallel to those followed by the co-operative organisations themselves, whose own effort has frequently shifted from the economic to the political plane. All this

has tended to restrict the scope of action of the co-operative movement, which has gained in stability what it has lost in aggressive spirit. Co-operation in Western Europe has reached maturity.

In the developing countries the co-operative movement is one of the essential factors in national life, for it offers these countries a means of constructing their economy and even in some cases a framework for their social life as well. The tasks which it may accomplish are tremendous.

But there is no inherent contradiction between the functions the co-operative movement should perform in the developed countries and in those now building up their national economies. The different aspects it takes on are merely the reflection of different stages in economic and social evolution.

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