PROCEEDINGS OF THE
SEVENTH
INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
VILLA DELLE AZALEE
STRESA, ITALY
21–27 AUGUST 1949

GEOFFREY CUMBERLEGE
OXFORD UNIVERSITY PRESS
LONDON NEW YORK TORONTO
1950
AGRICULTURAL COOPERATION AND THE MODERN STATE

FIRST OPENING ADDRESS

A. W. ASHBY

University of Oxford, England

AGRICULTURAL co-operatives in contemporary times range from primitive village societies serving a single simple interest of a local group to large commercial monopolies managed with all the technical, commercial, and financial skills available; they range from single isolated societies to large and even nation-wide federations; they also range from intensely independent organizations to such as are fostered or supported by governments. Contemporary agricultural co-operatives render to their members services associated with livestock breeding, water and electricity supplies, transport, storage, insurance, credit, procurement of production requirements, including their manufacture; sale of farm produce, including its processing or manufacture. The number and variety of extra farm operations with which they are concerned is very wide. But there is the more marked phenomenon of the application of co-operation to intra-farm activities, as in the redistribution of lands, irrigation systems, and in the more recent forms of co-operative production. Perhaps one dividing line between what may be described as the accepted forms of agricultural co-operation and what may be described as ‘modern’ is that the accepted forms have always dealt with matters lying outside the farm, while the newest forms invade the innermost parts of the farm itself. There are, however, other dividing lines between the conventional and accepted functions of co-operatives, and the modern activities of some co-operatives and pseudo-co-operatives.

Contemporary States, like contemporary co-operatives, exhibit many varieties. Here also some are primitive in their law-making and administration, and relatively simple in their economic structure. Others are more advanced in the nineteenth-century sense of resting on a largely literate citizenship and on representative government in both local and national spheres. Still others are claimed to be even more modern in that they have relinquished or by-passed the form of representative government on an extended franchise and limit their effective franchises to a relatively small group, party, or class.
In some of their features these more modern States embody principles and conditions from which citizens of previous ages struggled to free themselves.

In part, this subject involves a study in the science of Politics rather than in Economics, for any definition of modern States or even any adumbration of their characteristics involves the use of political terms. On its political side a modern State:

(a) May rest on a widespread or on a very limited franchise;
(b) Its jurisdiction and administration may rest on mental and moral suasion (even though as operated by modern methods of publicity) or on dictatorship of minority or possibly of personal character;
(c) Consequently its administration may rest predominantly on voluntary services or predominantly or even entirely on a bureaucratic system;
(d) Whatever the basic form in respect of franchise or as regards the ultimate source of authority, all modernist States exhibit growth of bureaucracy in varying degrees from the minimum to the maximum, always approaching the maximum which will currently be accepted by the citizens while they have an element of choice;
(e) Consequently one of the principles by which the characteristics of the State must be judged, particularly from the point of view of co-operative organization and effort, is whether the State claims to be the sole source of authority and of political and social creation, or whether it is admitted that the power of social and political creation rests primarily with the people, and that they are the ultimate source of political authority.

Admittedly, this is inadequate as a primary description and analysis, but it must serve for my present purpose. There is, however, an economico-political concept of the modernist State embodied in the term Welfare State. In the Welfare State, the State itself assumes the ultimate responsibility for providing the primary means of subsistence for all its members—or all those who are prepared to obey its laws. It may go farther and attempt to provide for each class or group under its jurisdiction with what is considered to be appropriate economic reward for function or in relation to status, or for function and status combined. Its concrete features are such institutions as unemployment, sickness, and accident insurance, feeding of specially needy or under-privileged groups, subsidies for housing, &c. Little as some groups of farmers like the suggestion, many of the measures for agricultural relief or support are closely akin to...
these other features of the Welfare State and spring from the same source.

But, strangely enough, both the concept and the practices of the Welfare State have proved to be somewhat inimical to the movement for voluntary social creation from which most agricultural co-operation has arisen. Welfare States have taken over from friendly societies, voluntary insurance societies, and trade unions functions of insurance. And it has been said that when the State guarantees fixed and adequate prices to farmers there is no need for co-operative organization, or even that such existing organization is redundant. Such States tend either to take from co-operatives some of their opportunities or functions or to impose on co-operatives super-structures of another character.

There is, however, no inevitable connexion between welfare activities of States and restriction of the field of voluntary action, or particularly of the tendency to dissolve or cause redundancy of successful voluntary associations. This tendency to restriction and dissolution largely arises from the growth of bureaucracy and of its power, alongside the developing principles and practices of the Welfare State.

Many students have assumed that the principles and practices of the Welfare State were consistent with economic individualism even when they were not proving compatible with economic and social co-operation of groups. But gradually the Welfare State moves into the sphere of primary economic activity, and it may make the link between the nineteenth-century State of representative government and economic individualism and the most modernist State of autocratic government and economic collectivism. Whether any nation can retain a system of extensive franchise, with fully representative government, and establish State socialism, remains to be tested by experience.

Doubtless, however, many people may think of the most modernist State as of a type which exhibits a considerable degree and extent of State socialism, from State ownership and operation of some primary services up to almost complete collectivization, and, strangely enough, there may be more opportunity for agricultural co-operation in the collectivized State than in the transitional stage of State ownership, and it may be more encouraged under the Collective than under the Welfare State. For the full working of Collectivization it may be, and apparently is, necessary to encourage creation of economic and social institutions by the people themselves; that is, to encourage voluntary association; while the obvious tendency of States
developing State ownership is to retain the sole power of creation and to develop such institutions as the Public Corporation and Commission, which exhibit the features of bureaucratic administration in their most extensive and intensive forms. State ownership and operation under specific corporations and commissions is apt to exhibit all the features of private monopoly without any of the checks and balances to which most private monopolies are publicly and continuously exposed.

The general tendency is to define co-operative institutions in juridical terms. In any country in which there is a special co-operative law or code of laws and regulations, a co-operative is as it is defined in such body of law. Many countries have special co-operative codes, and although these exhibit some common features they also exhibit many variations, including some variations in respect of what are often regarded as important principles. In countries which have no special code of co-operative law many associations which are essentially co-operative have attained juridical existence by registering as companies or corporations. And probably in most countries both law and procedure in respect of co-operatives have been affected to some extent by the codes of law relating to companies and corporations.

There has, however, long been a 'philosophy of co-operation' and a set of principles of co-operative organization, and particularly the 'Rochdale principles'. Equally persistent, and on the whole much more important, there has long been a growth of forms of co-operation native to, and fitted to, different economic and social environments. Whatever the juridical position may be, a successful co-operative is a living and growing institution, partly adapting itself and its members to an environment and partly adapting the environment to its own and its members' requirements. The living, active organizations seem to have broken all the principles except the simple essential of enabling their members to pursue mutual interests in obtaining service at cost, by mutual action, in mutual confidence.

Perhaps the most comprehensive set of characteristics, embodying the principles commonly recognized as appropriate to an agricultural co-operative which is, or is to be, a corporate body, is as follows:

1. A co-operative is a union of persons to supply themselves with goods and services at cost.
2. Shares are identified by persons; the member-shareholder must be admitted to membership and transfers must be approved by the body of members or their representatives.
3. There is no limit to the number of persons who may participate
in the business within its range of operations, that is, the number of shares is not limited.

4. Every shareholder must be a member; thus the shares are not limited in number, and cannot exceed par value.

5. A member has one vote and no more, regardless of the number of shares he may hold.

6. Trading or operating surplus belongs to the members, i.e. the suppliers or customers.

7. Surplus is divided amongst the members in proportion to the amount of business each does with the society, except where a limited interest on capital is paid.

8. Fixed minimum rate of interest on capital (or no payment of interest on capital) subscribed by members or left by them in the society from their shares of surplus.

9. The selling price or the service charge is an arbitrary figure containing a margin of business safety above cost, and the surplus constitutes an excess charge, or in the case of a marketing society, an under-payment.

10. The business is organized and conducted as a mutual service for the benefit of the members and not for the benefit of the co-operative as a legal entity.

There are other shorter statements, such as that a co-operative is a union of persons and not of capital; being a union of persons, ultimate control should be on the basis of one man one rate; its object is to supply service at cost; such capital as is necessary for service of the object should be remunerated at a fixed, or a fixed maximum, rate; and that any surplus accruing from transactions should be distributed on the basis of patronage, that is, the quantity of transactions of each member with the society.

Several of these are political or juridical rather than economic principles. These or similar principles are necessary to corporate recognition and existence; but they are not necessary to natural existence or effective operation. Every one has been broken or ignored consistently, with economic success. It is therefore necessary to offer the elements of an economic theory of agricultural co-operation.

The fundamental conditions of co-operative action are the existence of common and mutual interests; recognition of the need or of the economic advantage of mutual action; agreement on the principles of organization and on the main principles of operation for and in mutual action. There are, however, two entirely distinct classes of agricultural co-operatives: (1) those which deal with the interests of
the farm business outside the farm boundaries; (2) those which constitute the essential structure of the farm business itself. Different principles are necessary in the two cases.

The traditional and universally accepted form of agricultural co-operatives, dealing with external relations, is not a union of persons. It is a union of a specific section (such as insurance, or credit, or marketing, or supply procurement) of a number of farm businesses. The farmers are members representing their farm businesses. When the farmer ceases to farm he ceases membership. It is, therefore, unnecessary that voting should be on the principle of ‘one man one vote’, for voting according to proportionate interests (patronage basis) is entirely consistent with complete mutuality. It is not always necessary that the group entity which we call the society should control an operating fund which is erroneously called capital, but when it does it will do so solely for the purpose of pursuing the object of the group; the operative fund is always a servant of the object, and supply is not an investment. Such operating fund as is necessary may be obtained by borrowing, by subscriptions of members to shares or otherwise, or by deductions from financial surpluses of current operations. When interest is provided it is paid as a primary cost on externally borrowed capital, and more or less at the same rate as a secondary cost when paid to members. When operative capital is obtained by borrowing on the security of the credit of the individual and (or) combined farm businesses, or in the form of reserves from previous surpluses, each member contributes in proportion to patronage. It is better that direct contributions from member-businesses should be made on the same principle. The object of the group is to obtain goods or services at cost. The price or the service charge may be fixed at cost where this is firmly and reliably known, or at such higher level as the members of the group may agree. Any net margin between cost and price or service charge is not profit, it is a surplus mutually created for business efficiency, security, or expediency, and it is retainable in the business or distributable to members on the basis of patronage. The only principle here which is modifiable is that of voting, and if a group fully agrees to accept that of one-member-one-business vote, the business of the group may be efficiently conducted on that basis. The principle of mutuality is not only implicit but inescapable throughout this statement and it is consistent with either limited or unlimited liability of member-businesses.

As regards membership, the basis is the farm and its business, and the farmer is treated as the representative. The interests of the farm
business may be, quite commonly are, fractionated, e.g. as insurance, credit, water-supply or control, procurement of supplies, and marketing; but in each case the farmer is the representative, and when the farm ceases to hold the specific interest its membership should lapse. Throughout this statement the emphasis is on the group formed by the member-businesses and on mutual protection or service.

The modern State has always fostered the idea of the corporate character of the co-operative group, and that of the identity and separateness of the resulting society, mainly for expediency and largely in relation to taxation. Taxation in the modern and particularly in the Welfare State tends to be heavy. Governments have difficulty in locating sufficient taxable revenues. Consequently it is in their interest to treat the operating surpluses of co-operatives as profit and as taxable more or less under the same conditions as the profits of corporations or companies. Co-operators and their advisers have been anxious to obtain the cover of the State for their groups as corporate or semi-corporate bodies, and in some States they are now paying heavily in taxation for this recognition and cover. Any impartial student must admit that widespread development of non-corporate co-operatives does seriously handicap the taxing activities of the State. While the total of business and ultimate personal incomes, and therefore the total of taxable income, is increased by co-operative activities, there is much more difficulty in collecting a given amount of tax revenue from a large number of farmers than from a smaller number of co-operative societies representing their businesses. But eventually the taxes are taken out of the farm businesses. The real remedy for this situation of the State is more and more co-operation until the co-operative commonwealth covers the economic structure of the nation, and the sphere of activity and the revenue needs of the State are reduced to the barest necessary minimum.

Another condition with which both co-operatives and modern States have been concerned is the application of compulsory regulation to certain aspects of farm business. For half a century or more certain States have worked with co-operative organizations of their farms to secure the effective application of necessary regulations. At some stages this is co-operation between the co-operative and the State, and at others it becomes imposition of regulation or even imposition of a super-structure by the State. Here co-operators and their economic and legal advisers have been divided, but the general tendency up to 1930 was to emphasize the voluntary character of co-operative organization and activities. By the definition used above,
organization and activities are voluntary in origin; they rest on the existence of mutual interests and on the recognition of need or advantage of mutual action. At this stage they rest on individual choices; but after a certain stage has been reached it may be possible for one individual or a minority seriously to reduce or even to destroy the advantage of mutual activity on the part of the majority. At this stage the application of compulsion to an individual or a minority is wholly consistent with and is, indeed, required by the principle of mutuality. The principle that one person or a small minority having in part a common interest with a majority shall not be free to damage the greater interest of the majority for the lesser advantage of the individual or the minority is one which has long been socially and politically accepted. A few groups of agricultural co-operators have been fortunate in that they have been able to apply compulsion to individuals or even minorities without the assistance of the State. More frequently, co-operators have sought the assistance and the sanction of the State in the application of economically necessary or desirable compulsion. At this stage the State, or, more realistically, the bureaucratic representatives of the State, become jealous, and the theory is advanced that no group other than the State should have a right to apply and administer compulsion. This theory, of course, is purely one of expediency in the particular case, for in all modern States certain internal groups apply forms and degrees of compulsion not only to voluntary members but to all persons or businesses which exhibit the common interest.

No one should lightly apply such comparisons as co-ordination versus subordination, co-ordination with subordination, or subordination for co-ordination to the various degrees and forms of interaction between the State and agricultural co-operatives, or between co-operative groups and their members, for there is in fact very little co-ordination without some degree of subordination at any stage of co-operative development. The justification of both is that they serve the common and mutual interest of all the members of the group.

But here, as in practically every case of group action or State action, the problem of securing progress while maintaining regulation and security is apt to arise. The common and heartily accepted theory of all co-operation in the external activities of farm business is that voluntary co-operation strengthens the individual farm unit and tends to preserve it. Sometimes the theory has gone farther, to the claim that co-operation strengthens and intensifies the essential individualism of the farmer and his farm. There may have been cases
in which this theory has been justified, but in the main it is mere self-deception—the rosy colour or the sweet wash which makes the pill attractive. When the co-operative begins to tell the member what he shall produce, how he shall produce it, what or when he may market in quantity or quality, the member becomes subordinate to his own group; he sacrifices the illusion of independence for more material or reliable satisfactions. It is largely through well-informed actions of this kind that the co-operative group provides security and combines security with progress. States may well collaborate with co-operatives in scientific, technical, and commercial research for the maintenance of security and continuity of progress in the co-operating groups, for in this way the interests of the general community are served.

States have been concerned with the internal activities of societies, such as those of obtaining or maintaining sufficient operating funds, and those of ‘pooling’ proceeds of sales on behalf of members. Co-operatives of many countries have been ill advised in following corporation or company practice and describing their operating funds as capital. In modern economic, commercial, and accounting terminology ‘capital’ implies an earning factor, and an investment of an earning character. But the provision of an operating fund for a co-operative is required for the service of its object; it is not primarily an investment. This is not mere theory, for the bulk of the operating funds of agricultural co-operatives the world over have been taken from operating surpluses, and on these ‘reserves’ or accumulations no interest is paid. Members making sacrifices are rewarded in the resulting efficiency and economy of operations in the service of their interest. However, if States are successful in attaching the description of capital to the operating funds of co-operatives, they strengthen their taxation claims.

One of the common principles of co-operative organization is that shares or membership claims are not freely transferable; they are not saleable; they are only withdrawable or transferable with the consent of the members or their representative committee. But the fact of heavy accumulations, and in some cases of designed under-payment on produce sales to create operating funds through current services, has sometimes caused division of interest between passing members and current and coming members. This is one of the cases of confusing the membership, which is essentially that of the farm and its business, with a personal membership of the farmer himself. Nevertheless, States have been concerned with methods of dealing with this internal problem of the provision of adequate operating funds and
their treatment, partly because of the influence of methods on general financial conditions. But the ‘revolving fund’ method of securing operating funds, and the form of non-stock (non-share) organization, are entirely consistent with the principle of mutuality, and sometimes necessary thereto.

As regards pooling, the simplest statement is that co-operatives and co-operators have always pooled expenses or costs (and surpluses) directly, or almost directly, in proportion to patronage—in proportion to the service rendered to the member. It is a logical step, and one entirely consistent with the principle of mutuality, to proceed to pooling of sale revenues—an appropriate, equitable principle. There are intricacies, if not difficulties, in determining equitable principles of pooling. Nevertheless, pooling has contributed to the security and even to the remuneration and welfare of members. It is where a system or systems of pooling are combined with some forms or degrees of compulsion that States are tempted, or even asked, to play a part. (But this subject is of too local and intricate a character for discussion at this stage.)

There is, however, the important subject of fixed prices and the distribution of surplus arising from the supply of farm requirements, and that of the necessity of co-operative organization when prices of farm produce are fixed and guaranteed. It has been claimed that when final prices of such commodities as fertilizers are fixed, the distribution of co-operative surplus on their handling is a breach of regulations. This claim has been defeated in Great Britain, but there are still private monopolies or cartels which refuse to sell to co-operatives because of their distribution of surplus. The real remedy for this is more co-operation and more cohesion amongst farmers on behalf of their business. Suggestions have been made that when prices for farm products are guaranteed there is no necessity for co-operative organization and activity. These are due either to a deliberate failure to understand the contribution of co-operatives to economy or efficiency in the handling of farm requirements or products, or to understand that economy and efficiency are never more necessary than when guaranteed prices are required. But sometimes a greater fallacy and danger occurs: namely, that when farm prices are guaranteed or fixed, every private interest concerned in handling produce should be guaranteed not only margins but trade and revenue. This way lies a rigid economic system leading to social decadence.

For some purposes and in some connexions States have welcomed and fostered agricultural co-operatives of the external relations type.
At the present time the Governments of most of the British Colonial Territories and Dependencies are actively attempting to encourage and assist co-operative development, and in some territories the movement has reached extensive scales and advanced stages. In all cases of fostering or encouraging of primary co-operative organizations by governments the essential problems are those of education, namely, adult education and the creation or development of leaders, and the creation of confidence between promoters and potential members, between members on one side and leaders and officials on the other, and, fundamentally, of confidence between member and member and fully mutual conviction of the necessity or advantage of mutual action. There are other problems, like the training and supply of staff, supply of initial operating funds, &c. But the aim of promoters must be that of offering themselves and their contributions, while the principles of voluntary activities are followed and developed, until the co-operatives ask again for State guidance or support.

There are many other aspects of co-operation in respect of the external relations and operations of farm businesses which require treatment, but I must leave these to other members of the Conference. For I must turn to a brief treatment of the second type of agricultural co-operative—that dealing directly with the internal structure of the farm business. A number of States, concerned with the problem of scattered holdings, are fostering co-operatives to arrange and conduct redistribution of scattered parcels. The principles involved are mutual agreement of certain proportions of people representing certain proportions of land, and the subsequent compulsion of the minority by the State. Again, where irrigation is practicable and advantageous, there is sometimes tri-partite organization: the State is responsible for the main works; a co-operative covering all of a definite continuous area pays for the water and distributes it, being responsible for some main channels; the individual is responsible for channels and distribution affecting solely his own property. There are other forms of organization for irrigation in which co-operatives are concerned, but it must be obvious that these forms of land co-operative involve the closest possible degree of mutuality, and a close discipline achieved either through co-ordination and voluntary subordination or through compulsion. In these forms the farm business rather than the personal farmer is still the member unit.

But there are other forms of agricultural co-operation in which the farmer himself constitutes the member unit, and such operating funds as he may contribute go in with him. Here some students fail to
distinguish between the co-operative and the collective type of organization. But in Palestine, in Russia, in Yugoslavia, there are types which are appropriately described as co-operative. In Russia and Yugoslavia the members contribute land and work-stock; they may retain a small homestead area for individual production, but otherwise they produce within the co-operative group and consume within the individual family group. The co-operative builds up land and equipment for the use of the group. If a member wishes to leave he cannot segregate his land or his operating fund, but he is promised an equivalent area of land elsewhere. In Palestine, owing to special circumstances, the land may be supplied by an external party or by members, but otherwise conditions are similar.

In Palestine and Mexico there are forms which are properly described as collective, in which there is both production and consumption within the group, and the economic individuality of the member is submerged in the group. (No complete individuality or personality is ever completely submerged in any group without consent.) These types are not claimed as co-operative.

It is, however, necessary to add that widespread development of true co-operative organization and activities is quite consistent with widespread socialization or collectivization. ‘Rural co-operation can be at one and the same time an essential feature of a planned economy and the main expression of functional democracy in the countryside.’ ‘The co-existence on the one hand of a multitude of voluntary co-operative organizations and national industries and State trading on the other, have proved in the Soviet Union to be a working proposition.’

Whatever the primary sentiments of co-operators may be they need to approach these most recent forms of organization in a spirit of communication, rather than of ex-communication. We ought to have learned by now that the economic and social world is not ruled by the principle, ‘That which hath been is that which shall be’. Invention and innovation have expanded or contracted the areas, and changed the forms of activity of the individual, the voluntary association, and the State, and they have brought into being institutions which do not fall into any of these categories.

Co-operatives must never forget that fruitful and stable social progress is built on the dual foundations of changes in institutions and in the make-up and outlook of human beings. When the practice of co-operation touches only a small segment of the life of the co-operator (as solely in the use of credit) his attitudes and habits may be and frequently are little affected. The broader and deeper the
segment of economic activities and of life concerned in the practice of co-operation, the greater will be its influence on his attitudes and habits. 'It is not enough', said George Russell, 'to organize farmers in a district for one purpose only—in a credit society, a dairy society, a fruit society, a bacon factory, or a co-operative store. All these may be and must be beginnings; but if they do not develop and absorb all rural business into their organization they will have little effect or character . . . The specialized society only develops economic efficiency. The evolution of humanity beyond its present level depends absolutely on its power to unite and create true social organisms.' It is my mission to suggest to this Conference that the only option for those who fear collectivization is that of starting immediately to build the co-operative commonwealth.

SECOND OPENING ADDRESS

VINCENT VISOCCHI

University of Florence, Italy

DEALING in general with the relations of co-operation to the modern State, J. P. Warbasse,¹ a distinguished American author, writes that, as co-operative business expands, the functions of the State, together with predominance of political power, grow less. Indeed, if we draw a comparison of the evolution of co-operation and that of the State during the last fifty years we find no confirmation of this opinion. On the contrary we convince ourselves that the opposite is probably true. Development of economic co-operative enterprises has occurred simultaneously with the growth of State intervention into economic activities. Consequently it may be inferred that either no correlation exists between the two phenomena, or it operates in a sense opposite to what Warbasse has stated. We feel, however, that an analysis of the relations of the co-operative movement to the modern State requires an adequate premiss on the nature and extension of co-operative enterprises.

Co-operation as a voluntary business undertaking was born and rose to a place of importance only in modern market economy systems. It has been deeply discussed whether or not a co-operative enterprise as such possesses economic principles of its own—principles capable of differentiating the co-operative form of business from other individual or associated private enterprises.

Agricultural Co-operation and the Modern State

Investigation into the fundamental principles of co-operation was based on observation of co-operative enterprises in their concrete manifestations, and many worthy economists such as Cairnes, Gide, Wollemberg, Pantaleoni, Rabbeno, Lorenzoni, Valenti, Gobbi, and others contributed to the necessary objective analyses. The contribution of Italian economic thought to this problem is highly notable.

Pantaleoni asserts that co-operative enterprises have no autonomous principle; and, supposing the existence of one, diverging from the law of supply and demand, he demonstrates that no state of economic equilibrium would follow. Furthermore, if everything was produced and sold through co-operatives, this would lead to the same values as free competition. To Cairnes co-operation represents the only possible way for the working class to share the enjoyment of the benefits and honours of civil progress. Gide attaches less importance to the economic advantages of co-operation and views in the movement the prospects of a transformation of the present economic order and the supreme hope of those who believe there is a social problem to solve and a social revolution to avoid.

From a logical point of view little can be opposed to Pantaleoni’s strong arguments. Reasoning from the fundamental teachings of economic theory he comes to the conclusion that egoism is the creative and the vital force in co-operation. Like other forms of economic enterprises, co-operatives are a manifestation of self-interest. This is confirmed by the fact that co-operatives have never set aside the established laws of economics for any permanent period.

Nevertheless, we cannot ignore that the hypothesis assumed by the theory of economic equilibrium very seldom occurs on the market in a perfect way. Also, as Wagner states, man’s economic actions are influenced not only by egoistic motives but often also by sentimental and ethical ones. We therefore agree with Pantaleoni that co-operative associations are voluntary and not enforced business organizations, that they exist just so long as they please their members, and that they are economic and not charitable organizations. But we differ in opinion from Pantaleoni when he says that their vital forces are strictly hedonistic.

Following the ideas of Gobbi, Serpieri notes that speaking of co-operative business we generally think of something opposite to a

1 M. Pantaleoni, Esame critico dei principi teorici della cooperazione, in Erotemi di economia, Laterza, Bari, 1925.
3 Arrigo Serpieri, L’Agricoltura nella economia della Nazione, Barbèra, Firenze, 1940.
capitalistic enterprise. The aim of the latter in combining productive agents is to gain the maximum difference between monetary receipts and expenses or, in other words, the maximum reward for use of capital, therefore a maximum profit. This is done by paying suppliers and labourers the lowest possible price and selling to buyers at the highest price obtainable. The enterpriser therefore speculates on the other participants in production. On the other hand, the aim of co-operative enterprises, by limiting interest on capital, is to buy goods and services at the lowest possible price for members who are buyers, and sell at the highest price obtainable if their members are suppliers or labourers. This purpose is achievable with economic advantage to the member patrons every time competition is not as perfect as that hypothesized by the theory of economic equilibrium.

Considering only economic motives, co-operative enterprises act against speculation of private enterprisers whose purpose, individually or associated, is to gain a profit. They operate in an anti-monopolistic way and are instrumental in the reactivation of competition. The above concepts do not contrast with those of Pantaleoni inasmuch as they do not deny that the same results could be achieved without co-operative enterprises if the hypothesis of perfect competition were true. They positively state, however, that the hedonistic force which influences man’s economic actions becomes socialized in co-operation. This because the co-operator believes that the best way to help himself is to help others at the same time.

Also, in a purely economic sense, co-operative enterprises often make it possible to reach the optimum size in the combination of productive agents. This is particularly important in agriculture, where the small family farm unit is prevalent.

But co-operation is not explained by purely economic factors. It is a form of organization characterized also by ethical values which act as a uniting force and strengthen the economic bonds. Co-operative spirit is nourished by high ideals such as trustfulness, mutual dependence, and endeavour for moral elevation. Many co-operatives were formed, thanks to the wish to spread such ideals. It may be true that co-operatives seldom live if they do not succeed in obtaining economic advantages for their members, but it is also true that where they are economically successful they accomplish high educational work and are socially beneficial.

The co-operative movement has recently been further analysed to define the basic concepts which determine the sphere of useful application of collective action. Such concepts are not autonomous economic principles as signified by Pantaleoni. They are generaliza-
In this latter analysis of the theory of the co-operative movement we find notable contributions by American writers. The above generalizations are usually presented as the principles of co-operative organizations, although it is admitted that others may be discovered and that the established ones may be modified or discarded as time passes, owing to changes in economic, social, and political conditions.

In 1930, at the International Co-operative Congress in Vienna, it was decided that an International Committee of experts should be requested to investigate the leading principles of consumer co-operation. It seems that the determining motives of this decision were to be found in the disconcerting deviations from traditional practices reported in some countries. The Committee held meetings in seven different European cities to examine questionnaire reports from all parts of the world, and in 1934 presented to the International Congress, meeting in London, a résumé of its findings.

The seven following principles were recognized as basic ones:

1. Open membership.
2. Democratic control.
3. Dividend on purchase.
4. Limited interest on capital.
5. Political and religious neutrality.
6. Cash trading.
7. Promotion of education.

Unlimited membership is justified in consumer co-operatives because the more members there are the greater will be the savings in wholesale purchasing and the lower the cost per unit of retailing. There is much uniformity in the purchasing possibilities of members in consumer co-operatives, whereas large variations may be found in the participation of members in producers' sales and service associations. Membership contracts are not deemed essential and members are free to patronize the co-operatives of their own free will. The initial capital subscription should be as small as possible, and sometimes provisions are made whereby non-members may become members by patronizing the co-operative stores and letting dividends accrue until they reach the sum necessary to buy a share of stock. It is understood that the open membership rule seldom applies to producer co-operatives.

Democratic control is probably the most universally recognized principle of co-operation—the one to which no exceptions are approved. When co-operatives federate, centralized administration may be adopted for purposes of efficiency, but decentralized democratic control must remain the co-operative rule. Voting rights are therefore equally distributed on the basis of one vote to each member. Thus concentration of power in the hands of a few members may be avoided and the primary object of co-operatives remains services at cost and not profit.

However, it cannot be ignored that in many producer co-operatives there may be wide variations in the contribution of members to the success of the organization. This may justify the desire to be allowed proportional voting power. Indeed, many marketing co-operatives in the United States, notwithstanding opposition on the part of orthodox co-operators, allow additional votes to members based on amount of stock held or on the volume of product delivered. Nevertheless, legislation on co-operatives in three-fourths of the States provides that no member shall be entitled to more than one vote regardless of patronage or amount of stock owned. In those States where additional votes are allowed limits are placed on the number of votes which may be given to any one member. Approximately 86 per cent. of more than 10,000 marketing and purchasing associations in the United States allow only one vote to each member, and the remaining 14 per cent. allow additional votes in various forms.\(^1\)

Distribution of earnings and savings to members on the part of co-operatives in proportion to patronage is a matter of equity. If it were possible to figure exactly all costs in advance, in theory it would be possible to regulate each transaction between members and co-operatives in such a way as to avoid savings and earnings. As this is not possible they must be allowed to accrue until they can be conveniently and fairly distributed according to patronage. This is also essential to meet unforeseen obligations and sets aside funds for cultural and educational activities.

Furthermore, it makes possible an interesting method of financing co-operative organizations, consisting in distribution of patronage dividends in the form of interest-bearing certificates of indebtedness instead of by cash. The certificates show that the member has a certain amount of accumulated savings credited to his name. When sufficient capital has been built up the earliest certificates are redeemed in cash, thus forming a revolving fund by which members

share in the financing of their association in direct proportion to the use they make of it.

The limitation of interest on capital is another fundamental characteristic of co-operative enterprises. Like all other economic enterprises, co-operatives need capital for physical facilities and operations, therefore permanent and working capital. It is provided as usual by sale of common stock and by borrowing from banks. But since co-operatives are non-profit organizations the use of capital invested by members is paid for at the ‘going rate’ exactly the same as wages, salaries, and rent.

Co-operators recognize private ownership of property and the force of capital in production. Nevertheless, they state that as a force it can be directed for good or evil. Under the laissez-faire system of economy an excessive concentration of capital may promote its use as a means of exploitation of those who find themselves in a weak bargaining position on the market. In such conditions labour is brought to serve capital, and labourers become the object instead of the subject of economy.

By means of statutory limitation of returns on capital, co-operative enterprises not only achieve their fundamental aims of getting goods and services at cost, but they also contribute to direct the use of capital to a higher purpose; that is, to the benefit of all members of society.

Political and religious neutrality is a direct consequence of open membership. Members join a co-operative prevalently for an economic need and if admission were discriminated according to political or religious faith, serious limitations would face development of co-operation. Worse still, if when a co-operative is formed it were to sponsor any particular faith. Dividing factors would then easily overcome the uniting force of mutual economic purposes.

Co-operatives in most countries claim adherence to the rule of political and religious neutrality and few people doubt its usefulness. Still, in many other countries like England, Finland, Russia, Italy, and Austria the rule appears to be the opposite one and truly neutral co-operatives are more like exceptions. In those countries often the desire to spread some religious or political faith has been the determining factor in the forming of many co-operative organizations. On the other hand, in some agricultural co-operatives, particularly workers’ co-operatives that pool the labour of their members for joint operation of farms, a common political or religious faith has often proved to be an indispensable element as a uniting force. Economic motives alone seldom promote this particular type of agricultural co-operative and still less success.
Cash trading is another co-operative rule. Its importance is obvious for the better economic results owing to lower costs. In consumer co-operatives it also serves to encourage members not to be improvident by spending more than their incomes. But it is not always easy for a co-operative to adhere to a cash policy as competitors may attract their patrons by granting credit. It is generally advisable to meet the credit necessities of co-operative members by promoting the institution of parallel co-operative credit organizations.

Promotion of education has been an extremely important and beneficial social factor since the very beginning of the co-operative movement. It was first intended to foster co-operative spirit in order to consolidate and promote the development of the co-operative method. As the movement grew in importance the larger funds set aside made it possible to intensify cultural and educational initiatives to a point that in many countries co-operation is now a powerful instrument of social elevation and civil progress.

In their interesting book on the economics of co-operative marketing of agricultural products, Bakken and Schaars adequately examine our so-called principles in relation to agricultural sales co-operatives and then add two more. Precisely as co-operation spreads, the necessity grows of functional and commodity specialization and the control or ownership of marketing facilities and institutions.

The same authors also mention a very interesting fact which seems to be becoming general in the United States, the apparent willingness of American co-operators in some quarters to submit themselves voluntarily to more control and direction than ever before. In this trend they see the shadowy outline of a principle which seems to be taking shape in the idea of economic control or a planned economy.

We may now ask if, in agriculture, co-operation is in any way differentiated from that in the other sectors of economic activities. In general, it may be noted that as co-operation strengthens the bargaining position of members on the market it was quite natural that it should develop particularly among farmers whose bargaining position is constitutionally weak. In particular, we may say that while in industry and commerce the enlargement of economic enterprises, favoured by considerations of costs and new technical developments, was made possible by forming bigger capitalistic organizations with little, or only tolerable consequence, on production in relation to hired labour, the story in agriculture is quite different. The characteristics of agricultural work are such that from the economic viewpoint co-interested labour is preferable to hired labour. This explains

\[^1\text{Op. cit.}\]
why family-size farm units still prevail in agriculture. It also explains why co-operation, by making possible the attainment of the optimum size enterprise in some phases of production, developed particularly in agriculture as a parallel phenomenon to concentration of enterprises in industry and commerce. It may be added that agriculture is not only an economic activity; it is a way of life, different from urban life and as such makes people more responsive to the ideals of co-operation.

A glance at the extent and nature of co-operative activities in the various parts of the world points out that consumer co-operation largely prevails in food-importing countries like England and Germany, while producer and particularly marketing co-operation prevails in food-exporting countries, such as the United States, Canada, Australia, &c. Environmental influences and experience also affect co-operation. Peoples of northern Europe, who have long been accustomed to dependence upon each other against unfavourable natural conditions, more easily undertake collective action than peoples in southern climates where life is much easier.

On the historical development of the co-operative movement we need only emphasize how much it was influenced by the contribution of thought by men like Sismondi, Claude Henri de Saint Simon, Robert Owen, Charles Fourier, Louis Blanc, and many others. Such a contribution goes closely together with the accentuation of economic, political, and social evolution in the same period characterized by great scientific discoveries and technical novelties. The effects of these rapid changes probably inspired the famous Rochdale 'Equitable Pioneers' to form in 1844 what is recorded as the first consumer co-operative. A growing movement followed, differentiating the organizations into the three types of producer, credit, and consumer associations, until we reach the present-day powerful co-operative formations in all parts of the world.

An idea of the extension of co-operation may be had from a few figures. According to data published by the International Labour Office, more than 810,000 co-operative organizations were in existence in 1937 totalling approximately 143 million members. Agricultural co-operatives amounted to 83 per cent. of the total number. However, 54.5 per cent. of the members were in urban and industrial co-operatives and of those 75 per cent. in consumer co-operatives. Rural co-operatives included 45 per cent. of total membership. According to geographical distribution approximately

37 per cent. of the 810,000 co-operatives were found in Europe, 35 per cent. in the U.S.S.R., 20 per cent. in Asia, and 6 per cent. in America.

In the United States alone in 1944 there were more than 19,000 farmers' co-operatives of which approximately 10,000 were of the marketing type. They had a total membership of 3½ million farmers and their volume of business exceeded 5 billion dollars. During the last war these farmers' organizations supplied about one-third of the agricultural products shipped overseas notwithstanding that more than 80 per cent. of the total agricultural production in the United States is still sold through non-co-operative agencies. The highest percentage of a country's total agricultural production marketed by farmers' co-operatives is found in Denmark and even there it does not reach 50 per cent.

Among farmers' co-operatives we find the purchasing type of association more or less generally developed in many countries, while the sales associations largely prevail in food-exporting countries. Co-operative marketing has been successfully applied in some part of the world to almost every kind of agricultural product. Successful marketing co-operatives are generally organized on a single-commodity basis and are financed by co-operative agricultural credit associations.

A recent inquiry made by a committee of experts in the United States enumerates among its findings a very interesting trend in farmers' co-operatives. It appears that purchasing co-operatives no longer confine their activities to farm supplies but aim at extending their services to marketing their members' farm products. Likewise, farmers' sales organizations are taking an interest in their members' needs in farm supplies.

Practically every nation in the world has nowadays special legislation on co-operation, and public policy is in favour of further development of agricultural co-operation.

The modern State is characterized by increasing intervention into economic activities. This is the result of the deficiencies revealed by the capitalist system and it may be stated that there is to-day no economic activity which is not either controlled or run by a State in some part of the world.

Critics of capitalism have sustained Socialist propaganda by advocating abolition of private ownership of property. Also, in countries where this aim has not been reached, the effects of such propaganda are very important. Legislative bodies have been induced to promote laws that in various ways direct and control economic activities. Such laws can hardly be disapproved of when one considers that during the economic disorder of the last thirty or forty years
they have made possible many adjustments between production and consumption requirements that under the *laissez-faire* system of economy would have implied long waiting and suffering, particularly for the working classes.

In its evolution which results in the increase of its economic functions the State could not possibly ignore the co-operative movement. Enthusiasts of co-operation accuse liberal States of defending privileges in opposition to the co-operative aim of an equitable distribution of wealth. They also like to point out that the initial attitude of governments towards the co-operative movement was characterized either by indifference or unfriendliness. A case often cited is that of Bismarck, who is said to have opposed by all means Schulze-Delitzsch and Raiffeisen in their successful movement of co-operative credit organizations. This he did to the point of supporting the adverse Socialist propaganda of Lasalle who feared lower wages to labourers would follow cost reductions resulting from co-operative economic activities.

Indeed, the maximum development of co-operation took place when modern States provided co-operative enabling legislation and favoured it by positive endorsement and financial assistance. Loans on favourable terms were freely given in many countries, especially to producer co-operatives. Agricultural marketing co-operatives largely benefited from these advantages.

Since the very beginning of the movement many people have held the opinion that agricultural marketing co-operatives especially are of a quasi-public character and require paternalistic care on the part of the State. This explains why even in liberal and democratic States like the United States of America co-operative laws provide for supervision sometimes in the form of simple liaison with governmental technical agencies, sometimes by allowing a public representative to sit with the directorate of large-scale associations to safeguard the public interest.

In 1926 a Division of Co-operative Marketing was created in the United States Department of Agriculture, which in a relatively short time has accomplished some extremely useful and constructive work. The Division acquires, analyses, and disseminates economic, statistical, and historical information on co-operative associations in the United States and abroad; it studies all phases of co-operation and illustrates them in valuable publications. When requested, it assists groups of farmers desirous of forming co-operatives. It supplies existing co-operatives with information on crop prospects, prices, and market movements. It promotes knowledge of co-operative
principles and practices to foster development of co-operation in the country. The Division is to-day, indeed, the national research and extension agency in agricultural co-operation.

Relations between agricultural co-operatives and the State go even farther than this in countries like the United States. Various attempts to control surplus production by pro-rate schemes, regulating the flow of commodities to market and worked out by the growers themselves, had failed miserably. In States such as California where this need is particularly felt to restrict fruit-production areas under intensive cultivation, a strong drive was made for compulsory co-operation owing to these failures. It resulted in the enactment of a series of laws designed to control the production and marketing of agricultural commodities in intra-state commerce. The acts are administered by the State director of agriculture or by special committees and provide that growers may control shipments and share markets if two-thirds of the producers choose to invoke the provisions of the law. Since 1934 the pro-rate plan has been applied with substantial gains to producers.

An interesting case of agricultural co-operatives organized by the State and, in a sense, forced down from above upon individual producers in a country is found in Ireland. Here, an excess in the number of privately owned creameries had produced a crisis in the industry. Inspired by prominent men in the co-operative movement, the Government therefore enacted a special law by which all plants were bought over, some closed, and the others turned over to the farmers and their co-operative organizations. The entire creamery system was placed by the State on a co-operative basis. Other examples of important State intervention in democratic countries are found in Australia and South Africa where compulsory pooling of agricultural products by co-operative organizations can be established if the majority of producers vote in its favour. This has been done for wheat and eggs in Australia and tobacco in South Africa with economic advantage to producers.

We will now briefly indicate the vicissitudes of agricultural co-operation in countries which still have or have had long experience of authoritative government.

Russia in 1918 had a vast consumer, credit, and producer co-operative organization. The latter type had developed particularly among the peasantry. The rapid growth of the movement took place during the First World War. It is worth considering that the Moscow People's Bank had set aside 400,000 roubles for cultural and educational activities and that a co-operative university was opened in
Moscow in 1918. In the same year 65 per cent. of the food of central Russia was distributed through the greatest voluntary co-operative movement in the world.

When the Bolshevik Government came to power it began taking control of the co-operatives. In 1919 it was decreed that all consumer commodities be distributed through co-operative stores until in 1920 all distributing agencies were confiscated by the State without compensation. The State administration was later judged unsatisfactory so that in 1921 the autonomy of the co-operative societies was nominally re-established. In various ways they remained subject to State control. A new period of expansion followed until in 1935 the State again confiscated and nationalized urban co-operative stores, leaving the rural ones autonomous as before. The latter continued to expand, and in 1937 had reached over 280,000 co-operative associations with approximately 60 million members.

It is the opinion of many writers that co-operation cannot exist together with Communism. Therefore if in many countries where the Communists are in power a strictly State-controlled and modified co-operation still survives, for the benefit of the members who want it, it is because in those countries Communism has not yet really been attained.

As soon as the governments consider the right moment has arrived they will destroy the co-operatives now tolerated owing to their popularity.

In the other two countries which experimented with a régime of authoritative governments, Italy and Germany, the co-operative movement obviously could not escape control on the part of the State. Many inexact things have been written abroad on this subject. As far as Italy is concerned, some initial persecution of members of adverse political parties was confused with pre-conceived hostility against the co-operative movement. On the contrary, until 1935 existing co-operatives and therefore also agricultural co-operative associations enjoyed in Italy full freedom of initiative and were administered largely and democratically by their members. This is confirmed by the fact that the movement continued to expand. In this phase voluntary co-operation was judged favourably and State intervention was limited to promoting efficient co-ordination of existing organizations. The declared unity of the movement was not considered to be in conflict with its voluntary character.

It was when the régime expressed its corporative economic doctrine that State intervention was accentuated. The justification was obvious. As the same co-operative economic purposes were intended
to be achieved by corporative organization and control, co-operative associations would lose importance as an anti-monopolistic instrument qualified to create a better equilibrium between the various forces operating on the market. They retained, however, full importance for making possible optimum-sized enterprises and elevating the conditions of hired labour. Indeed, the co-operative movement in agriculture was never purposefully opposed.

Fascism intended to use existing co-operative associations to effect corporative control while it was proceeding to create new forms of farm-enterprise associations better qualified for the specific purposes of corporative economy.

It is well known that owing to international events the corporative-economy experiment was never fully effected and that it soon degenerated into a policy of self-sufficiency for war purposes. It is therefore impossible to form any objective opinion on it. We may, however, examine the repercussions of the above-mentioned events on co-operation in agriculture.

Co-operative associations for processing and marketing of agricultural products (creameries, wine plants, fruit-growers' associations) which had considerably developed in some areas, stopped their expanding movement. In our opinion they were frustrated by events in their tendency to federate into large-scale associations. They more or less crystallized into the phase of development reached in 1935. The movement is now slowly recovering in the aftermath of war.

Purchasing co-operatives for farm supplies, the co-operative Consorzi agrari, totalled approximately 750 in 1935. They had already shown a tendency to aggregate into larger associations when in 1939 a special law, suitably modified in 1942, reorganized them into 94 non-co-operative provincial associations. The co-operative Consorzi agrari, thanks to the splendid co-ordination work of their National Federation formed in 1892, had by then reached a high degree of efficiency and represented a powerful instrument of progress in agriculture. Since 1930 they had established voluntary wheat pools which became compulsory in 1936. Later, compulsory pooling was extended to other basic agricultural products. Simultaneously they continued to supply farmers with their needs as producers. Owing to scarcity of fertilizers and other commodities the competitive basis was soon abandoned here also, and the trade was done according to distribution schemes issued by governmental authorities.

In their new privileged monopolistic position the Consorzi extended their physical facilities in the country by building elevators, new warehouses, &c. and their economic potentiality reached a very
high level. Unfortunately, some fiscal aspects of their new activities cost them the sympathy of many farmers. As the general economic situation of the country returns to normal again this, it is hoped, will prove transitory now that a law enacted only last year provides for the re-establishment of their co-operative form. Control is again fully democratic and elections are now taking place. Under the new law the Consorzi agrari remain provincial associations and this, for many reasons, has probably been a wise decision. Nevertheless, it must be admitted that it makes it very difficult for the Consorzi to operate as genuine co-operatives like they used to when their influence was restricted to minor and more uniform areas. It was then possible to pay closer attention to membership relations and keep the co-operative spirit at a high level.

In times when economic problems are gradually extending their scope to international level it would have been hazardous to break up powerful farmers' associations into smaller and weaker organizations. On the other hand, if the numerous members show sufficient interest in their associations there is no reason why the new provincial Consorzi agrari should not operate in a co-operative way and achieve the same results as genuine co-operatives on a different scale.

Considering that the co-operative movement in agriculture has developed on parallel lines to the phenomenon of concentration of enterprises in industry, we feel that the importance of purchasing co-operatives for farm supplies in Italy may be better emphasized, rather than by a few figures, by a few preliminary statements in a recent five-year agreement between the Italian Federation of Consorzi agrari and the industrial group Montecatini, in which the influence of Paolo Albertario, one of the leading men in the agreement, can be detected.

'In the desire to develop further an intimate and sincere collaboration in order to harmonize the particular interests of the two organizations with the superior interest of the Nation; after unanimous recognition of the necessity to place their relations on a higher and wider basis of conception and accomplishment in comparison with the past, in a sense that their function and activity may go beyond the restricted limits of purely commercial transactions;

fully realizing the advantages that may follow, in the modern industrial and agricultural economy, a unitary planning by systematic valuation of needs and possibilities, of progress of study, experimentation, production, distribution, and consumption of fertilizers and pesticides;

perfectly aware that such an agreement, by aiming at a more rational farm policy and a more intense use of technical means in the interest of production and consumption of fertilizers and pesticides, will develop
into a factor of progress of both agriculture and industry thus attaining the importance of a general national economic problem;

explicitly declaring their intention to consider the present formula of agreement, in its informing principles and modes of operation, a technical solution particularly suitable, in the country’s present technical and economic conditions and public policy, to regulate relations of such wide collective interest between industry and agriculture, both sides are willing to enter upon similar agreements with others who may wish to unite in the same spirit and practices;

all this aforesaid, the persons here convening agree to give effect to the above intentions as follows:

(a) by promoting in mutual agreement technical progress in the means of agricultural production;

(b) by continuing to develop, singularly and together, experimentation, intended to find and place at the disposal of agriculture the most efficient producer commodities to make possible an increase in national agricultural production;

(c) by gradually intensifying consumption of the products which are the object of the present agreement;

(d) by re-establishing an adjustment between production of the above and agricultural requirements;

(e) by regulation of the market for its stabilization on equitable bases that may provide on one hand a normal profit to industry and on the other encourage farmers to make provision for their supplies to the largest possible extent with no unjustified expenses.

For this purpose both sides agree to meet periodically and exchange views, data, and all information concerning the problem of utilising the technical means for agriculture and also consult each other on the best solutions to the same problems.

The future of agricultural co-operative organizations in Italy is, in our opinion, closely related to the solution of another organizational problem of agricultural producers.

Before the First World War, Italy had many non-co-operative associations of agricultural producers for general purposes of technical and economic progress (Consorzi for vineyards, olive-groves, &c.).

Owing to changes for adaptation to corporative control of production these associations were made compulsory by law and called Provincial Consorzi of agricultural producers. The latter had a unified character but included sections differentiated according to groups of commodities produced in each province. At the end of the Second World War they were abolished by law and are now being liquidated. Their important physical facilities, such as warehouses, processing plants, and so on, remain, together with the necessity to find a
Agricultural Co-operation and the Modern State

substitute for the previously existing associations formed by the farmers, particularly for collective pest control.

This problem has been widely discussed in the agricultural press during the last few years, and it is still being examined by State technical authorities and the farmers' unions. Discussion is concentrated above all on whether the special law which is to be enacted should provide for voluntary or compulsory associations and which organizations should be allowed the use of the physical facilities of the former ones.

The prevailing tendency at the moment is for provincial associations on voluntary bases in the various forms of Consorzi, cooperatives, &c. The State should encourage their formation and delegate some State functions to those associations which prove themselves fit to accomplish them. The State would naturally give financial aid and would control the delegated functions.

Provisions would be made so that the voluntary associations may federate on a national basis. Control would be democratic as members would be called to elect managing boards from among themselves. In the boards of those associations to which State functions have been delegated consultant representatives would be included and designated by farmers' unions.

Compulsory associations would be limited to necessary cases as, for example, collective pest control or when voluntary associations fail. Government vigilance on administration boards would leave the powers of the members in assembly untouched.

The problem is extremely important to farmers and to the economy of the country. Discussions as to whether the associations should be voluntary or not, organized from the top-down or bottom-up, are justified inasmuch as the general opinion is held that the co-operative spirit among farmers in the country is not very prominent. Otherwise there would be no question as to the preference for voluntary associations. Undoubtedly the State can give good help in the solution of this problem.

In our opinion it is less significant that the associations be organized from the top-down or bottom-up than it is that they correspond to real economic needs of which the producers are fully aware; that they be efficient enough to meet those needs at a satisfactory cost; and that they be really administered by the member farmers themselves.

It may be wrong to set forth this problem on the dilemma of voluntary or compulsory organization. This because if the first solution is chosen we risk not seeing the birth of the organizations
which are considered necessary and if the second solution prevails we risk having them lack the warm support of the interested parties, the agricultural producers. The dilemma may obstruct the adoption of intermediate forms partaking of both the voluntary and compulsory character of which in Italy we have the interesting experiment of the land reclamation Consorzi as an example.

The latter are formed on the initiative of the interested agricultural producers, but by an act of public administration. The quota of consenting interests necessary to compel the others may be that of a minority. Experience shows that in this case it is always an élite of the interested producers and therefore worthy of special consideration.

In any case, when considering this problem, we must not neglect the possibilities of existing organizations. It was mentioned that a trend exists in American farmers' purchasing co-operatives for farm supplies by which they show much interest in helping their members to market their farm products.

The same trend is clearly seen in the Italian Consorzi agrari which are now reverting to previous institutional activities and are losing their State delegated emergency functions.

They are therefore faced by the problem of full utilization of their physical facilities and their economic possibilities. The Consorzi and their National Federation have a fine past experience of collective marketing of agricultural products both on domestic and foreign markets, and in to-day's conditions it would be a great mistake trying to relate them to the new general purpose economic associations which are going to be promoted. Many services may be directly obtained from the Consorzi agrari at cost. For when it be considered essential to set up new specialized co-operative associations it will always prove profitable to relate them to the Consorzi agrari and benefit from their long established and efficient commercial organizations. It is felt that in this way the cost of services to the farmers will be considerably lowered.

The State can and must help co-operation by educational work. In its various forms this work promoted diffusion and strengthening of the co-operative spirit among agricultural producers, the only factor that, alone, can consolidate the development and vitality of agricultural associations. It may be remembered what the United States Department of Agriculture does in this respect, also the contribution to agricultural co-operation by all grades of schools in Denmark and other countries. If means were available there is no limit to what may be done in this field also in Italy. The State alone in our country
Agricultural Co-operation and the Modern State

can provide sufficient means for an adequate utilization of the illustration and research material available, and this would be a great advantage to the economy of the country.

All this we say because we are convinced that agricultural co-operation has great possibilities and a brilliant future. We do not, on the other hand, believe, like the distinguished writer we mentioned at the beginning of this paper, that the advent of a ‘co-operative democracy’ is indispensable to save our western civilization from the only possible application of the socialistic theory, from communism. Co-operation, with its undeniable ethical values, is a method of economic activity and its essence is strictly related to our traditional marketing system of economy, which it integrates contributing to correct its deficiencies.

The same function with greater responsibility may be seen in the intervention of the modern State into economic activity.

It is absurd to contrast such interventions at the present time and hope that with or without an expansion in the co-operative movement it will be possible to stop their growth. There is a general tendency in the whole world that points in this direction.

We may consider planned economies as characterized by more or less State intervention into economic activities. The real danger lies in the fact that the same interventions may be effected by inadequate organisms. That would mean either not entirely reaching the advantages to society that the State had planned for or reaching the same at a cost higher than necessary. A wide agricultural co-operative movement offers the State an opportunity to delegate its intervention into economic activities to the most interested groups and avoid the above danger. But it is still not sufficient to have adequate organisms for State intervention. To make them efficient it is necessary that modern States be really modern and therefore that they modify their present structure, still in many aspects too similar to that of the last century.

Only a harmonious coexistence of State and private economic activities in the various forms of individual, associated, and co-operative enterprises will in our days save our spiritual and Christian heritage, the only values in the world that make life worth living.

L. LOEWE, Anglo-Palestine Bank, Tel Aviv, Israel

Our experience in Israel seems to indicate that the distinction between collective and co-operative cannot be made as simple as it appears in Professor Ashby’s statement. From the large-scale
'communal economy' in agriculture comprising production as well as consumption, represented by the 'Kvutzot', down to the small-holder farms of the 'Moshave Ovdim' (small-holders' labour co-operative settlements) which are independent except for certain co-operative arrangements, there are gradual transition stages from one type of settlement to another.

Where the co-operative arrangements are concerned with part of the property only (e.g. heavy agricultural machinery), and where production itself, although carried on by the aid of these arrangements, is nevertheless undertaken individually, we may speak of a *producer* co-operative, but not of a *production* co-operative. Where, on the other hand, the members of a Moshav Ovdim work a particular enterprise in common and share the harvest, as is the case in several places with field crops or plantations, we find a transitional development from a *producer* to a *production* co-operative. In such instances, the farms are divided into two separate parts, the individual one including the household and farm-yard which come into each settler's private part, and the other, the collective part, to which belong only certain production enterprises, namely, those best suited to co-operative farming. At times, however, the two parts tend to compete with one another over the allocation of labour.

A number of years ago, there arose spontaneously in various parts of the country a new type of settlement where members sought to link the advantages of collective production with those of an independent household. In this so-called Meshek Shitufi, each member's household is run independently by his family whereas the entire production in all its branches is planned and carried out collectively. Externally, this settlement type is marked by each family occupying its own house, similar to the Moshav Ovdim, but by the inclusion of all farm-yard buildings within one compound and their adaption to large-scale production. All men work according to the common labour allocation, just as in the Kvutza, while the women are primarily engaged running their own households and devote only the remaining working hours (as determined by the co-operative on defined principles) to work in the communal farming enterprise. It should be mentioned that one tendency in this movement would give the women an independent field of activity besides the household, in the farm of an auxiliary farm for self-supply, and release them entirely from work in the communal enterprise.

There is a chance of the settlement form of the Meshek Shitufi finding many adherents in future, particularly among would-be settlers unable to take upon themselves the great burden of a
The advantages of the large collective farm of the Kvutza over the small private farm is a division of labour permitting the individual to specialize in his work, which is a circumstance not to be underrated in the successful settlement of elements drawn from other occupational, mostly urban, spheres. It was seen, however, that the possibilities of large-scale farming, i.e. mechanization, division of labour, and organizational concentration, may be more fully turned to advantage in the field of production economy than in that of consumption economy. The more rational allocation of labour in quite a number of cases is offset by the great area of the large farm and the ensuing long distances to work. The drawback is felt the more strongly the less the job lends itself to being mechanized and performed at optional times. This applies in particular to the household, and most patently to the care of the children.

Hence, reasons of ideology apart, there are valid economic arguments for the division of the settlements into independent households and with one productive co-operative such as is contained in the Meshek Shitufi. It is true that, as a rule, this tends to place an additional burden on the women which is avoided by the Kvutza with its labour allocation on the uniform plan. The coexistence in the Meshek Shitufi of two different economic systems, the private and the collective ones may give rise to friction. Only when the cooperative spirit in the settlement has grown strong enough to ensure the voluntary subordination to a severe discipline will the danger of conflicts engendered by such friction be obviated.

The rise of the Meshek Shitufi from a combination of the features of the Kvutza and Moshav Ovdim affords good enough proof that neither of the existing settlement types can be regarded as the only right and suitable one. Each has its specific advantages and drawbacks of economic as well as social character, and each has a right to exist. The old controversy on whether the co-operative settlement built up on collective work deserves preference to that based on individual work cannot in the light of past experience be decided in favour of either, since both have proved entirely successful. With the transition type of settlement which has sprung up in the meantime, the circle is completed which had the original 'settlers' co-operative' for its starting-point whence all our present communal settlement types are derived.

It seems to me that a certain amount of bias which has been expressed against the collective arises from the idea that collectives are
always forced upon the settlers by the State, while co-operatives are formed by the settlers themselves voluntarily.

The facts in Israel prove that collectives which have been formed in a truly voluntary way can hardly be classed in a category different from co-operatives. Economic more than ideological reasons are responsible for the formation of one or the other, and the limits between these various forms are not strict but rather flexible.

G. L. Burton, Macdonald College, Quebec, Canada

I wish very briefly to make two points. I agree with much of the very searching analysis which was presented by the opening speakers and it is needless for me to mention the points of agreement. I should like, however, to single out two on which there may be a difference of opinion. First, Professor Ashby stated that co-operatives do not make profits. This is perhaps a matter of definition, and we need not argue about it except when it comes to the matter of taxation, a problem which we have found very vexing in Canada in recent years. May I illustrate with an example. Co-operatives in Saskatchewan, which have been exempted from the assessment of taxes on their so-called profits, have found it possible to pay a higher price for creameries than private firms which have to pay corporation income-taxes were able to pay. Those who are staunch adherents of co-operatives will say that is all to the good. I believe that co-operatives are quite efficient enough to compete with private firms without any special privileges. Therefore I do not like that solution, and the answer to it is to revise our income-taxes on corporate profits, i.e. to exempt not only the co-operatives from taxes on net income but also the corporations. Fortunately our last national budget in Canada has made a substantial step in that direction.

The second point which I would make concerns Professor Visocchi's point about monopoly among co-operatives. It will be admitted that co-operatives may achieve a monopolistic position by gaining control of the sale of a significant proportion of the total output of a product. As I understand Professor Visocchi's paper, the suggestion was that this, too, was desirable since it gave the farmer a means of equalizing his position with the monopolistic situation of some of the industries from whom he bought products. That seems to ignore the fact that the consumer must eventually pay the shot. Those who follow this approach are, in fact, attempting to equalize the position of these two groups at the expense of the consumer. It seems to be a tacit admission that we cannot cope with the problem of imperfect competition in our Western democracies. Although I
realize that that is a complex problem, I am unwilling to subscribe to such a pessimistic conclusion. It would be more consistent with the general welfare to seek to eliminate the abuses of monopolistic competition in the industrial sector of the economy. Should it be considered desirable to compensate farmers, in the meantime it would seem that this should be done directly and at the expense of the taxpayer rather than indirectly at the expense of the consumer.

B. NATARAJAN, Economic Adviser, Government of Madras, India

Professor Ashby raised an important point when he said that with the extension of the Welfare State, the co-operative movement is weakened. No doubt, this is a very general statement which he would wish to hedge with a number of qualifications, and I do not imagine he meant it to be taken in the decisive manner in which it was stated.

So far as India is concerned, the extension of the Welfare State in recent years has not in any way hampered the growth of the co-operative movement. On the other hand, with the attainment of political freedom, the framers of the Indian Constitution, thanks to the ideals of our great leader of beloved memory, Mahatma Gandhi, the Father of the Nation, have made the attainment of a Co-operative Commonwealth the ultimate objective. In the past three years, ever since the Congress governments assumed office both at the centre and the provinces, they have been actively encouraging the growth of the co-operative movement. I would, with your permission, like to give some figures to illustrate the rapid strides made by the co-operative movement in India in recent years, more particularly after the Second World War.

The number of primary agricultural co-operative credit societies has increased from 93,800 in 1938–9 to 124,200 in 1945–6 or by about 35 per cent., and agricultural non-credit societies from 11,500 to 22,800 or by nearly 100 per cent. The agricultural co-operative societies—credit and non-credit together—have increased from 105,300 to 147,000 or by nearly 40 per cent. The paid-up capital of these societies has risen from Rs. 127.8 million to Rs. 164.6 million, deposits from Rs. 27.7 million to Rs. 54.3 million, and working capital from Rs. 31.62 million to Rs. 33.01 million. In 1945–6 the number of co-operative societies in India was 172,000, the number of members 9.16 million, working capital Rs. 1,640 million, and loans made during the year amounted to Rs. 517.4 million. At present, after the partition, the Indian Union has 135,708 societies with a total membership of 8.94 million and working capital Rs. 1,660 million.
In the Province of Madras, the primary rural stores alone have increased from 21 in 1938-9 to 1,132 societies in 1946-7. During this period the membership has increased from 2,888 to 249,000 and paid-up capital from Rs. 17,000 to Rs. 5,320,000. The value of annual sales has increased from Rs. 357,000 to Rs. 48,050 million or by nearly 137 times. The membership and the paid-up capital have increased by 86 and 314 times respectively. The same trend of rapid growth is seen in two more branches of co-operation, viz. consumer's co-operation and co-operative marketing.

All this has been due to deliberate government assistance; which has taken many forms. Procurement of food-grains is entrusted to co-operative societies; in all fields of economic activity, co-operative enterprise receives preference and encouragement. Paid officials of the Government audit co-operative societies' accounts and help the formation of new societies. In Madras Province, the co-operative department is entrusted with the welfare and amelioration work consequent upon the introduction of prohibition. The co-operative societies also enjoy several concessions and privileges from the Government. Notwithstanding this active stimulation and encouragement, the movement, I must confess, has touched only a fringe of the problem of rural indebtedness. The problem to be tackled is so enormous. To cite one instance, the credit requirements of the Province of Madras for current agricultural operations are estimated to be about Rs. 2,000 million, of which only Rs. 60 million have been granted by the agricultural credit societies or about 3 per cent. of the total requirements. The problem of rural credit is colossal in the whole of India. The co-operative movement provides only about Rs. 400 million as credit. The amount of credit controlled by the co-operative societies is but a fraction of the total requirements and this is the position in spite of the fact that, on the credit side, the movement is 45 years old. Sir Frederick Nicholson, one of the ablest English civilians that India had, said at the end of the last century 'Find Raiffeisen'. In it, he thought, lay the solution to all the economic ills of India. We found Raiffeisen; but half a century of its working has led us to the conclusion that the old formula is not enough.

Professor Ashby has well said that specialized co-operation might increase economic efficiency, but may not foster the co-operative spirit. India has become alive to this truth. We in India have developed, as few other countries have done, specialized co-operation —co-operation for credit, co-operation for housing, co-operation for sale, co-operation for purchase, and so on. The credit societies have been aiming at lower interest, the housing societies at lower instal-
ments, sale societies at higher profit, and co-operative stores at bigger ‘divi’ on purchases. There has been a great deal of emphasis on efficiency and business methods; but the spirit of co-operation is lost sight of.

It is an awareness of this trend of development that has led the Congress Government to adopt a new idea in co-operation, viz. multi-purpose co-operative societies. The Government of Madras propose to establish one multi-purpose co-operative society for each village or group of villages which will function at once as producers’, marketing and sales, credit, consumers’, as well as welfare societies. Their activities will be extended to semi-processing of agricultural raw produce; for example, decortication of groundnut, hulling of rice, crushing of canes, and manufacture of gur (raw brown sugar). The multi-purpose co-operative society will occupy a pivotal position in the economic life of the village and embrace all activities from raising crops and rearing cattle to agro-industries to process their raw materials, and cottage industries to provide the villagers with gainful employment in their idle hours. When the entire economic activity of the village is brought into the gamut of a central multi-purpose co-operative society, there are great prospects for the growth of the real co-operative spirit. This change-over from the Raiffeisen to multi-purpose co-operation is conditioned by the change in time-spirit.

This objective of developing the co-operative spirit could be hastened if the conditions governing payment of share capital were also modified to suit present-day needs. Small share capital, payable in a number of easy instalments, was good enough in the past. Now the workers should also be given an equal and honourable place in the co-operative enterprise. In my opinion, the workers should be enabled to contribute their share capital in terms of work units. By introducing this slight modification, the co-operative movement would be greatly strengthened and the foundations for a co-operative commonwealth well and truly laid. Professor Ashby’s suggestions made in this connexion require earnest consideration at the hands of all those interested in the future of the movement.

The Congress Party and the Government in India have a big mission before them, and they are slowly and steadily extending the sphere of the co-operative movement and adding new content to old definitions of co-operation, share capital, profit, dividend, &c. We are a ‘backward country’ but I must say that in the realm of co-operation we have made even more progress in recent years than some of the so-called advanced countries; and I hope such a
development on the part of an ‘infant economy’ like ours will be heartening to lovers of co-operation all over the world.

A. C. Richmond, C.B.E., Chairman, Land Settlement Association, London, England

The problem of the peasant or family farm that was discussed on the first day of our Conference was closely related to that of the development of co-operation which we are discussing to-day. Not only so but, since the establishment of new small farms or small holdings is in some countries being undertaken by the State, the State is concerned with the question whether or no co-operative practices should be introduced as part of the scheme for the establishment of those small farms or small holdings. This is a problem which concerns us very intimately in England, because the Agriculture Act of 1947 imposes on our County Councils the duty to provide small holdings for the benefit primarily of agricultural wage-earners who want to become independent farmers on their own account. For this reason it may be of some interest to describe an experiment we have made in England with the particular object of ascertaining how men with comparatively little technical knowledge, and less financial resources, can be established as small-holders in such a way as to be able to be efficient producers, and at the same time to earn a satisfactory livelihood.

As we have heard on more than one occasion during this Conference, small-holders have little bargaining power. Consequently they fail too often to obtain good prices for their produce and indeed suffer other disadvantages as compared with the larger farmer. To overcome these disadvantages we in this experiment established settlements or colonies consisting of about fifty holdings each. The production on these colonies consists in varying degrees of marketgardening (vegetables and fruit), poultry, and pigs. It is not easy to develop co-operation on a voluntary basis among a new group of individuals who are all strangers to one another and who consequently have no confidence in one another. Not only this, but in my experience in England wage-earners in agriculture want to become small farmers, not so much out of some strong and deep love of the land, as out of the simple human urge to be masters of their own lives. Their ambition is to be under orders from no man, but to be able to live independently according to their own tastes. Having been trained as an agricultural worker, he naturally looks to that form of life to satisfy this fundamental urge for freedom. To such a man participation in a co-operative organization is not at first wholly
Agricultural Co-operation and the Modern State

attractive. It implies some restriction on that very liberty which it is his ambition to achieve. For this and for other reasons our experiment was based on a pattern which is somewhat heretical in the eyes of the true believers in voluntary co-operation. We decided in fact to establish a range of services for the small-holders on each of our colonies, and to make participation in those services a condition of tenancy. In plain language, co-operation was thus made compulsory. The small-holder on our settlements is a tenant and he cannot acquire ownership of his holding. If he wants to do that he must go somewhere else; some wish permanently to remain, others make use of the facilities provided on our estates to build up the capital resources they need in order to launch out independently on a holding of their own.

Under the terms of his tenancy agreement, every tenant must buy farm requisites through the central organization and he must sell all his produce through that organization. If he requires the use of heavy implements he has at his disposal a machinery pool on the estate and this he must use rather than call in the service of an outside contractor. The Land Settlement Association, which is the landlord, undertakes on its part to grade, to pack, and to sell the whole of his produce and maintains a store on each estate where he can buy fertilizers, seeds, feeding-stuffs, tools, in fact, practically everything he wants at prices slightly below normal retail prices. Propagating stations are provided to save the small-holder the risk and the labour of propagating, for instance, his own tomato plants for his greenhouse. Pedigree pig herds are maintained by the Association to supply him with first-rate breeding-stock, and central incubation centres are also maintained to supply the tenants with reliable day-old chicks. In this way the tenant is freed from many of the preoccupations of the small farmer, and can concentrate wholly on production.

Representatives of the tenants meet the manager of each estate every month and thus take a part in determining the general production policy, in clearing up misunderstandings, and in ventilating complaints. The production plan to be followed in the ensuing year is discussed each autumn with the tenants and a general agreement is arrived at. Once that plan is agreed with the general body of tenants, the individual tenant is expected generally to conform to it, although in practice there is very considerable latitude for the exercise of the initiative and individual taste and fancy of each tenant. Consequently the production of each holding varies to a considerable degree.

Under this system of compulsory co-operation our tenants have up till now done well. The average size of the holding is about 4½
acres. The average net income earned by our tenants has been in the region of about £500 for several years past, exclusive of the cost of food grown on the holding which is consumed in the home. Many of the tenants have earned up to and over £1,000. I do not say that these earnings will or will not be maintained in the future. That lies on the lap of the gods. The main point I want to make is this. By such a system of compulsory co-operation the small man has the advantage of large-scale organization; he has a good chance of earning a reasonable living and enjoying (and this I think is very important) a life which leaves him, his wife, and his children, a great deal more leisure than is normally enjoyed by the independent small producer. We have on all of our estates a very active social life. Tenants have their own musical societies, their own horticultural societies, their own dramatic societies, and everywhere we have our Women’s Institute, our Young Farmers’ Club, and other social activities. Thus the life on an estate of this kind can be varied as well as based on a sound economic foundation. When the modern State is concerned, as it is in our country, with the creation of small farms for the benefit of the agricultural wage-earner, there is, in my view as the result of experience, much to be said for basing its plans at the outset on the principle of compulsory co-operation.

O. Schiller, Institut für Agrarpolitik und Ernährungswirtschaft, Hohenheim, Germany

As Mr. Richmond has told us, the discussions of this morning and on Monday are very closely linked, and therefore I would like to make some remarks on both.

If agriculturists in the peasant countries advocate the peasant type of farming, their reasons are not mainly economic but ideological. The typical farmer’s way of living, of working, and of thinking is not uniform but it shows many common features in all countries. It includes so many human qualities and virtues that we would not like to lose them from the social and economic structure of our society.

On the other side the arguments used against the peasant-farming type are mainly of an economic nature; that is, the consideration, as Professor Medici explained, that perhaps the peasant farm in the long run will not be able to compete with large-scale farming making use of all the advantages of modern technique and of large-scale management in production and marketing. It is, therefore, a matter of supreme importance to try to find a way of obtaining—at least in part—the advantages of large-scale farming for peasant farms, for example, the use of machinery as well as methods.
When we are arguing about the advantages of modern technique, we usually have in mind a certain type of machinery and the size of farm where this given type can find its optimum use. We then try to adjust the size of the farm to this machine. Would it not be more reasonable to go the reverse way and try to adjust the size of our machine to the existing size of farm, i.e. to the normal type of peasant farm? In Germany we have made some remarkable progress in this direction, and it seems to me that it will be possible, by making use of the brains and the ingenuity of our constructors of agricultural machinery, to give to the peasant farms adequate machinery to enable them to reduce the costs of production, if not to the same extent as the big farms, at least to a degree that makes competition possible.

There is, however, one essential condition for a great number of farms in western Europe, that is, the consolidation of farms. The splitting-up of peasant farms into a great number of small strips scattered over the whole area of the community makes it impossible to use machines even if they were of a special type adapted to peasant farms. We must find new ways and methods to consolidate our peasant farms which are easier, quicker, and simpler than the old method which in southern Germany took some dozen years. We are working very hard in Germany on these problems at the present time, and I hope we will find a way out of this dilemma, because otherwise we shall not save our peasant farms from ruin or collectivization.

The use of co-operative methods in the field of marketing to bring the advantages of large-scale management to peasant farms is another avenue. I can make this point very short. We have had enough experience with our agricultural co-operatives to know that it is certainly possible to bring most of the advantages of large-scale marketing to the peasant farmers on a co-operative basis.

The use of co-operative or even collective methods in the field of agricultural production requires examination. First of all I would like to discuss what Professor Ashby and then Dr. Loewe have said, namely, to question if there is any difference between the two ways of co-operation, the co-operative and the collective method. It seems to me that there is a big and fundamental difference between the two methods, if by using the term ‘collective’ we have in mind the methods exercised in the kolchos system of the Soviet Union. The task of the co-operatives, in the western Europe meaning of the word, is that of fostering the economic activities of free and independent individual producers, co-ordinated on a voluntary basis.
The collective system, on the other hand, eliminates the individual economic unit and, by so doing, creates one large uniform unit. The fact that the members of these greater units have their own garden plots, their cow, pig, and poultry, which is often used as an attempt to prove the co-operative character of collective farms, makes no fundamental difference. The industrial worker can have his own garden and pig too, without being a 'co-operator' in his industrial job.

On the question of co-operative methods in agricultural production, it is my opinion that there are interesting possibilities in this direction. I myself have had a rich experience in this field, although it was gathered under the special conditions of war time.

The time is too short to say more of these experiences, but we are now going to try similar methods of co-operative farming in the south Württemberg district of Germany: namely, a co-ordination of individual and independent farms on the basis of a voluntarily adopted common rotation of crops, which makes possible the efficient use of agricultural machinery on small farms. We think that by going this way we can make it possible to use machinery in many cases of highly fragmented and split-up areas, even before land consolidation in these areas has been carried out.

Finally, a few words about collective farming. There are many arguments commonly used against the collective system as it has been developed in the Soviet Union. I myself have used these arguments for many years. But to-day I would like to place a certain reservation on these arguments. In so far as they are of an ideological nature, I think they are as well justified as ever. If one gets acquainted with the way of living, of working, of thinking of a typical kolchos peasant in the Soviet Union, one would hardly find that this is a form which corresponds to our western ideals. In so far, however, as these arguments are of an economic nature, they are not wholly justified if we are talking theoretically about the collective farming as a form of farming and not of the special example of the kolchooses of the Soviet Union. All our arguments, that, for instance, the earnings of the members of collective farms are very low, that there is no real interest on the part of the members in the work and in the yield of the work, the red tape, &c., refer to the special conditions in the present form of Soviet economy, and one cannot even know whether the form of Soviet economy will not change or develop in any particular direction.

Up to now collective farming has been experienced almost exclusively under these special conditions, under the economic
climate of the Soviet Union. There is almost no experience of running a collective farm under another economic environment outside of the Soviet Union. I am not sure whether it is right, as Professor von Dietze told us, that collective farming can exist only under an economic and social order similar to that existing in the Soviet Union, namely, an order of subordination instead of co-ordination. Theoretically at least it seems thinkable that a collective farm could exist also in the normal economic and social order to which we are accustomed. It would mean that the members of the collective farm would not be obliged to deliver nearly the whole net yield of their farms by order of the State to the State for prices that are only a tenth or a fifteenth of what they would be in a normal relationship to industrial or consumer goods. They would be allowed to sell their products voluntarily on the market, for normal market prices, and thus have the same profit out of their production as any other farmer. It would mean that they really would be interested to work and to increase production. That interest is naturally lacking, if every increase of production is more or less for the benefit of the State, as it is in the case of the Soviet Union. I do not know whether this form of collective farming is being experienced in Palestine, because I heard of the experience there for the first time to-day.

In Germany there have been tendencies since the war on the part of the Socialist parties to introduce a kind of communal farming in connexion with the settlement programme. In order not to be blamed for introducing a kolkhoz system on German soil, the initiators of this idea assert that it is a new form of common management of farms—a so-called 'Farm Society'. I told them, that if they are striving for an adequate form of common or collective farming and of distributing the net income of this collective enterprise among its members, they will not find any better way than the one adopted in the Soviet Union. There are three possible forms under which members of a collective enterprise can participate in its yield: (1) The capitalist form, i.e. the participation according to capital invested by them in the collective enterprise. This form was tried in the earlier stage of collectivization in the Soviet Union and did not bring about good results. (2) The communist form, i.e. the participation according to the needs of each individual member. This form I met on some collective farms in the United States, operated by sectarians, the Mennonites, which had functioned successfully there for a long period of years. But this form will prove successful only on the basis of a strong faith and religious feeling similar to the communes in the early days of Christianity. (3) The
so-called socialistic form, as the Bolshevists call it, i.e. the participation according to the amount of work which every member puts into the collective enterprise in the course of the year. This form seems to me the most reasonable and economical one.

Summarizing, I would say that the theoretical basis of the collective farm in the Soviet Union is not as bad as we are accustomed to believe, and, if the practical results are not as good, it is mostly due to the special economic and political conditions of a totalitarian police state. In order not to be misunderstood, I may say I am strongly opposed to any kind of collective farming in our own country. But if we oppose it, we should use the right arguments. These arguments will be more of an ideological than of an economic nature. It is inevitable that we will have to concern ourselves with the ideology coming from the East, and I think it symptomatic that our Seventh International Conference of agricultural economists has given so much space to the discussion of collective and co-operative forms in agricultural economics. It is said that these two different forms of procedure for operating economic production are incompatible. I believe, however, that one can find the way out of this dilemma; that is, to strengthen the free and independent individual economic units by methods of co-ordination on a real co-operative basis, thus maintaining their existence against the danger of collectivization.

L. J. Norton, University of Illinois, Urbana, Ill., U.S.A.

We had the pleasure this morning of listening to two very valuable and constructive papers by Professor Ashby and Professor Visocchi. On one point I would take a middle position, unless I have misunderstood the position that each of them took. Ashby spoke of a Co-operative Commonwealth. He did not develop what he meant but it is not difficult to imagine. Professor Visocchi emphasized the business aspects of co-operation. It seems to me there is a middle ground between these two points of view.

Why do farmers co-operate and do so all over the world? Basically for the very simple reason that the volume of business of the individual farmer is too small to allow him to do alone many of the things which he thinks would be advantageous. He therefore joins with his neighbours on a small or large scale to form an organization to do some of these things. In countries with small farms, co-operation can be developed as an excellent tool to improve specific situations, and the development may go so far as to become part of one's way of life. But it seems to me that the really important thing is that a
Agricultural Co-operation and the Modern State

coopervative be used as a tool to improve a specific situation. We have found this true of co-operatives in the U.S.A. which deal with all sorts of situations. Before I came to this Conference I was privileged to visit co-operative leaders in three European countries, Denmark, the Netherlands, and Belgium. I found these people doing very much the same sort of things that people in the same lines were doing in the United States. The farmer is interested in this very valuable tool, if he sees tangible results flowing to him from its use.

I have been trying to think how many co-operative organizations I belong to, incidental to a very small farming interest in the United States, and I believe it is four. In defining benefits, it seems to me that they can be divided into two general groups: first, improvement in specific situations, which may be related in marketing, in purchasing, in land improvement, or in the ownership of some tool of production, such as an improved bull or a threshing machine. I will mention two instances where it seems to me co-operatives have done excellent jobs in various parts of the world. The first is in the preparation of products to be sold in a distant market, Danish butter in England, or Californian oranges in New York City. Co-operatives have demonstrated a capacity for putting out products of the quality desired and of packing them in the way they need to be packed, doing the other things essential to a good market, and then organizing the agencies to get the products to market. Co-operatives have done that in many places, but in many other places in the world it still needs to be done. The second is on the side of farm supplies. Co-operatives can do much, and have done much, to ensure that farmers get the qualities of supplies which modern scientific techniques show to be desirable. This has been one of the most useful things which our purchasing co-operatives have done in the United States. I have heard it said of a very large egg producer in the State of New York that one of the reasons for the very considerable increase in the average production of eggs per bird in that state is that the co-operatives took the lead in seeing that the feeds the farmers bought were scientifically correct.

These are two examples of what co-operatives can do in specific situations. I could mention many others, not only in America but also in Europe and on other continents. The other general benefit which co-operatives confer is that they can retain for farmers the earnings, or savings— I will not quibble about what you call them—from operating a part of their business in which they cannot individually engage. The fact of the matter simply is that an efficiently organized co-operative can earn returns for the people who use
it. That is true regardless of what economic theory may teach about the absence of profits or otherwise. I know this from personal participation. Professor Visocchi said this morning that the co-operatives cannot obtain prices that deviate very far from market prices; I think Professor Ashby would also agree with that. All of the experience of co-operatives in the United States confirms this opinion, but by improving specific situations of which I have mentioned two, or by organizing an efficient business, with the advantage of a larger volume, they can increase returns to farmers, provided that they attract or develop within their group the type of business ability necessary to operate a business successfully.

Where co-operatives failed in the U.S.A. was in attempts at price-raising measures, though many of them made the attempt. I suspect it is a natural tendency of co-operatives the world over to attempt it. Prior to the development of our price-support programmes in the U.S.A., co-operatives tried price support in cotton, in tobacco, and most particularly in market milk, and failed. In most of our large city milk sheds prices to farmers are now set by formulas fixed by the Government. This system followed one involving the negotiation of prices between dealers and the co-operative representatives of producers. These formula prices in turn cannot deviate far from supply and demand conditions. Dr. Stine said yesterday that in his opinion, with all the elaborate price-support schemes which we have in the United States, the average level of prices was probably not affected by more than 5 per cent.

The question of government and co-operatives was brought up by most speakers this morning. For the good of both the co-operative and the farmers who trust the co-operatives, it is my opinion that co-operatives should keep themselves free of government dictation. They should maintain their independence. A government, of course, will provide enabling legislation; it may advance credits to promote desirable types of co-operatives; it will provide educational work in the area; it may even organize and promote co-operatives. Our governments, both State and national, do all these things in the United States, but they do not operate the co-operatives. And I think that if a government official went into the office of any co-operative and began to dictate either policies or operating procedures on anything but an advisory basis, he would be speedily invited to leave. I do not think that a bureaucracy anywhere will ever have the flexibility or have within it men who can deal with business situations to make wise decisions for a co-operative.

A personal word. I helped in a modest way to organize the
co-operative credit system in the United States in 1933-4. It was mostly what we call in the United States, leg-work. But I actually did participate in organizing these associations, I think, in more states of the United States than any other single individual. These were the production credit associations to provide loans to farmers for operating capital purposes. The Government supplied practically all of the initial capital by direct investment in these associations. It was therefore a very simple organizing job. Farmers needed credits and the Government offered them the initial capital. But the structure of these co-operative credit associations was such that losses, if any, fell on the share of the capital that was supplied by the local farmers who borrowed. The local associations were quickly given full responsibility for making loans. In other words, although the Government put up all the initial capital, the structure put the responsibility on the local people. The Government did the organizing, did educational work to train the personnel and the officers in making sound loans, but the actual making of the loans was rapidly transferred to the hands of the co-operatives. This had very important results. The farmers after some experience realized that they were responsible, and they assumed that responsibility.

I well remember a case in the summer of 1934 when the associations were just getting started. The officers of one of the banks which advances the credits to associations were considering a loan made by one of the associations, which had become delinquent. The president of the bank was somewhat at a loss about this loan. As representative of the Production Credit Commissioner, I said to him, 'Sell it back to the association; they've got the funds; let them carry it themselves.' He said: 'That's a fine idea. If they have to carry it themselves, they'll collect it.' This became the routine procedure.

Now, after sixteen years, about 60 per cent. of the capital in these associations is held by the farmers, either through purchase of stock required to get loans or as an investment or by earnings which have been retained. In a few years, this system will be on a fully self-sustaining basis and will be run by the farmers with a minimum of government supervision. Regardless of any bureaucratic tendencies which might develop in the conferring agency, and there are certain bureaucratic tendencies developing in connexion with these organizations at this time, the farmers who actually build them up will see to it that they maintain the right to run the association. My opinion is that if the farmers demonstrate that they can run them successfully, their wishes will prevail. If local farmers had not been given the responsibility, this would never have happened. It so happens that
over the sixteen-year period the government organizing and supervising agency has been headed up by two rather remarkable men. One was originally a bond salesman in a bank in a rural area who had the vision of co-operative credit and above all knew that people performed best only when they had responsibility. And the other was a professor of agricultural economics before he went into the government service. Those men said from the start, if we are going to make this thing work we must put the responsibility on the farmers.

I wish to tell one story as to the way I proceeded in organization work. I organized the Association at Fresno, California, in the San Joaquin Valley. A discussion developed within the Board as to who should be the secretary. The by-laws provided that the Board of Directors, elected by the organizing farmers, should select the secretary with the consent of the president of the supervising agency. The Board of Directors of seven farmers met on a hot afternoon, and asked me to say who should be secretary. I refused to do anything of the kind. And they balloted, I think, fifteen times, and after every ballot they appealed to me to decide for them. Finally, they elected a secretary unanimously. It became a very successful Association.

Someone said this morning that this particular type of technique was nonsense. I do not think so. You must let the farmers have the responsibility for the development of really effective co-operatives.

To conclude, I would agree whole-heartedly with the implication of Professor Ashby's paper that any government which does not use the tool of co-operation to solve certain problems of its agriculture is making a very serious mistake. I also agree with what I understood Professor Visocchi to mean when he said that a co-operative must emphasize the things which the individual farmer recognizes as being valuable to him.

K. Skovgaard, Den Kgl. Veterinar- og Landbohojskole, Copenhagen, Denmark

First of all I wish to express my full appreciation of the two excellent papers given this morning; each of them dealt with the problem of co-operation in a most comprehensive way, and taken together they cover a very broad field of this very important subject. For this reason, and as I agree with most of the observations made by the two speakers, I do not have much to add. Nevertheless, there are a few comments I wish to make.

I have a special reason for appreciating the placing of the problem of co-operation on the agenda of this Conference. The co-operative
movement is of great importance to agriculture in my country. The Danish farmers have practised co-operation extensively for many years, but we have never taken the trouble to study this specific form of enterprise in a scientific way. It has been taken too much as a matter of course. I find it most useful, therefore, to get so able an analysis of co-operation as we have had to give us a statement of where we stand and where we are likely to go and of the implications which may turn up in the course of development.

Professor Visocchi in his paper this morning made the estimate that 50 per cent. of the Danish agricultural marketing was performed by co-operatives. This percentage, however, depends on what we are measuring. Of the outgoings from the farm I think as much as 70 per cent. is sold through co-operative societies. Besides marketing, many other production activities are organized co-operatively, and most of the Danish farmers will hold membership of 10–15 societies, and a membership of as many as 20–5 is quite usual.

In only a few cases has the Government or any other outside body had any influence on the organization or promotion of the co-operative movement. It is organized solely by the farmers themselves, beginning at the bottom with the local societies and bit by bit adding the superstructure as it has been found expedient to organize a central body.

I come to one of the points made by Professor Visocchi—the importance of education. I do admit the usefulness of education on co-operation, which may be valuable and even necessary in many countries. In my country, however, this type of education has been taken up only in recent years. The Danish farmers learned about co-operation through example and they applied the principle on ever increasing fields of production. The Peoples' Folk Schools in Denmark have had great influence, not, however, by teaching on co-operation but by influencing the mentality and spiritual attitude of the farmers and preparing so to speak the ethical background of the co-operative movement. For, even though I fully agree with Professor Ashby that co-operation is purely and simply an economic enterprise, to build a successful co-operative movement the members must have certain ethical qualifications.

In my opinion one essential condition of co-operation is uniformity so as to eliminate points of divergency as far as possible. The members must have uniform economic interests, and uniformity of education, of cultural, and of social standards. Even uniformity of religion is very essential. The fewer the problems which may give rise to disputes and mistrusts the better. The Danish co-operative
organizations are single-line organizations, each of them established to solve or deal with one singular problem of production and each of them organized in its own way peculiar to that line as found appropriate by its members. For this reason a marked uniformity is found within each co-operative society, but comparing the different societies you will of course find much dissimilarity in ways of doing things.

I listened with great interest to the comment made by Mr. Richmond on the experiment made by his society in organizing large numbers of small holdings within a single co-operative performing all kinds of services for the members. At the present stage of development such institutions would have only a meagre chance of success in my country. They would be too heterogeneous and lead to disputes and discontent.

In the discussion some effort has been expended to find a distinction between co-operation and collective organization. I do not think it is of much use to elaborate this problem, as I find no difference. Co-operation is a collective organization, anyway in the free-enterprise society, and the problem would not arise had it not been for the use of the word collectivization in connexion with what is going on in the communistic societies. In this connexion I wish to comment on a statement of Professor Ashby’s on the character of membership in co-operative societies. If I understood Professor Ashby correctly, he was of the opinion that it is the farm which is the member and not the farmer. I disagree. It may become so in another order of society, but it is generally not the case in a private-enterprise society. In my country the members of most agricultural co-operatives are jointly and severally responsible for the liabilities, and they are responsible with all their property. It is the farmer personally who bears the risk and not the farm, and the same holds true in co-operatives with limited liability. The members personally lose if the co-operative fails or breaks down.

Professor Ashby expressed the opinion that the members of co-operatives are losing independence, an observation which is contrary to experience in my country. The more co-operatives we have had the more independent the farmers have felt themselves both economically and, as a consequence, spiritually. The explanation is not difficult to give. Co-operation in Denmark meant, as it will mean in most countries, liberation from the middleman’s control, and it fostered self-confidence as the farmers became able to take care of their own business. Furthermore, the farmer is not made dependent on the co-operative in the sense that he is forced to
conform to the decisions made by the organizations. He must, of course, do so as long as he remains a member, but he is a member only by his own choice, and if he disagrees with the leadership he is free to leave and to sell his produce or buy his supplies elsewhere. Actually you will find that members come and go in Danish co-operative societies, but when the patronage is so well maintained it is due to the fact that the farmers on the whole find it to their advantage to stay in. In other words, the co-operatives have to adjust themselves to changing conditions to keep their members. There is no final form and no final definition of co-operation, and Professor Ashby is quite right when he observes that in our day there is a monopolistic tendency in co-operation in many countries. We find the same thing in Denmark. The great central co-operative organizations are endeavouring to control the agricultural export business, but this tendency is in full accordance with the general economic development. It is one of the new fronts in co-operation to defend the interests of the members.

The problem of taxation has been dealt with by Professor Ashby and other speakers. I wish to say that I do not find it justifiable to tax the profits made by co-operatives, as the interests of the members are to get the highest possible prices or lowest possible costs, while no motives are present to maximize the profits of the organization. The objectives of co-operatives are to improve the earning-power of the members and not to make profits or build up funds, a fact that distinguishes co-operation from private enterprise and shows that co-operation is a special form of economic enterprise. This difference is further emphasized by the ability of the co-operatives to run their business on a low-profit or even a non-profit basis, as the primary payments may be adjusted in such a way as to balance the ingoings and outgoings.

J. Hespel, Institut Agronomique de l'État à Gembloux

My object in intervening in the discussion is simply to help those of you who have occasion to peruse the agricultural economic literature of my country to avoid certain confusion in the interpretation of the statistics relating to agricultural co-operation. For us the term agricultural co-operation is not exclusively used in the sense of the economic activities of co-operatives strictly defined. From the discussion which we have heard up till now, the term co-operation would seem to relate exclusively to the economic activities of co-operatives. But, in fact, in my country these agricultural economic activities are not exclusively monopolized by co-operatives.
The co-operative is one of the juridical forms of commercial society, but it is not the exclusive form. Our law provides for various types of society which can pursue a commercial activity over and above the co-operatives, notably, for instance, the professional unions.⁠¹ The co-operatives are commercial societies in a strict sense and are therefore subject to the commercial code of commerce. They are able to carry on transactions with people who are not members and they can make profits. I should add that alongside these two forms of organization (co-operatives and professional unions) which have a precise legal definition, there also exist numerous associations which have not got a precisely defined legal status.⁠² Our mutual societies (sociétés mutuelles) are also able to pursue economic aims, since they virtually monopolize insurance against livestock mortality. That does not mean that certain limited companies (sociétés anonymes) are not also concerned with this type of insurance, especially for pedigree animals of value which our modest mutual societies would not be able to insure without incurring too great a risk.

Co-operation in my country can pursue aims which are not strictly economic aims. For instance, a professional union could organize a school or a machinery exhibition, a museum, &c. It is vital that those who consult our economic statistics should understand this characteristic. I draw your attention now to the enormous importance of co-operation—in whatever legal form—in my country. Our agricultural population comprises approximately 320,000 cultivators. Of these, about 220,000 cultivate an area of less than 5 hectares, with an average area of 2.8 hectares. There are, therefore, approximately 100,000 cultivators who cultivate an area greater than 5 hectares.

³ Amongst the activities of an economic nature (provided that they do not produce any gain or profit to the union), we might instance purchase for resale to members of seeds, fertilizers, machines, livestock, &c.; purchase and resale of harvested products of members; purchase of livestock, machines, &c., intended to remain the property of the union for the use of members for the exercise of their agricultural profession. But the law stipulates that a professional union is created exclusively for furthering professional interests and cannot itself practise the profession or calling. The union, therefore, cannot create a buying and selling syndicate which makes a gain or a profit for the union by selling to third parties.

⁴ The law recognizes the civil personality of certain associations. The co-operatives possess it in view of their status as commercial societies, and recognized professional unions also have it equally. In an association without a civil personality, the law only recognizes the individual members. These societies are able, within the limitation of their statutes, to make a legal convention which may be recognized by the courts, but the association as such has no autonomous existence. The law recognizes only the individuals which are part of it, but from the moment that it possesses a civil personality there exists something more than just the individual members. The law considers the association as having, in addition to the personality of its members, a personality of its own.
hectares each. Added to the activity of these 320,000 cultivators themselves there is, of course, the work of the members of their families and some 30,000 wage-paid workers.

Among the co-operatives (we have about 2,000 of them) I should like to draw your attention also to our Rural Credit Banks (Caisses rurales de crédit) which are local banks which function according to the principle of the Raiffeisen banks which are, as you know, of German inspiration. We have also numerous societies which are concerned with the purchase of raw materials and with the sale of harvested products. The Veiligen system is also being developed quite strongly, at the moment, on the model of the Netherlands.

As for the agricultural professional unions, they are mainly concerned with the defence of general agricultural interests. These are also the concern of the breed societies, the societies for the prevention of bovine tuberculosis, the ligues de fermiers (Farmers’ Leagues), as well as organizations of rural youth. These associations are grouped into federations, often very powerful, among the more important the Belgische Boerenbond and the Alliance Agricole and the Boerenfront. I group these together because they are all of Christian inspiration. Alongside these three associations we have two, namely, the Fédération Nationale des Unions Professionelles Agricoles, and the Fédération des Syndicats Agricoles, which are neutral in the religious sense.

I listened with the greatest interest to the paper of Professor Ashby, and especially when he was dealing with the definition of the conditions to which true co-operatives should conform. In my country there is no lack of agricultural organizations who masquerade under the name of co-operation, but which in reality are nothing of the sort. We have attempted to provide some remedy for this situation. Not long ago our former Minister of Agriculture, Mr. Lefevre, set up a Commission with the object of defining the status of a genuine co-operative. The burden of the report was that only societies which conform to certain conditions should be able to use the name co-operative. If these conditions were complied with, then the societies would be recognized officially as co-operatives, and would be able to make use of that appellation in their commercial operations.

I had the honour to be a member of the group working with the Minister Lefevre, and, while listening to Professor Ashby, I thought of the recommendations which we proposed: the division of benefits among the members in proportion to the amount of business transacted; the limitation of the number of shares per member; the
allocation of votes at the general assembly; the fixing of a simple interest on capital invested without other rights; the conditions provided for defaults and the obligation to create a sufficient reserve fund before proceeding to a division of benefits. These stipulations in our case had been dictated by experience. Certain of our co-operatives had experienced failures due either to lack of capital or to lack of specialization or to the technical or commercial incompetence of those called to direct them.

The three types of association of which I have been speaking, the mutuals, the professional unions, and the co-operatives, are therefore free associations. I hope, however, that I shall not be departing too much from the subject in drawing your attention to the existence in Belgium of certain associations which are grouped according to the method of official representation of agriculture. In Belgium every legal canton contains from ten to twenty villages. In every one of these cantons there is an agricultural committee (comité agricole). The people entitled to be members of these committees are the cultivators, the landed proprietors, the agricultural workers, and graduates of higher agricultural or veterinary educational establishments. These committees each send two delegates to a provincial body (la Société provinciale d'agriculture) the office of which is called the Provincial Agricultural Commission (Commission Provinciale d'Agriculture).

Over the Société Provinciale there is in each province what is called La Chambre Provinciale d'Agriculture which establishes liaison between the free associations and the official associations. Chambres Provinciales d'Agriculture send members to form the Conseil Supérieur de l'Agriculture, which also includes delegates appointed directly by the Minister of Agriculture, notably representatives of university agricultural departments. The President of the Conseil Supérieur is appointed by the king, who chooses between two members whose names are submitted to him by the Conseil Supérieur. The object of this latter body is to give its opinion of projects which are put before it by the Government, but it can also operate on its own initiative.

Our official agricultural organization is often criticized on the grounds that it is not sufficiently useful in practice, and for that reason a line of thought has been put forward from time to time in my country which would substitute a system of electoral representation of cultivators for the organization I have just described. All cultivators would be members obligatorily of the committees (comités) and would have the right to vote for the delegates to the Chambres Provinciales d'Agriculture. The Chambres Provinciales them-
selves would nominate the members of the Conseil Supérieur. The first idea of this elective system was put forward by the great sociologist, Hector Denis, who was Professor at Brussels University. The idea was taken up by Monsieur Arthur Wauters, who made it the subject of a parliamentary project. Monsieur Arthur Wauters later became the Belgian Delegate to the Executive Committee of F.A.O., and at the moment he is the Belgian Minister at Warsaw. The project was taken up a second time about two years ago by Minister Lefevre, but again without practical result. Such a system of elected representation would give, in my opinion, the opportunity to all cultivators to place before the public authorities in an effective and formal way, their opinions on all economic, moral, and social problems which might arise.

D. R. BERGMANN, Institut National Agronomique, Paris, France

Recently there has been discussion about machinery co-operatives. On the one side, it is said they can help to maintain the small farms by increasing efficiency; on the other, it is feared they will destroy the 'family farm' system and pave the way for a collectivized agriculture. We now have more than 8,000 machinery co-operatives in France including those which engage only in threshing work. They own nearly one-fifth of all the tractors in the country. So, without attempting an exhaustive treatment of the matter, I would like to make a few comments on this controversial question.

It seems to me that machinery co-operatives will not prevent small-scale farms from being less efficient in their use of machinery than the larger ones. Machinery owned by a co-operative of small farmers operates on smaller fields (even if the scattered parcels of land have been regrouped). The co-operatives have to use smaller implements which have higher unit costs. They have extra accounting expenses and may find it difficult to get an able manager. Machinery co-operatives have difficulty in providing full employment for their employees. When it rains, the farmer finds something for himself and his men to do; a machinery co-operative, especially if it is a small one with only one or two tractor drivers, finds it difficult to employ them during the idle days or seasons.

Machinery co-operatives therefore will not provide the same advantages as large-scale operation. They will not by themselves maintain the small-scale farms. They are, however, a great help, even to the larger farms. Some modern implements require acreages which are greater than even the large-scale farms as we know them in western Europe. Machinery co-operatives are proving very
successful in the handling of those specialized machines. Thanks to the pneumatic tyre, they can operate over a fairly extensive radius. These large machinery co-operatives operating a sufficient number of the various special implements have attained first-class efficiency. It appears, therefore, that this type of co-operative is more durable than 'one-tractor co-operatives' attempting to keep a few undersized farms alive.

Can one infer from the success of machinery co-operatives that they will absorb the individual farm businesses thus causing great changes in the structure of the modern State? Judging by some experiences in Florida and in eastern Europe, the answer seems to be yes. In Florida, some co-operatives are now performing all the operations of citrus growing. Many farmers have retired to the town and their role is merely that of an investor. In eastern Europe, machinery co-operatives are a definite step on the way to a collectivized form of agriculture. In both cases, however, the economic conditions are very different from those prevailing in western Europe. Whether similar developments are likely in this latter region is thus not so much an economic as a political problem, and discussion here seems unprofitable.

W. E. Cave, Everleigh, Marlborough, England

The President has very much embarrassed me by introducing me as a farmer. As such I am one of the subjects of your analysis and I feel therefore that I have no right whatever to butt in. By speaking at all, I am about as presumptuous as a bacillus if it were to step out of its test-tube and address the doctors who were conducting the experiment.

I am going to confine myself to the subject which the last speaker dealt with. It seems to me that in England the country is fairly well covered by agricultural co-operative societies carrying out buying and selling on behalf of the farmer. It is covered in the sense that any farmer who really wants to take part and work through a co-operative society can do so. But we have in England a very considerable number of farms round about the 100-acre size, and those farms seem to me to be some of the most difficult of all to organize. They are too large for the work to be carried on by hand labour alone, but they are too small for mechanization, because the capital cost of mechanization is too high in relation to the total of the farm's output. I think it will be agreed that the smaller farmer, and when I say smaller farmer I mean the 100-acre farmer, is, generally speaking, much more efficient than the large farmer in dealing with his live-
stock, in the production of milk, eggs, pigs, and so on, but when it comes to the growing of cereal crops, of potatoes and sugar-beet and that sort of thing, he is at a very considerable disadvantage compared with the larger farmer who can completely mechanize most of these crops.

There is therefore a big place for co-operation in England in providing machinery to help the small farmer to overcome this inherent difficulty, and it would be extremely helpful if this could be really effectively carried out in England. It has been done to a certain extent in Buckinghamshire by the parish machinery pools, and during the last year or two it has been done quite effectively in the case of grass drying. Mr. Currie could probably tell you very much more about that than I can, because he is very intimately connected with such an enterprise. I think that the co-operative societies should start to provide a machinery-hire service, which would be of much greater assistance to the smaller farmers than merely pushing their buying and selling activities, which in any case is a very competitive business.

F. GRUNSEIS, Bundesministerium für Land- und Forstwirtschaft, Wien, Austria

In view of the peasant structure of our agricultural economy and in view of Austria’s geographic location between the west and the east, we take a very particular interest in the problems which are being discussed at this meeting, especially the questions of peasant farming and of agricultural co-operation, which are the concern not only of our government administration in Austria but also of our scientific studies. We have therefore followed with greatest attention those who have spoken on these subjects.

The peasant farm of family size is a typical and essential feature of our country. This is true for the farmer in the high mountain areas as well as for the farmers in the low country. The personal freedom which he enjoys as proprietor of his own land is an essential reason for his power of adjustment to the most varying conditions. In the spring of 1945 when the fury of the war had passed over our country and deprived very many farm enterprises of livestock and other capital, our peasants set to immediately with reconstruction work. This was possible because the family farm of the peasant type is better equipped to overcome periods of crisis than any other form of enterprise. The stimulus which comes from the desire to maintain the material existence of the family is so strong that also the great obstacles can be overcome.
The personal freedom of the Austrian peasant remains unaffected when he becomes a member of a co-operative association. The members of the co-operatives are proprietors of farms irrespective of the size of the farm, and they voluntarily—without any compulsion from government or any other agency—co-operate for a common economic purpose. The independence of the single-farm enterprise and its management is completely safeguarded. The collaboration applies only to certain activities of a commercial and technical character which are taken over by the co-operative, i.e. such activities as cannot be adequately and efficiently carried out by the individual farmer.

This principle is maintained also with those co-operatives which in the last few years have been established to enable peasants to make more extensive use of farm machinery and to improve the cutting and transport of timber.

The Government encourages the foundation of agricultural co-operation where it is being tried for the first time; it acts as a pioneer of co-operation for certain special objectives or in particularly undeveloped localities.

We Austrians hold the opinion that the principle of voluntary membership is an indispensable prerequisite for the favourable development of agricultural co-operatives, and one can hardly speak of agricultural co-operatives in the true sense of the word if the principle of voluntary membership is replaced by compulsory collaboration, and when the voluntary subordination under the leadership of the co-operative is replaced by the order of some authority which does not owe full responsibility to the members of the co-operative.

We are quite convinced that the preservation of the independent family farm and of the principle of voluntary collaboration in agricultural co-operatives are indispensable conditions for the healthy development of our peasantry without which we cannot picture the future of Austria and of the whole of central Europe.

A. Calloway, Massey Agricultural College, Palmerston North, New Zealand

I am indebted to a colleague of mine, Dr. Lowe of Massey Agricultural College, New Zealand, who had hoped to be present at this Conference, for a number of comments on this subject which I would like to make to you. The co-operative movement has taken only a minor place in New Zealand's farming, but there is one outstanding exception, namely, the processing side of the dairy. New Zealand can
claim the unique distinction that all of the butter and cheese factories are co-operative enterprises at the present time. I think that is unique, but I may be mistaken. New Zealand is a very young country, and the emergence of co-operation began in 1882, when the discovery of refrigeration opened up an apparently limitless export market. Privately owned factories operated side by side with the co-operatives, but by 1920 90 per cent. of the 579 factories were co-operatives.

Thus New Zealand's major industry—the dairy industry—has become wholly co-operative despite the fact that our short history shows that dairy farmers in general have not shown themselves to be filled with co-operative zeal. What has happened is that the State has been willing to do everything to give the co-operative societies the legal framework for their special need and have encouraged efficiency by sending out travelling instructors. Professor J. B. Condliffe, himself a New Zealander, and now of the University of California, says in his book, *New Zealand in the Making*, 'Great credit must be given to the unrecognised work of unnamed civil servants who directed the attention of New Zealand dairy farmers to methods of rural cooperation. They were not content with generalisations, but prepared practical, simple, detailed forms of organisation.' Even now the one main stated purpose of the Dairy Division of the Department of Agriculture is to give advice to groups planning to set up dairy factories on co-operative principles. With improved transport, the internal economies of size had their effect, and amalgamation has led to fewer factories but to greater output.

Over recent years it may be held that a certain rigidity has crept into the system. In 1934 the State set up a Commission which zoned suppliers by restricting their choice of factories and made provision at the same time for the grading of supplies and payment with grade differentials. That is to say, there was a rationalization of supply and control of quality of produce. In an important sense this control of the factory-supply was undertaken not because the societies were co-operative but because the step was nationally important in a period of emergency. Concerned with the quantity of produce and with saving of truck-miles in its collection, the State gave virtual monopolies of the supply in any particular area to those factories. Justification was claimed for putting pressure upon and rendering untenable the position of the proprietary factories (by then few in number) on the ground that a monopoly run co-operatively might be freer from criticism than a monopoly given to private interests. There must always be a clear limit to such compulsory democracy. A
long-established tenet of the co-operative movement is that it is essentially voluntary. Zoning has made us something less than this, and compulsory zoning has remained while other war-time measures have disappeared from New Zealand.

The significance of zoning should be judged not by those instances where it is virtually unnecessary because of the shape and natural limit of the territory covered, nor where the rules allow in fact the choice of as many as four factories, but by those instances where choice is completely restricted. Where a zoned area is defined and only one factory sends its trucks to collect cream along a particular farmer’s road, that man’s right to change over to another factory is worth very little. Some protection is provided by the fact that such zoning boundaries are the result of agreement, and also by the outstanding personal authority of the leader of the Commission which arranges the zoning.

This may seem to overstate the dangers of control, and the co-operative structure should reduce the inevitable tensions to a minimum. It is undoubtedly true that there was more freedom before 1934 than was required to protect the interest of the supplying farmers. It may well be true that there is too little freedom to ensure, on the one hand, the spur of efficiency and the reward for initiative, and, on the other, the gradual elimination of the smaller, less efficient, less well-placed factories.

The balancing of these conflicting claims of freedom and order are as difficult in their own sphere as are the claims of the larger aspects of economic and political life. At the moment the State in New Zealand seems to have swung rather far in favour of order or planning. The guaranteed price system from 1936 onwards removed the main reason for the excessive instability of supply, first by raising the pay-off and making it so nearly calculable that individual factories could not at any rate attract suppliers by promises of better return due to their superior marketing arrangements. But unless one regards all problems as already solved in the industry, it seems unwise to fix a *status quo* too rigidly. It is quite possible that less local monopoly plus the retention of such proprietary factories as were of adequate size and in suitable places, might well provide the kind of stimulus to positive experiment and improvement that could confer benefits on the whole industry. There is a danger that the farmer-directorate of a co-operative concern of ordinary efficiency will be quite content to carry on in the accepted way. It is the long-term effect of this lack of stimulus that is to be feared, and that is the point I wish to emphasize.
Agricultural Co-operation and the Modern State

D. B. Williams, Roseworthy Agricultural College, South Australia

As workers in an applied field agricultural economists have to some extent depended on economic analysis for the theoretical models which form a basis for their science. The economics of the individual firm, particularly its cost relationships and distribution theory, form the basis of the analysis of co-operatives and the modern State. Political factors might be superimposed, but the situation which has arisen and which is exemplified by Professor Ashby's two-way choice between collectivism and co-operation is surely a result of an economic distribution of income, and particularly the institutional factors in which those economic processes occur. Co-operatives may be considered in the light of production economics and in the light of distribution theory.

Enough has been said during this discussion to draw out the two important principles on the production-economic side. Firstly, the question of economies of scale, and, secondly, the question of monopolistic competition. In Australia both are very important, particularly in the processing industries of wine making and butter making, and statutory protection has been given to those monopolistic powers in many of our industries. Two price scales, with a home-consumption-price higher than the world parity, are a common feature of pre-war Australian agriculture.

When we turn, however, to the other side of the analysis, the income-distribution side, the situation presents problems which are more ticklish and yet more fundamental. In particular this question of profits, raised by Professor Ashby, mentioned by Dr. Burton, scorned by Dr. Norton, needs further attention. I would like to discuss an aspect of this proper concept other than that concerned with taxation which was raised by Dr. Burton, namely, the analysis of interest in relation to the origin of co-operatives. Co-operatives do not receive positive profits in the long run, any more than any other firm does. Profits are unimputable, functionless, unearned, unaccrued income which the economic firm owner receives by being in existence in a dynamic economy. The profit may be positive or negative, but over a long period averages zero. On this basis the incentive attracting potential members to a co-operative would be expected to be the returns from scale or monopolistic competition referred to above.

The nature of a co-operative, however, differs from that of a shareholders' proprietary firm in the influences of changes in short-term profits received on the valuation of equities in the firms. While the
prospect of zero economic profits cannot be regarded as an incentive to the formation of co-operatives, the prospect of being able to use positive profits when they do accrue in the short period in a particular manner may be expected to act as such an incentive. Continued existence of firms depends upon an ability to live through periods of negative profits. Co-operatives gain added strength because members can accept lower returns on equity in such periods without transferring them to a future period of time, an obligation to make up this deficit in interest. Thus when a positive profit accrues to the firm, the co-operative can allocate this surplus for further expansions, whereas the private firm is obliged to pay dividends to preference and other shareholders to make up for low yields in the past.

Thus when the co-operative makes no profit, the existence of alternations of negative and positive profits over time, and the institutional arrangement for its distribution, makes profit incentive an important one in the formation of co-operatives. Stated in other terms equity valuations change in proprietary companies, but remain at list price available for sale in a co-operative. Thus the desire to constitute an economic firm, rather than to remain a capital owner, is an added incentive to the formation of co-operatives. I would like to ask Professor Ashby, if he has an opportunity to reply to this discussion, whether he would agree with that comment. A desire to constitute an economic firm rather than remain a capital owner is an added incentive to the formation of co-operatives despite the mention he made of profits.

Professor Ashby referred to the working funds of co-operatives as not being capital. Perhaps part of what he stated may be expressed by saying that it is a creation of a firm rather than the securing of capital yield that the members seek to achieve. The origin of the co-operative then appears as a threefold basis; a desire to secure large-scale economies, monopolistic practices, and to establish an economic firm. In many cases the movement begins with the dissatisfaction among the members about existing facilities, and this is an important difference also between the origin of co-operatives and other firms. Within the field of taxation policy involving distribution of the share of income acquired there is a gap in the theoretical framework, but the taxation policy designed to favour co-operative developments means a greater comparative share to members of co-operatives as compared with private-firm owners. The latter usually own more capital wealth than do co-operative members. If fair distribution of income is accepted as a goal then a taxation policy favouring co-operatives is a step in that direction. Similarly,
the effect of the taxation rates on the value of capital, that is, on wealth, would depend on whether the tax income was a quasi-rent or a share profit, or interest on the co-operative members' equity. Taxes on equity yields would reduce the asset value, and if the tax differential between co-operatives and non-co-operatives is such as to be important at the income level where only normal interest is being received, then co-operative members receive a benefit which may be reflected in asset valuation.

A. Date, Rural Bank, Sydney, N.S.W., Australia

The Chairman has said that two Australian speakers running is most unusual, but the spectacle of two Australians running between wickets in England is by no means unusual!

Two previous speakers have dealt with the progress of co-operatives in Australia and it is therefore unnecessary for me to add anything further at this juncture, except to endorse what has been said. The progress of co-operatives in the State of New South Wales has followed much along the lines discussed by the representatives from South and West Australia.

A most significant point to me was the fact that almost the last words of Professor Ashby's address were to the effect that those who fear collectivization should embark on some form of co-operation. That is, I think, a fair précis of what he said. The opening remarks by Professor Visocchi were a quotation from Keynes: 'Co-operation was the only way in which the working classes could share in the advantages of modern progress.' These two statements together carry a very important message, and I would like to analyse them a little further. The underlying assumption in each is that the problem of 'management' is capable of solution. The majority of delegates to this Conference will be conversant with the thesis of James Burnham in his Managerial Revolution—a thesis to which there was quite a deal of substance. It has a special application to this subject of co-operatives. Look at the problem squarely and objectively. Under any form or system of government it is the managerial personnel in the key positions of administration who exert considerable influence and power. The manager can be a bureaucrat; the manager can be a capitalist; the manager can be a commissar; or, as the alternative suggested to us by Professor Ashby, the manager can be a unit in itself known as a co-operative.

All organizations require to be run. A safe maxim is that no business ever runs itself—no department ever runs itself—and no co-operative will ever run itself. In the co-operative movements in agriculture, in
dairying, in the grape-growing and wine-making industry, in co-operative marketing schemes, the problem all too often revolves around the selection and retention of a first-class manager. He must be a skilled man who combines in his personality, in addition to all the business acumen demanded of a capitalist entrepreneur and for the running of a large-scale business, a strong vein of idealism and an even stronger grain of integrity of an order which is rarely found in our present state of society. I gathered the impression that this was the factor Professor Norton had in mind in his concluding remarks, though he did not have time to develop it further.

The co-operatives have often suffered a disadvantage not because the principles of co-operation are in any way unsound in themselves, but because the search for the right type of manager and the personnel to work with him not infrequently presents problems of extraordinary difficulty. There is an ever present temptation in capitalist enterprise to defeat competitors by ‘buying’ key men; not by bribery, though of course that cannot be ruled out, but by direct and legitimate inducements to accept other appointments. In the case of a successfully functioning co-operative there is an added reason for all proprietary organizations to concentrate on this way of defeating a type of competition which deprives them of profits. The co-operative in turn is, by its constitution, somewhat more vulnerable in this respect than an ordinary capitalist enterprise. There is a basic conflict in the co-operative organization in that the need to pay higher and higher salaries to retain competent managers is opposed to the fundamental principles of distribution of profits among members of the co-operative whose net incomes as producers may not approach the rewards to their paid executives. String-pulling and wars ‘behind the scenes’ go on between co-operative and proprietary organizations both in the matter of personnel and purchase of essential supplies just as major capitalist organizations resort to all sorts of practices and hidden pressures—and often on governments—in an endeavour to gain a business advantage. If you follow closely the history of industrial co-operatives, you will find many examples of the type of activity to which I have referred. Those of you who have had any active part in the running of a large-scale business organization will appreciate its significance.

The principles of co-operation as discussed in the two papers presented to us tie up with the concluding comments I made on the problems of peasant farming. You may recall that I stressed this very factor of co-operative activity, so do not deduce from what I say now that I am opposed to the principles. Sight must not be lost,
however, of the fact that in this desire to make the best of two worlds—to defeat the threat of collectivism on the one hand and on the other to ensure for both producers and consumers the full benefits of co-operative activity not normally available through ordinary capitalistic or profit-seeking enterprise—success rests very strongly on selection and retention of personnel, and this demands in turn the acceptance, by both members of the co-operatives and their managers, of ethical principles and an idealistic outlook which have been all too noticeably absent from our society up to the present.

V. Visocchi (in reply).

There are only two points raised in discussion which seem to call for an answer from me, one by Dr. Burton and the other by Professor Norton.

It appears that Dr. Burton understood from my paper that I was advocating for co-operative organizations some sort of monopolistic position. There is a slight misunderstanding here. I did refer to monopolistic positions forcibly acquired in one period by co-operative organizations in Italy, owing to the particular events which I tried to illustrate. I did not, however, express approval of it and I now wish to state explicitly that I agree with Dr. Burton when he says it should be avoided. Probably the same basic reason makes me disagree with those who advocate the establishment of a co-operative commonwealth, though I believe that co-operation may play a much more important role than at present in the safeguarding of our western civilization based very strongly on the correction and integration of our traditional system of economy.

Turning to Professor Norton, I would dare challenge anyone to find one single point of disagreement between what I said in my paper and what he said in his speech, except perhaps on one point where he stated that co-operatives should always maintain their independence from the State. If that means that co-operatives should not accept delegated functions on behalf of the State, then I disagree because, at least in European countries, events are increasing State intervention in economic activity and, in my opinion, there is a real danger if this intervention is done by inadequate organs. To avoid this danger it is necessary that the interested parties in each particular line of economy should take upon themselves the task of carrying out the State directives by voluntarily accepting delegation of State functions in some cases, for the welfare of agriculture and agricultural producers.

On the other hand, we all agree more or less that co-ordination
implies a certain amount of subordination. Therefore I cannot understand why co-operatives, even when they do accept State-delegated functions, should expect to remain completely independent. It appears quite natural to me that in this case the State should be allowed to control co-operative organizations to the extent implied in these delegated functions voluntarily accepted. Apart from this point, I agree with all Professor Norton said.

A. W. Ashby (in reply).

There are many points on which I would have liked to make further comment but I do not want to tire you. I shall therefore be brief. The statement which Mr. Williams has just made about the theory of profits applies to a meaning of the word profits which I was not using. If I ever used the word ‘profit’ in a general sense this morning—which I doubt—I used it with its ordinary accounting meaning: that is, the earnings of a firm without differentiation as to interest, or risk, &c. I was, in fact, careful to use the term ‘co-operative surplus’, or, as Mr. Norton uses it, ‘co-operative savings’, which has exactly the same meaning.

Unless one is clear about the nature of co-operative business, it is impossible to understand this question of surplus and its distribution or its final disposal. If we create a commercial firm as an independent legal personality, that firm makes profits or suffers losses. But suppose the President and I, being farmers, go to a manufacturer of fertilizers individually for 50 tons of fertilizer and have a particular price quoted to us; then, when we go back home and compare notes, we decide to return to the manufacturer with a request for a quotation for 100 tons, on which there is a 5 per cent. reduction in price. That difference is not profit; it is a saving by mutual action. And if the President and Mr. Maxton and I and Professor Minderhoud do the same thing, exactly the same position arises. There is economic advantage in mutual action to secure savings, but that is quite different from profits considered as differential earnings. There is no ‘profit’ in mutual action to secure mutual savings because there is no exploitation of any other person or body.

During the discussion we have at times been confused about what we were originally dealing with this morning, namely, a theory of co-operative organization with particular reference to the relationships between co-operatives and the State. I was trying to state for the Conference a purely economic theory of co-operative organization. I did not for a moment get into the field of the economics of co-operative operation which, although not entirely different, to a
considerable extent is a different field. It is when we get into the economics of co-operative operation that we come up against the questions of what the co-operatives can do with prices and so forth. Co-operative operation and the initial structure of the organization are closely related but they are not one and the same thing.

Just perhaps one other point of a minor character. Dr. Schiller no doubt knows that there are very important experiences in co-operative and collective farming outside Russia, and, in particular, in Palestine and Mexico. These need study quite as much as those of Russia, because they are operating in entirely different environments.

If I had time the real question which I would like to discuss before this Conference is the question of what constitutes independence for the peasant or for the family worker in agriculture. Because of conditions, the concept of independence can vary so much from one person to another, from one local community to another, and therefore the content of independence varies. Quite frequently, when the co-operative or some other superior organization restricts the freedom of an individual in a particular direction, while increasing his leisure time or his income or both, then the gain in independence in personal choices, independence in a very real sense, is far greater than the loss of independence in the production unit, or than that in choices of occupational activity. That is just the briefest of introductions to an analysis of independence in the family farm.

The day’s proceedings have brought together an interesting and useful collection of information on the condition of agricultural co-operatives in several countries, but we still need further study of relationships between co-operatives and the State.