

CO-OPERATION IN FINLAND

By DR. HANNES GEBHARD

EDITED BY

LIONEL SMITH-GORDON

Librarian of the Co-operative Reference Library, Dublin.

WITH
A
MAP

Co-operative production and distribution is highly developed in Finland, and this account of the work being done there is of particular interest for people in this country at the moment when it is thought that many after-war problems may be solved by Co-operation.

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LONDON: WILLIAMS AND NORGATE

SUOM. OS. TOIM. VL.

GERHARD

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Pellervo-Seura
1851.
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DR. HANNES GEBHARD

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LIBRARIAN OF THE CO-OPERATIVE REFERENCE LIBRARY, DUBLIN

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WILLIAMS AND NORGATE

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EDITOR'S NOTE

THE following pages contain the first English edition of a standard work on co-operation in Finland by Dr. Hannes Gebhard, one of the founders and leaders of this movement.

The first edition of this book appeared in German under the title of *Die Genossenschaftsbewegung in Finland* and was published in two volumes, the first of which contains a brief survey of the Finnish Co-operative Movement, and the second a longer and more detailed statistical investigation of the development of the societies. The first volume appeared in 1909 and was afterwards republished in Swedish, Russian and French. The second volume, published in 1912, is only available in German.

The present book combines a large amount of the information contained in each of the two volumes mentioned, and gives a fuller account of the historical development and present position of the Finnish movement, together with some description of the movement in other countries as seen from the Finnish point of view. It was originally published in the Finnish language and is to be used as a textbook in many of the State and private agricultural schools in Finland. A Swedish edition has also been prepared, and the

present volume is substantially a translation of the Swedish version.

The work of producing these textbooks in foreign languages has been undertaken by the Pellervo Society, of which a full description will be found in this book, working in common with two other Finnish central co-operative societies with the object of making the movement known in other countries.

The English version which we now publish was translated in Finland, and was sent to the Co-operative Reference Library to be revised and edited before its appearance in the British Isles. We undertook this task with the greatest pleasure for many reasons. In the first place, the enterprise which is displayed by the Pellervo Society cannot fail to excite admiration in all who are interested in the co-operative movement. Secondly, we feel that the development of this movement in Finland is of particular interest to co-operators in the British Isles owing to the fact that it is avowedly modelled to a large extent on the experience of Ireland, and that the Pellervo Society has adopted very much the same constitution and method of working as that which was introduced into the British Isles by Sir Horace Plunkett when he founded the Irish Agricultural Organisation Society. Moreover, although in some respects Finnish co-operation may be said to be derived from that of Ireland, so much has been accomplished in the short time since the foundation of Pellervo that the pupils bid fair to become the teachers, and the lessons which we may learn from them are well expressed in this little book. Finally, we feel that one of the most important functions of this Library, that of giving to the English-speaking

world the results of detailed research carried out in foreign countries, cannot but be helped by the publication under the auspices of this institution of so clear and painstaking a work as that of Dr. Gebhard. This argument is particularly cogent in these days when it is impossible for us, owing to the condition of Europe, to make any researches by means of personal visits to other countries. For all these reasons we are most grateful to our fellow co-operators in Finland for giving us the opportunity of offering this work to the notice of the ever-increasing number of persons in the British Isles who are seeking for more light on co-operative matters.

With regard to the actual text of the book, it may be said that we have altered only those phrases and sentences which it seemed to us might not be understood by English readers, or which were obviously written by one not wholly familiar with our idioms. There have been many places where the sense is admirably expressed, but the language is not that which would have been used by an English writer. In these places, however, we have not interfered with the text, feeling sure that our readers will like to see the sentiments of the writer expressed in his own words, which are always forcible and picturesque. It must also be observed that, owing to the difficulty of communication with Finland in present circumstances, we have been unable to submit the proofs to Dr. Gebhard for final correction. It is therefore possible that some minor errors may have crept in, although we have done our best to guard against this. For the same reason we have had to be content with statistics which do not show the rapid development of the movement in 1915. A few

notes have been inserted in the form of appendices for the benefit of those not familiar with some of the details of the movement; and money, weights and measures have throughout been rendered into the nearest English equivalent.

LIONEL SMITH-GORDON,
Librarian.

*The Co-operative Reference Library,
Dublin.*

EXPLANATORY REMARKS

IN order to enable co-operators to form an opinion of the background of the movement in Finland, and of the exceedingly great difficulties which it has had to overcome, a few details as to the geographical and social conditions of the country are necessary.

The Grand Duchy of Finland, part of the great Russian Empire, is one of the most northerly civilized countries in the world, situated between latitudes 60° and 70° . The area of the country is about 144,750 square miles, of which 16,212 square miles are occupied by lakes and rivers. On this area only a little more than 3,000,000 inhabitants are to be found. The southern part of the country has, on an average, from 40 to 60 inhabitants per square mile, whereas in the northern and eastern districts the average is as low as from 3 to 30. This exceedingly scanty population is in itself an indication of the great obstacles which have stood in the way of co-operative development.

The country has 38 towns, of which the majority are very small ones, with from 1000 to 5000 inhabitants only. The capital, Helsingfors, numbers about 150,000 inhabitants, and two more towns about 50,000 each. Altogether, the population of the towns may be fixed at half a

million. The country proper is divided into 470 parishes, of which most are from 75 to 150 square miles, but quite a number above 400 and in the north even up to 3000 to 7,500 square miles. The population of the parishes averages about 5000. Most of the parishes have from 2,500 to 5000 inhabitants, about 100 of them do not come above 2000, but in 30 or 40 of them the total rises to from 10,000 to 35,000. The total rural population numbers about 2,700,000 persons.

These figures explain why in Finland most co-operative societies are situated in the country, and why also the majority of the members of the co-operative stores belong to the rural population.

In the southern and western parts of the country the inhabitants live mostly in villages, in the other parts mostly in separate homesteads. Both villages and homesteads are separated from each other by extensive forests and lakes. In the country the number of farmers with a high standard of education is small, and the so-called educated classes are principally represented by the officials. These usually live in the "church village" (the central village of the parish), and consequently considerable tracts of the larger parishes are wholly without any highly educated residents.

The gradual introduction of country schools has lately brought a large number of young teachers into the country, as a school district usually embraces only 500 to 1000 inhabitants. Further, quite a number of peasants' sons, after having attended school, have passed a winter at one of the "people's universities" (of which there are about 40, arranged in the same way as

the Danish ones)¹ or at some of the agricultural schools (of which there are about 30).

These circumstances have brought it about that among the leading men of most of the co-operative societies in Finland are not to be found so many officials or clergymen as in many other countries, but principally peasants and to some extent also national school teachers.

Of the rural population about 80 per cent. depend for their living on agriculture, cattle-breeding or forestry.

Of the rural householders

about 111,000,	or 23 %,	possess land
„ 160,000,	„ 34 „	rent land
„ 207,000,	„ 43 „	are landless.

Of the holdings

about 1,900,	or 0·7 %	are large ones
„ 163,000,	„ 60·0 „	„ „ medium or small ones
„ 106,000,	„ 39·3 „	„ „ allotments.

These facts, too, explain why the co-operative movement in Finland is almost wholly a movement of persons in small circumstances, notwithstanding the fact that it is chiefly a rural movement.

¹ The people's high schools of Denmark afford secondary education to the children of farmers and workers between the ages of 18 and 25. They are largely State supported and the fees are very low. The high level of education in the rural population is largely ascribed to these agencies. See *Denmark and the Danes* (Harvey and Reppien) for a good brief account.—[Ed.]

CO-OPERATION IN FINLAND

I

INTRODUCTION—THE OBJECTS AND MEANING OF CO-OPERATION—THE CONDITIONS OF ITS SUCCESS—ITS LIMITATIONS

THE great Finnish poet Z. Topelius says:—

“We are nothing in ourselves, we are nothing by ourselves, but we are strong indeed when we are united in co-operation for the common end and in an honest endeavour, so far as in us lies, to further the work of centuries.”

The well-known Finnish scholar, M. A. Castrén, has expressed the same thought in the following powerful way:—

“Wherever men work for themselves and their own advantage, little is done; but wherever thousands have a common endeavour, a mighty building is erected before long.”

The feeling of the helplessness of individual effort and the mighty power of common action which our two great men have thus clothed in words is for a great part more or less clearly comprehended in that part of the animal world which has reached a high level of development. The wonderful life of common work which bees and ants live is generally known, but scientists

have by close observation made it clear that many other classes of animal life practise co-operation in some form or other. In the same way sociologists have been able to observe co-operation in different forms even among peoples of a very early period of development. The tribes hunted and fished together and tilled the soil together, and avenged the death of their members. In extending the Christian faith, large groups of individuals joined themselves into congregations, in order to build churches in common. Towns arose by artisans and merchants gathering together in times of war, under the protection of powerful castles, to carry on their respective means of livelihood, undertaking many different forms of co-operation. Finer branches of manufacture came into a flourishing condition by the fact that those who carried on the same trade joined themselves in the middle ages into guilds for the purpose of co-operation.

The largest and most powerful co-operative systems among human beings are the States, which not only maintain law and order and satisfy the requirements of culture, but also carry on economic activity to an ever-increasing extent, as far as more recent times are concerned (railways, post office, crown forests, etc.). The State has shared these undertakings with the municipalities, in which co-operation develops quickly and powerfully in the most varied directions (tramways, waterworks, gas and electric works). In addition to this the combining together into societies and associations and their conjoint work has extended to all branches of human life. By this means science and art, popular enlightenment, the temperance move-

ment and the care of health, etc., are furthered with a force undreamt of before.

But it is perhaps in the sphere of economic life that co-operation has in recent times accomplished more than in any other domain. It is common knowledge how the invention of machines and the application of steam have produced a complete change in the domain of industry, furnishing products desirable for the needs of man in a much larger quantity and at a considerably cheaper price than formerly. But these inventions alone could not have contributed to bring this about to the extent to which it has been done had it not been for co-operation, for the great limited liability companies which produced the necessary capital. The companies have also to a large extent brought into being the present powerful means of communication (shipping trade, and in many countries railways in a larger or smaller degree, telegraphs and telephones). By the help of companies, banks and insurance concerns have attained a strength and power unknown before.

Co-operation, however, being a two-edged sword, can be used, especially in the economic domain, with an intention hostile to culture, disadvantageous to mankind. The above-mentioned different companies have often in a great measure favoured the amassment of great riches in the hands of a few, thus heightening class distinction. During the first half of last century the position of the working men in the great civilized countries became much worse through the growth of those new forms of co-operation—the limited liability companies. From this misery the working classes could not free themselves in any other way except by co-operation. By

joining themselves into modern trade unions they have gradually been able to get their wages increased and other conditions of labour improved. By joining themselves into co-operative societies the working classes have been able to buy for themselves their necessities of life, pure and at the most moderate prices, just as by the assistance of these unions they have been able in many other ways to better their material conditions and improve their intellectual life.

But the capitalist co-operation above mentioned threatened not only the working classes with misery. During the past half century it also brought the farming population in the great civilized countries into a state of acute distress. The rapid means of communication developed by the companies in question rendered possible the importation of agricultural products from distant and easily cultivated countries, thus lowering their prices in the leading countries. The labouring classes inundated the centres of industry from the country districts, besides which the conditions of labour, even in other respects, developed in a direction disadvantageous to agriculture. Moreover, this capitalist development was adapted to bring the conditions of trade into a direction pernicious to agriculture. Merchants often sell to farmers falsified goods, the state of which the latter are not able to examine, and the use of which, in the carrying on of agriculture, brings them considerable losses, which have their effect for many years. The farmers, on their side, have been obliged to sell their products to intermediaries for prices which do not correspond to the continually increasing cost of production. In addition to this the development of capitalism has drawn away

from the country districts, and especially from agriculture, intellectual labour, thus decreasing the influence of the country districts and the ability of the farmers to watch over their interests. Moreover, the parochial taxes have risen considerably, especially in proportion to the advantages which the parishes can offer.

Farmers have not been able to save themselves from the distressing conditions which have thus arisen except by association. In the same way as industrial labourers, farmers have combined on the one hand in unions for the purpose of developing their industry from the technical side and watching its interests, and on the other hand into co-operative societies in order to buy their requirements more advantageously, to improve and to sell their products and to organize their credit according to their needs.

In this way there has grown up in civilized countries to counteract the forms of business employed by capitalism, a special form of business practised by classes of small means and principally by those engaged in manual labour, viz. co-operation, which in all countries has begun as a modest and despised movement, but has gradually developed and in recent times grown with extraordinary rapidity. The co-operative movement has now become an economic factor of such importance that it is capable of offering considerable advantages to those connected with it, and has even been able in several directions to supersede capitalist forms of business. There can now be no further doubt that co-operation has still enormous possibilities of development.

But in addition to these primary commercial functions, the co-operative movement has many

other important duties. The co-operative societies organized by the consumers have already begun in their own factories to make goods required by them, and in this sphere it seems that they have still great possibilities of development. It is obvious that the conditions of labour can in this way be considerably developed in a satisfactory direction, and production ordered according to the needs of the consumer, with a consequent decrease in the risk of economic crises. Agricultural co-operation again has proved its ability powerfully to increase production, and to improve in a large degree the quality of the products. It must therefore be said that co-operation has a large and many-sided political and economic duty and importance.

By the side of its large political and economic duties co-operation has, in addition, ethical and even intellectually educative duties. When the consumers' purchases are organized for their advantage it is natural that trade will become honest, and when businesses of small means must enter into competition with those of large capital, they cannot do so successfully unless they found their concerns on honest business principles. Thereby all spirit of speculation can be removed from trade: falsification of goods, pressing customers to accept goods, and pressing buyers into credit.

Further, the co-operative movement has shown itself capable of educating large numbers of people of small means up to organized co-operation, self-government and the ability to undertake large economic enterprises, and drawing and developing from these very strata capable leaders of the movement. Besides, people joined together in co-operation consider it necessary,

according to their programme, to put aside every year a certain sum from their net profit for educative objects and other purposes of general use. By these means a comprehensive and many-sided work is being carried on for the betterment not only of general education, but also of co-operative and technical knowledge—a work which is likely considerably to improve the economically weak classes.

It may therefore be said that the co-operative movement is an important social movement, whose power for reforming social conditions is very great, and which renders large classes of society capable of taking part in the management of State affairs, to which they are now called by the democratic principle of popular representation.

Therefore, the most noted of modern statesmen and authorities in the domain of social science lay the greatest emphasis on co-operation. For example, the German Professor, von der Goltz, says: "There cannot be found any institution established on voluntary principles which in recent times has influenced the agricultural population so widely and so favourably as has co-operation."

The English economist, Ernest Jones, states: "In co-operation is contained a rejuvenating power which is capable of elevating and improving the moral and spiritual level of the people as well as their material condition."

The German authority on political economy, v. Schmoller, writes in his textbook: "In other spheres of business life we see a struggle for existence; among men joined together by co-operation its removal and even more: we see true, fair reciprocity and honesty; on the one hand we see egoism, and on the other fellow-feeling; on

the one hand, oppression of the weak, on the other their maintenance and development."

England's "grand old man," Gladstone, saw "that in the domain of social life in the nineteenth century there was nothing so marvellous as co-operation."

The German statesman and scholar, Buchenberger, estimates co-operation in the following manner: "The modern co-operative societies have been able to exert a powerful influence not only on the economic life, but also on the intellectual and moral life of men belonging to such societies. And all this not only by reason of the fact that a higher degree of economic prosperity is always an indispensable concomitant of intellectual and moral progress, but also because connection with a co-operative society and the habit of working for its good is in itself a true school for self-discipline, sacrifice and sympathy. Co-operative work acts on the members of co-operative societies as a powerful stimulus to the development of energy and economic intelligence. The prospect of reaching through co-operation economic results the attainment of which must be abandoned by the individual when acting alone, greatly raises one's self-esteem and confidence in one's own powers."

From the foregoing it is evident that the economic condition of the classes of small means called forth co-operation. The feeling of economic distress has up to the present been one of the invariable conditions of the co-operative movement. Thus we have not even yet awakened an interest in co-operation among those farmers who have large forests for sale or who have capital obtained by the sale of timber, and

in no country do the co-operative stores in the towns have any noteworthy number of members among the well-to-do classes. It would, however, be a mistake to suppose that difficult economic conditions alone always and everywhere bring about the establishment of co-operative societies. Men of high character and position are often led by consideration of the economic hardships of the poorer classes to take up the co-operative movement, and to join their forces to it in the battle against oppression. An authority on the co-operative movement says: "It is no mere coincidence that we see in all countries as initiators of the co-operative movement, men who in magnanimity, in their power of work given for the love of mankind, and in their inflexible belief in the victory of truth and right, have been distinguished above their fellows." The same is also true of the leaders of the local co-operative societies. Where the local co-operative society can always get one morally superior leader and he has sufficient influence, the society may be expected to flourish. But if such is not to be had, and the co-operative society comes under the leadership of an interested, speculative and weak-charactered person, failure is inevitable. The same is the case with regard to the members of the co-operative society. Where they are not able to raise themselves above the passing greed of gain, where they do not have common feeling to such a degree that they can collect savings and even make sacrifices in order to strengthen the common co-operative society, co-operation cannot flourish for a long time.

This close connection between the co-operative movement and moral principles is made

clear if it is borne in mind that co-operation from first to last is a manifestation of the idea of solidarity, an embodiment of the principle that the advantages derived by all the members of the co-operative society are common. From that it follows that the co-operative society cannot flourish unless internal agreement and peace prevail. Co-operation therefore demands as indispensable that within it political, religious or social differences of opinion shall not be allowed to appear in any form, but that such shall be strictly kept outside this movement, and that it shall be allowed to work entirely independently of such other interests and movements as divide the circle of members. The co-operative movement besides presupposes for its success that those who join it can restrain their self-will, quarrelsome desires and other instincts and passions, which they imagine as love of liberty although nothing more than a caricature of real liberty. Co-operation in truth opposes such "liberty." On the contrary, co-operation must for its success bind its members in many ways, lay upon them the fulfilment of many duties and for their guidance indicate a strictly defined mode of action.

In addition, co-operation requires for its success a comparatively high degree of culture. Indeed, agrarian co-operative associations in undeveloped conditions have shown themselves to be weak if they have not succeeded in obtaining as a leader a person who has acquired some measure of higher education. But where one educated citizen has been got as leader, the level of culture of the other members of the co-operative association does not require to be high: this is proved by the success of agricultural co-operation, for example, in Ireland, Italy and

the Balkan States. Where the country population itself is on a high level of culture, as, for example, in Denmark, it has been able to manage its co-operative associations successfully without assistance.

Further, it has been shown to be important for the success of agricultural co-operation that it should obtain considerable and consistent support from the State. Previously, differences of opinion with regard to this were observed, but the development of conditions has gradually proved the necessity of this State assistance in most countries. So State support of agricultural co-operation is now regarded as one of the most important and the most efficacious measures of agricultural administration for developing the industry and increasing the productivity of agriculture. Therefore, the sphere of State aid has been constantly extended in very many countries. Annual State support is granted to co-operative organizations which make the idea known and have the accounts of the co-operative societies audited. Large State loans on easy conditions and other capital are granted to co-operative central organizations, that they may be able to lend to local co-operative associations capital for establishing and carrying on their business. Co-operation is taught in State agricultural schools to future farmers and agricultural officials. State officials are instructed in every way to further agricultural co-operation. When agricultural products are wanted for State institutions, such as barracks, hospitals and prisons, preference is given to offers made by agricultural co-operative societies, etc.¹

In the above, emphasis has been laid upon the

¹ Appendix A.

conquests the co-operative movement has already made in the economic life of modern nations and upon the immeasurable possibilities which yet lie before it. It cannot, however, be said that the co-operative movement has no limits. It is natural that the forms of business to which it is suited should be limited. Indeed, no economic system alone, "not real individualism, not socialism carried out consistently, and not co-operation by itself can be sufficient thoroughly to satisfy such a complicated organism as modern society" (Bourguin). Therefore it can be clearly shown that even co-operation has many real limitations. In the foregoing it has been pointed out that the better-off citizens in general do not in any country join co-operative societies. In the same way experience has shown that the very poorest do not join them, in particular such as do not have a permanent place of residence or fixed income. Experience has also shown that co-operative stores cannot to any extent worth mentioning keep for sale special goods, but must deal as a rule mainly in the very commonest necessary articles. Nor can the co-operative form of organization be considered suitable to a business which requires at the head of the concern special knowledge and quickness of decision or in which large risks cannot be avoided. Nor is the co-operative form suitable to business concerns whose chief object is philanthropy, such as, for example, the building of houses at a cheap rate in order to let them to the poor, the building of places of worship, etc.¹

Besides this, all businesses which cannot limit their work to their own members, by the very nature of co-operation are outside this move-

¹ Appendix B.

ment; such are, for example, general banking, shipping, publishing.

We see, therefore, that there are considerable limitations to the progress of co-operation, and we must not allow ourselves to look forward, as many idealists have done in the past, to a future in which all the business of all the nations will be carried on under co-operative forms. Yet in spite of these limitations we see before this movement possibilities of vast development, especially in the direction of bringing help and comfort to the poor. So great is the appeal of the movement in these ways that patriotic citizens have been drawn to it in the past and will be drawn more to it in the future, and many of these voluntary workers have given up their leisure time to the movement throughout their whole lives.

II

A REVIEW OF THE CO-OPERATIVE MOVEMENT ABROAD

THE co-operative movement is held to have been started in England by Robert Owen (1771-1858), a well-to-do manufacturer. This highly gifted and noble-minded man was not satisfied with merely amassing wealth from industry, which was at that time rapidly expanding in most of its branches, but he also became deeply interested in the promotion of the well-being of his workmen, who were being driven into dire poverty by the growth of industrialism, the rapid development of which was principally due to the absence of any legislative restrictions or control. Among the many ideas by which he sought to improve the conditions of the labouring class was that of co-operation: by co-operative purchasing the workmen were to be enabled to procure for themselves unadulterated victuals at moderate prices, and the trading profit was to be used towards the creation of common funds for other co-operative work. These ideas he made public between 1820 and 1828. In the latter year he retired from the management of his factories and consecrated his whole energy to the furthering of his theories. As early as 1831 it is estimated that there were in existence more than 400 co-operative stores, with about 200,000 members.

The movement organized by this generous

social reformer was unfortunately not founded on a sufficiently practical basis, and by about 1835 it had almost ceased. The idea was, nevertheless, not forgotten, and in 1844, in the small town of Rochdale, twenty-eight poor weavers laid the basis of the modern co-operative movement by founding a co-operative retail store on such practical principles that this movement, without materially departing from them, has not only been able to reform a considerable part of England's economic life, but has also grown into a mighty and world-wide movement. The leading principles of the Rochdale weavers, which have subsequently been adopted in all countries, are as follows: (1) the goods are sold at the regular quotations of the day against cash payment; (2) only sound, unadulterated goods of full weight are sold; (3) each member has only one vote at the general meetings; (4) the surplus is disposed of in the following way: (*a*) part of it is divided among the members in proportion to their total purchases; (*b*) part is used towards educational purposes; (*c*) a considerable part is transferred to the reserve fund, and with capital not required for the management of the business factories, warehouses, etc., are erected.¹

The co-operative store started by the world-famed "equitable pioneers" of Rochdale, with a capital of £28, was opened in a wretched shop in the basement of a house in one of the side-streets, scorned by the public. In the beginning the shop was held open only a few hours every evening, and it was managed in turn by the original members, without any remuneration. From this humble beginning it has steadily

¹ Appendix C.

developed year by year, as the following table shows :—

Year.	Members.	Own Capital. £	Sales. £	Net Profits. £
1845	74	181	706	22
1880	10,300	—	—	—
1900	12,800	325,000	292,000	45,000
1910	19,600	383,000	405,000	76,000

The society now owns forty-eight retail shops, a bakery, a butchery, a boot factory and a tobacco factory. It further owns a large number of houses, in which the members are able to rent cheap lodgings, and which contain also schools, reading-rooms and libraries.

Contemporaneously with the growth of the Rochdale society, the co-operative movement spread all over England and Scotland, being chiefly joined by the more progressive of the working classes. In 1913 there were to be found in England 1,500 co-operative societies, with 2,900,000 members, a capital of about £40,000,000 and reserve funds amounting to about £6,000,000. Their combined sales exceeded £84,000,000, and the year's profit was £13,000,000, of which more than £80,000 was assigned to educational purposes.

The English co-operative societies founded, as early as 1863, a central wholesale store, the Co-operative Wholesale Society, which has developed into the greatest business of this kind in the country. In 1913, 1,168 co-operative societies had joined it as members, and its turnover reached £32,000,000 (in 1914 over £35,000,000), the year's profit was £640,000, and the share capital and reserve funds together amounted to £28,400,000.

In the factories owned by the society there

were produced in 1914 goods to a total value of £9,120,000. The society owns factories of many different kinds, viz. for the production of victuals 21, clothing 16, domestic appliances 20, and so forth. The following figures give an idea of the range of the factories: The value of the production of its mills amounted to £3,440,000, of the soap and candle manufactories £1,160,000, of the tobacco factories £760,000, of the boot and other leather factories £600,000, of the canned goods and jam factories £440,000, to mention a few of the most important branches. The society's own large steamers are carrying goods from all parts of the globe, the society having purchasing-offices, factories or plantations in Sweden, Denmark, France, Spain, Canada, the United States of America, Australia and India; its tea, fruit and spice plantations in tropical countries may deserve special mention. The society has also a banking department of its own, which has an imposing turnover. About 22,800 persons are now employed by the society.

Beside this wholesale society and another one, started at Glasgow for Scotland and working on exactly the same lines, the British co-operative societies as early as 1869 founded the Co-operative Union which looks after the propagandist and educational side of the movement.¹

Beside these central societies, the local co-operative societies also carry on production on a large scale, especially milling.

Agricultural co-operation was introduced into England at a much later date than the store movement, and has been slower in its development. A special society was started for the

¹ Appendix C.

promotion of this side of the movement as lately as 1901, and in the same year the first 13 co-operative societies of this description were founded. In 1905 their number was already 123, and in 1913 475 in all, including 46 co-operative credit societies, 28 co-operative dairies, 170 agricultural co-operative distributive societies or societies for the sale of members' produce, 190 societies for the purchase or renting of land, 24 co-operative societies for the sale of eggs, and 17 co-operative societies for various other purposes.

From what is said above we see that co-operative industrial production has gained its great development in England as a side branch of the co-operative stores, consequently as an enterprise carried on by organized consumers.¹ In France the whole co-operative movement got its first impulse from the endeavours to organize the industrial workpeople, as the producers, to start their own co-operative factories, *i. e.* co-operative productive, or perhaps more correctly, labour societies.

At the same time as Robert Owen was popularizing his ideas of social reform in England, Charles Fourier (1772-1837), who had himself experienced the revolting wrongs associated with trading, was in France beginning of his own accord to plan social reforms by means of co-operation. His ideas were certainly rather fantastic and unpractical, but nevertheless they led Benjamin Buchez in 1831 to start several workmen's productive co-operative societies. Thus, for instance, men employed in the goldsmiths' trade started joint co-operative work-

¹ Appendix C.

shops, as also did joiners and others. After the revolution of 1848 these co-operative societies received considerable loans from the State exchequer, and a great number of them were started within a short time, but they were dissolved almost as quickly as they were formed, and few of them lasted more than two or three years. It was not till quite lately that this movement again gained strength, but in 1910 there were to be found in France about 500 workmen's industrial co-operative societies, with about 20,000 members and a yearly turnover of about £2,520,000. Nevertheless, this branch of co-operation has never thoroughly developed.

Of co-operative stores there were to be found in France in 1912 3,709. Compared with the English ones they were rather small, with only about 850,000 members, and their yearly turnover did not exceed £12,000,000. The reason why the French co-operative stores have not gained more ground has been dissension, many of them having been used as instruments of party politics. From the same cause several co-operative wholesale societies have been started in France, which have been leading a languishing life in competition with each other, until in 1912 a junction was brought about, and the principle of impartiality everywhere proclaimed. The credit for this unification is due to Professor Charles Gide, who for decades has worked to popularize the principles of co-operation in France, and has stimulated his countrymen by splendid and glowing speeches and writings to join this movement; the influence of his writings has spread beyond his own country and contributed in no small degree to the development of co-operation in other places.

Agricultural co-operation has very old traditions in France, the first cheese-making co-operative societies, situated principally in the highlands, apparently dating as far back as the thirteenth century. At present they are estimated to total about 1,200, with a production counted in tens of millions. Of co-operative dairies proper there are now in France about 500, and the number of agricultural distributive or selling co-operative societies is about 2,600. A properly organized system of agricultural co-operative societies was created only after a law, specially adapted to that country, on professional societies (syndicates) had been passed in 1884. Of such societies hundreds have been founded every year, so that they now total 6,500, with an estimated membership of almost 1,000,000 farmers. These societies have had a great effect on the standard of living of the French rural population. The economic effect has been to enable them to bulk their orders for their agricultural requirements and purchase them jointly; they have also been remarkably successful in bringing about co-operative sale of agricultural produce.

The total value of the goods sold annually through these societies is calculated at millions of pounds. The movement is regarded as being of a national and patriotic character, and has been organized and led by cabinet ministers (for instance, the well-known Waldeck-Rousseau and Méline), by titled land-owners and by the social politicians of the metropolis. By a law, enacted in 1897, the farmers were granted the right to form co-operative credit societies, of which by the zealous assistance of the Roman Catholic clergy there have (up to 1913) been

founded in all 4,700, with a joint membership of about 190,000 farmers and owned capital amounting to about £400,000, in addition to loans received from the Government, free of interest, totalling more than £2,200,000.

From France the idea of artisans' co-operative productive societies was brought to Germany by many different ways. The founder of the German social-democratic party, Lassalle, was enthusiastic for it, and was even able to excite the renowned Bismarck's interest, although it did not lead to any noteworthy results. Still, the real pioneers of co-operative ideas in Germany appear to have received the first impulses from it, although they developed them quite independently, each within his own sphere. The first place among the organizers of co-operation in Germany must be given to the talented and well-informed Schulze-Delitzsch (1808-1883), who was led to work at introducing co-operation by the hopeless battle which the artisans of his native place fought against factory-made goods. He founded for them special co-operative credit societies, from which they were supplied with necessary working capital, so as to be independent of the sellers of the raw materials required by them. Later he organized them into co-operative societies for the joint purchase of necessary raw materials of good quality, and further into other co-operative societies for the purpose of joint sale of the members' products, and finally, after the model of the French institutions of this kind, into co-operative societies, the members of which carried on their trade in common. Schulze-Delitzsch had thought that the co-operative credit societies formed by him

would be found suitable for all people of small means requiring some working capital, including farmers. But he was too much of a townsman, and too great an admirer of the individualistic doctrine prevalent at that time, to be able to grasp the needs of the great majority of farmers.

The organizer of the German rural co-operative credit societies was found in F. W. Raiffeisen (1818-1888), a minor country official. His heart, full of love for mankind, had compassion on the deplorable position of the neighbouring small farmers, who were always in distress, oppressed by all kinds of tradesmen, and often suffering from failure of the crops. He first experimented with different forms of benevolent societies, until he at last, with the help of the example of the co-operative movement in France, was able to find the principles suitable especially for co-operative credit societies for small farmers. These leading principles are:—

- (1) A small district, so that the manager of the society might be able to know personally each member and keep them in sight.

- (2) The members' unlimited liability for the debts of the society.

- (3) The exclusion of the desire of personal profit from the operations of the society. For this purpose each member was to have only one share, and even that a small one; the year's profit was not to be distributed, but was partly to be collected into an indivisible reserve fund, partly to be used for benevolent purposes; the members of the board were to have no remuneration, nor should even the treasurer of the society have any part of the profit.

- (4) The society to exercise an effective control over the borrowers: loans to be granted

to morally deserving persons only, who were genuinely able to use the money for the improvement of their economic position; the purposes for which the loans were taken were to be examined beforehand, and afterwards the uses to which they were put were to be examined.

The co-operative credit societies were to look after all the requirements of the farmers by undertaking the joint purchase of all their members' professional requirements as well as the joint sale of their products, in addition to acting as rural banks. The credit societies should further be in a position to improve not only the members' professional skill, but their spiritual and moral conditions as well. To that end Raiffeisen tried to obtain clergymen and other persons of good education as managers of the credit societies.

The co-operative credit society system elaborated by Raiffeisen has since been adopted with modification in most civilized countries.

In Germany the movement started by Raiffeisen has been continued, although somewhat modified, by Wilhelm Haas (1839-1913), a powerful organizer, a prominent official, a member of the German legislature and an exceedingly enthusiastic advocate of the interests of the country population.

The German co-operative stores were created by V. A. Huber, a highly educated scientist (1800-1869), who had familiarized himself in English industrial establishments not only with the wretched conditions of the factory-hands of that time, but at the same time also with the movement which had been begun by Owen and the Rochdale weavers towards the improvement of the working conditions. But as Huber

himself was not a practical man, and other forces at that time were endeavouring to attract the interest of the workers to co-operative productive societies and politics, the idea of co-operative stores did not for a long time attain any noteworthy success in Germany. Only after 1903 a quicker development is noticeable, and during the last decade it has, under the able guidance of its gifted leader Heinrich Kaufmann, a former board-school teacher, attained such strength that it will soon begin to rival the co-operative movement in England.

At present (1913) there are in Germany the following number of co-operative societies:—

Credit societies . . .	nearly	19,200,	with nearly	2,600,000	members
Agricultural societies	above	3,300,	„	about	300,000
Warehouses		600,	„	„	75,000
Implement societies		2,900,	„	„	60,000
Dairies		3,400,	„	„	320,000
Stores		2,400,	„	„	2,300,000

Taken all together, the German co-operative societies number more than 33,000, of which about 80 per cent. are agricultural. They possess nearly 6,000,000 members, and their turnover can be counted in millions. Accurate information on this subject can unfortunately not be had for want of uniform statistics. But for the co-operative credit societies, which have joined the "Reichsverband" (see p. 26), the total of loans granted was in 1912 more than £104,000,000, their own means exceeded £5,680,000, and the deposits received by them exceeded £112,000,000. It has been calculated that at the end of 1909 all the German co-operative credit societies had together lent to their members £155,000,000. The total received in 1910 by the German co-operative dairies for their products exceeded £16,000,000. The turnover of the German co-

operative stores rose in 1913 to about £33,200,000 and their own means to about £3,560,000.

For the promotion of their work, especially for the auditing, prescribed by law, of the societies' books, as well as for the general furtherance of co-operative ideas, the German co-operative societies have formed what are called provincial auditing circles, of which there are at present 126, and these in their turn have joined themselves into five great unions, embracing the whole German Empire. These unions are :—

(1) "The general union of industrial and economic co-operative societies, founded on self-help," started by Schulze-Delitzsch in 1864 and joined by co-operative credit societies, co-operative stores, artisans' co-operative societies, co-operative housing societies, etc., founded on the Schulze system. In all, the union includes about 1,600 societies, divided into thirty provincial auditing circles. The development of this union appears at present to have reached a period of stagnation.

(2) "The central union of German rural co-operative societies," started by Raiffeisen in 1877, consisting chiefly of Raiffeisen credit societies (about 4,400), but also of others, *e. g.* co-operative societies for buying (about 900), co-operative dairies (about 300), co-operative electric societies (more than 200), and so forth, in all 5,800. The number of provincial districts is thirteen. The union has been enjoying a rapid progress.

(3) The union, started in 1883 by Haas and now styled "The imperial union of German rural co-operative societies," numbering about 8000 co-operative credit societies, more than 1,300 co-operative societies for buying, 1,900 co-operative

dairies and so forth; in all about 15,000 co-operative societies (divided into twenty-eight local districts). The development of this union has been striking.

(4) "The central union of German co-operative stores," founded by Kaufmann in 1903 and then joined by a large number of co-operative societies, which had either been excluded from or had voluntarily left the Schulze-Delitzsch union by reason of its narrow-minded and short-sighted policy. It numbers more than 1,200 co-operative stores (with seven local districts), and it is working with great energy.

(5) "The central union of German artisan co-operative societies," founded in 1901, to which belong sixteen provincial unions formed by the artisans' co-operative societies with the societies subordinate to them, and, further, a number of chambers of handicraft and of trade, as well as a number of isolated artisans' co-operative societies.

The German co-operative societies have further established a number of central organizations, of which many are gigantic enterprises. For instance, the central credit institutes of the "Reichsverband" had in 1912 a total turnover of £320,000,000, with a total capital of £1,600,000 and a profit for the year of almost £120,000. The same union's central office for the purchase of agricultural requirements sold in 1912 about £11,000,000's worth of these articles. The German Co-operative Wholesale Society has, despite its youth (it was started in 1894), been able to register a very remarkable growth, its sales in 1912 reaching about £61,000,000 and its year's profit £96,000. It owns several large factories.

The German co-operative movement was

greatly helped both financially and in the direction of centralization and propaganda work by a special banking institution, founded by the Prussian Government in 1895 with the object of assisting this movement, and named "The Prussian Central Credit Institute." This institute, which in the course of time has received from the State Exchequer loans at low rates of interest to a total amount of almost £4,000,000, deals only with the central co-operative credit societies, in order to force local co-operative societies to join the central societies. The central societies are permitted to relend the sums received from the Prussian central credit institute to both agricultural and industrial co-operative societies; only the co-operative stores are debarred. In 1912 this huge institution had granted loans to forty-six provincial central co-operative societies to a total amount of more than £5,480,000; its turnover exceeded £800,000,000, and the year's profit was more than £160,000.

It is not possible for us in the above condensed manner to sketch the outlines of the development of the co-operative movement in many European countries. We therefore pass by the co-operative movement in Austria, Switzerland, Belgium and Italy, instructive though they are for us. The northern countries are so near to Finland that we cannot omit casting a glance at them.

Far ahead of all the others stands Denmark, whose magnificent and wonderful co-operative movement has given to the little country the title of the "model land of co-operation."

The movement has won so important a position in the economic life of the whole country

that it is asserted there that co-operation and the people's high-schools have mainly brought about the high agricultural prosperity of present-day Denmark.

The co-operative movement in Denmark got its first impulse from a co-operative store. A warm friend of the poorer classes, the Rev. H. Chr. Sonne, had gained information of the development and influence on its members of the remarkable co-operative store at Rochdale, and in 1866 he started in his parish a humble co-operative store in order to free his parishioners from the dependence on local tradesmen, into which they had lapsed through their poverty. From this modest beginning the Danish co-operative movement has grown in such a measure that Denmark was in 1914 able to register about 1,565 co-operative stores, the majority of them started by country people; they had altogether about 277,000 members and their turnover amounted in 1913 to £5,760,000. In 1896 these societies founded, on the initiative of their then prominent leader, Severin Jørgensen, a former country tradesman, a central wholesale society of their own. In 1913 the turnover of this wholesale society had already risen above £3,476,000, and the year's profit was more than £160,000. The wholesale society owns a number of factories of different kinds.

The first Danish co-operative dairy was established in 1882. Already in 1897 their number had risen to about 1000, and in 1913 to 1,190, or to about the total number of all parishes in Denmark, the Danish parishes being nearly as small as single villages in Finland. They numbered in 1913 160,000 members, with about 1,100,000 cows, out of a total number of

about 182,000 farm-holders (in 1909) with about 1,200,000 cows in the whole country. The value of the butter produced by these co-operative dairies in 1913 was about £16,240,000. A little later, viz. in 1887, Denmark's first co-operative abattoir was started. At present the number of these abattoirs is forty-six. The production of these large factories rose in 1913 above £8,800,000. The turnover of the egg-selling co-operative societies amounted in 1913 to £440,000. The purchases of the agricultural co-operative societies totalled £2,680,000. The total of all co-operative trading during the year 1913 was calculated at £34,400,000 for a country whose foreign trade (the import and export added together) does not exceed about £60,000,000. In all there are to be found in Denmark more than 5,000 co-operative societies, with more than 600,000 members.

The latest manifestations of the power of co-operative work in Denmark are the great co-operative cement factories founded in 1913—by means of which the Danish farmers broke the supremacy of the cement factories combined in a trust—and also the co-operative bank founded in 1914.

Rural co-operation in Denmark, vigorous and all-embracing as it is, is very remarkable in one respect, viz. that it has sprung up and attained such astounding volume without any special law on co-operation, with comparatively little help from the Government, without any prominent leaders, and without a central institution, which would have guided it and bound it together. Only in 1898 there was founded by the central co-operative societies the so-called Co-operative Committee, which publishes a journal with a

rather limited circulation and outwardly represents the co-operative movement; at its head stands the land-owner Anders Nielsen. The splendid results attained are partly explained by the high degree of education and the well-developed economic ability of the Danish farmers. One consequence of these characteristics has been that there have been started quite a number of separate export and wholesale co-operative societies. The disadvantages of such separation are now beginning to make themselves felt.

In Sweden co-operative dairies and farmers' societies for the common purchase of agricultural necessities are the chief branches of the co-operative movement which have gained any considerable importance; alongside of these there has sprung up within recent years a powerful co-operative store movement.

The joining together of farmers for the common acquirement of agricultural necessities is of ancient date in Sweden, but this co-operation only first became properly organized in 1906, when the local *lantmannaföreningar* (corresponding most closely to the Finnish buying and selling co-operative societies) joined themselves into provincial associations ("central associations") and these in turn into the *Svenska Lantmännens Riksförbund* ("National Union of Swedish Agriculturists"), so that a whole network of co-operative organizations formed for the above object is now spread over the country. The Riksförbund also aims at the sale of its members' produce. Its head office is in Göthenburg. The turnover of the Riksförbund is, however, no larger than £1,020,000, which cannot be regarded as large considering that the Riksförbund is the largest farmers' organization in Sweden, with 42,000

members and representing 12 per cent. of the country's tilled acreage. Nevertheless, the Riksförbund is the largest business house in Sweden dealing with fertilizers and foodstuffs. At present it carries on only a comparatively small export trade in corn, hay and straw.

The total turnover of the nineteen provincial "central associations" is much higher than that of the Riksförbund; they buy partly outside of it. Their sale of agricultural necessities in 1910 already amounted to about £800,000, and their sale of the members' corn, etc., to about £68,000. The registered local purchase societies (*lantmannaföreningar*) numbered 940 in 1910.

Among the other farmers' co-operative associations are to be mentioned the co-operative dairies (477 in 1910) noted for their fine production and the high prices obtained on the English market, co-operative slaughter-houses (eight in 1910) which are for the most part engaged in export work, principally of bacon; and co-operative egg-selling societies of which only a part are registered. A form of co-operative society unknown in Finland are those for the manufacture of strong drinks and spirits, which in Sweden numbered eighty-five (in 1910).

The Swedish co-operative store movement had at the beginning an extraordinarily slow development, and for many decades gives an impression of something disconnected and groping in the dark. This was due in the first place to the lack of single guidance. Things took a turn, however, when the *Kooperativa Förbundet* (Co-operative Union), an association chiefly of the co-operative stores, was founded. The *Kooperativa Förbundet* is not only the intellectual leader of the co-operative store movement in Sweden, but since 1905

has worked as a wholesale business. For the first object it works in many different ways, and publishes two periodicals, the one intended for the managers of the co-operative stores (*Kooperatören*), the other, whose issue amounts to about 40,000 copies, for the members (*Konsumentbladet*). The turnover of the wholesale business, which during the first year amounted to only £44,000, increased in 1914 to nearly £560,000. The co-operative stores belonging to the Kooperativa Förbundet were in the same year 565, with a total membership of nearly 130,000 persons. At the instigation of the Förbund a mutual fire insurance society has been established for both co-operative undertakings and individual co-operators.

The number of registered co-operative stores in 1910 was 733, including thirty-six co-operative bakeries.

In Norway the co-operative store movement is still in its first period of development. After many reverses and failures it has only begun to be developed within recent years, after the adoption of stricter principles in the founding and managing of co-operative stores had been learnt. In 1906 a central organization for the co-operative stores was founded under the name of the "Kooperative Landsforeningen," which works in the same way as the Swedish, but to which in 1914 only 152 co-operative stores were as yet affiliated. Its sales in the same year amounted to about £180,000 (the corresponding central organization in Finland has a turnover of about £960,000).

As in Sweden, so also in Norway, the agricultural co-operative societies have developed more successfully than the industrial ones. Within

the sphere of production, the butter and cheese dairies take the first place (660 in 1913), but the farmers of Norway can show a milk-selling co-operative society in Christiania in which seventy local dairies are members, and some co-operative slaughter-houses of which that in Christiania has a yearly sale amounting to about £120,000. The last-named large undertakings furnish the supply of milk and meat for the capital, and have erected large buildings there. A form of association which has gained great development in Norway is represented by the selling co-operative societies. There are seventy of them, part of which are combined in large central associations. The largest of these central associations embraces seventeen co-operative societies, with a total of 700 forest-owners as members and an annual sale of about £100,000.

It is, however, in the sphere of the common purchase of agricultural necessities that the Norwegian farmers have achieved the greatest success. In Norway the farmers' societies originally arranged common purchases and furthered the rise of local co-operative supply societies. They later on became the founders and chief supporters of the central organizations, which gradually arose and gained considerable importance in the economic life of Norway. Now there are no less than 1,344 local "supply societies," and in different parts of the country five central organizations which have taken into their hands a large part of the country's trade in artificial fertilizers and foodstuffs as well as seeds and implements. By 1911 it was calculated that these societies furnished 51.5 per cent. of the total requirements of the country in the first three classes of goods. The largest and strongest

of the central organizations in question is the *Faelleskjøpet* ("Common Purchasing Society") in Christiania, which is also the most powerful co-operative enterprise in Norway. The farming societies in eight of the southern provinces of the country are members of this central organization, but the customers (who are not members in the proper sense) consist of supply societies and co-operative dairies, which in 1913 numbered 628 with over 19,000 farmers. The associations approved as customers are pledged to make all their purchases in artificial fertilizers and food-stuffs through the central society. In addition to the usual agricultural necessities, *Faelleskjøpet* also supplies bread-corn, salt, petroleum and similar more important household requirements. Its development has been rapid. The turnover amounted in 1913-1914 to over £400,000.

The chief reason for the success of the agricultural co-operative movement in Norway is the great attention which has been paid to it by the men standing at the head of the intellectual life of the country. Thus the old-established *Selskabet for Norges Vel*,¹ which has done so much for the advancement of the country and which corresponds to the Imperial Finnish Economic Society in its objects during its first decades, has in every way aimed at promoting farmers' co-operation, for which purpose it established in 1910 a permanent co-operative committee which carries on its labours by sending out lecturers, publishing literature, and making representations to the government authorities, etc.

From these countries, which are among the

¹ Society for promoting the National Welfare of Norway.

most highly civilized in Europe, we shall proceed, for reasons stated later, to two lesser countries, Ireland and Hungary.

Co-operation in Ireland is of special interest for us, not only because the political position of that country and the poverty of its rural population resemble Finnish conditions, but principally for the reason that the origin and management of the co-operative movement there resemble more closely than those of any other country the origin and development of our own co-operation.

In the year 1889, under the leadership of Sir (then the Hon.) Horace Plunkett, a young member of a well-known Irish family, a small group of men began to preach the elements of rural organization to the poverty-stricken Irish farmers. Prominent in this group were a Jesuit priest, Rev. T. A. Finlay, Mr. R. A. Anderson, who has been for twenty-five years the secretary of the Irish Agricultural Organization Society (described below), and later Mr. George Russell, better known as Æ., the poet, painter, author and economist, who has for many years edited the organ of the movement. In 1894 these men founded a society for the promotion of agricultural co-operation, which has grown into a most important centre for the improvement of Irish agriculture, and has in many respects been taken as a model for the Pellervo Society in Finland. The society has been liberally endowed by well-to-do persons, and of late years it has also received a certain amount of support from the Government.¹

The Hungarian movement, like that of Ireland, is particularly interesting and instructive for

¹ Appendix D.

Finnish co-operators, owing to the many close parallels to be found between the two movements.

The first point of similarity lies in the fact that in each country the majority of the co-operators are country residents; even the co-operative stores in Hungary are, as in Finland, mostly to be found outside the towns. The oldest form of Hungarian co-operation is the co-operative credit society. The first Raiffeisen societies were established there as early as 1862, and their number increased from year to year, so that in 1885 their total already approached 400. They were, however, of small importance, until in the aforesaid year "the father of Hungarian co-operation," Count Alexander Károlyi, placed himself at their head, brought their methods into conformity with co-operative principles, and persuaded also the more prosperous classes of the population to join the movement. He gave the co-operative credit societies a form better suited to the peculiarities of the country; for instance, he made the amount of each share fairly large, but curtailed the liability, thereby inducing the owners of larger holdings to join. Since then the number of co-operative credit societies has grown very rapidly, there being in 1912 about 2,500 of them, with about 640,000 members (in 1911), with owned capital amounting to more than £2,800,000, and with deposits exceeding £8,000,000. In 1894, with the help of various large landowners, he even started a central credit institute for these societies, but not receiving any help from the Government, this central institute could not gain any noteworthy importance, and was soon amalgamated with another, the large rural banks' central credit institute, whose field of operations extends all over the

country. This institution, founded in 1898 on the initiative of the then minister of agriculture, Ignaz von Darányi, receives such large grants from the Government that it can be considered as a semi-governmental institution. The institute, under the guidance of its able organizer and first manager, Ambrosius von Seidl, has developed into a most important centralizing and propagandist agency for the whole movement. It had in 1911 £560,000 share capital, £440,000 reserve funds, £2,600,000 deposits, and about £7,600,000 loans to co-operative societies. Loans are granted not only to credit societies, but to all other co-operative undertakings as well, principally to co-operative dairies. It also buys up large estates and divides them into small holdings; it further acts as a central buying office for the purchases of the agricultural distributive societies, and is also carrying on co-operative educational and inspection work on a large scale; it had 240 employees in 1912.

Another branch of co-operation, started by the afore-mentioned Count Károlyi, which has been considerably developed is the co-operative store movement. As early as 1890, when the number of existing co-operative stores was as yet by no means large, he created for them a co-operative wholesale society, named the *Hangya* (the ant), himself subscribing £1,600 to its share capital. He defined its object as the organization of the whole system of co-operative trading, including propagandist work, the organization and supervision of co-operative stores, in addition to the ordinary functions of a wholesale society. The success of this organization has been very rapid and marked. In 1898 there were only sixteen co-operative stores affiliated to

the Hangya, but by 1907 there were more than 1000, and in 1912 nearly 1,600 of these societies, the majority of which had joined the Hangya. We must, however, not omit to mention that these co-operative stores are on an average rather small, their joint turnover for the year being not much above £4,000,000.

So far the agricultural co-operative societies for production or sale have not been able to keep abreast of the credit societies and stores. The first co-operative dairy was not started till 1894, but from 1898 onwards quite a large number of them were established, so that by 1911 they totalled 605; but they also are comparatively small, the total number of cows registered being only 95,000 and their year's turnover not exceeding £800,000. Another branch, in which co-operative sales have been established, is that of grain-selling, for which purpose large co-operative storehouses have been erected; towards the building of such storehouses the Government has granted loans up to five-sixths of the building costs.

Furthermore, the Hungarian farmers have in a large degree resorted to co-operation in respect of insurance. They have 300 local co-operative cattle-insurance societies, with a central society of re-insurance. They also established in 1900 (on the initiative of Count Károlyi) a great co-operative insurance society which grants life, fire and hail insurances, and has branch offices in most parishes. Its success has been remarkable: in 1910 it had fire insurances for £3,000,000 and hail insurances for £212,500.

As an ideal centre of the whole co-operative movement of Hungary there was founded in 1908 the "Union of Hungarian Co-operative

Societies," which has been joined not only by the co-operative stores, but by the agricultural co-operative societies as well, and under the guidance of this Union co-operation has in this country developed into a really great social and patriotic movement, uniting not only farmers and workmen, but teachers, clergymen, officials and land-owners in a common fellowship of effort, while at the same time it is supported by the Government to a greater degree and with more consistency than is the case in most other countries.

In conclusion we wish to say a few words on the co-operative movement in Russia. In the organization of co-operation in European Russia two distinct periods of vigorous activity are discernible. As early as 1860 the first modern co-operative societies were founded there. In 1866 the first co-operative credit society on Schulze-Delitzsch's lines was started, and was followed between 1865 and 1880 by 1,164 similar associations. In the 'sixties the first co-operative dairies (for the production of cheese) and the first co-operative stores were established. Unfortunately this first impulse and the rapid development brought about by it were followed by an equally rapid decline. Of all the 1,700 co-operative credit societies which had been started up to 1900, only 745 were still in existence in the last-named year, and of these not more than 601 have given statistics as to their operations. A similar decline is to be noted since 1880 in the other branches of co-operation.

The second period of co-operative awakening in Russia dates from the disturbances in the years 1902-1905 and from the period following

them. In 1904 the Government published a decree concerning the establishment of credit institutions for peasants, artisans and other people of small means, and on the basis of this decree both the Government through its officials and the "zemstvos"¹ (whose functions include the promotion of agriculture) began to found co-operative credit societies, which receive loans from the Government for share and working capital and which have been placed partly under the control of the Government and partly of zemstvo officials. Since this decree was published no credit societies of the Schulze-Delitzsch type have been started. Instead we find two new types of society, of which the one is essentially identical with the Raiffeisen system and the other is called "the Russian type," the chief characteristic of which is that the members take no shares. Of the Raiffeisen societies more than 2000 have been established, and of the "Russian type" societies nearly 8000. Together they have about 6,600,000 members. For these societies there have been founded district unions, which endeavour to procure credit for them; other societies get credit from the zemstvos. For the same purpose there has lately been started a special co-operative bank, the operations of which will be extended all over Russia and which is going to work on the same lines as a similar bank at Warsaw, started some time earlier for the assistance of the co-operative societies of Poland. Up to the present all these institutions

¹ The zemstvos are the representative bodies which have charge of local administration, and to some extent of taxation for each district and province. Their usefulness depends on the extent to which free election is allowed, and also on the attitude of the Imperial governor of the province, who has a power of veto over them.—[ED.]

have not been strong enough to bring effective help. The principal source, from which the Russian co-operative credit societies have been able to get new capital, has been the deposits entrusted to them, they being entitled to receive deposits and savings even from non-members. For this reason the credit societies are generally forced to charge rather high rates of interest which average from 6 to 12 per cent. per annum.

Co-operative dairying, although started many years ago, has developed very feebly in European Russia; the total number of societies in 1910 probably did not exceed 200; they produce, as already mentioned, principally cheese, or else, in the vicinity of Petrograd and Moscow, sell milk. On the other hand, this branch of co-operation is rapidly gaining ground in Siberia, where the first co-operative dairy was founded as lately as in 1896, but where their total number is now estimated at about 1,400. In 1908 some of these dairies established "The Union of Siberian Co-operative Dairies," which among other things undertakes the export of the members' butter and the purchase of dairying implements. It has branch offices in Berlin and Hamburg, among other places.

Much stronger has been the development of co-operative stores, the total of these being estimated at 3,625 in European Russia, 829 in Poland, 182 in the Caucasus and 131 in Siberia, making a total of 4,767, with about 1,000,000 members. Of these co-operative stores about 90 per cent. are situated outside the towns. In 1898 they established the Moscow Co-operative Union, operating all over Russia and acting not only as a co-operative wholesale society, but as the real centre of Russian co-operation as well, and

publishing a journal of its own. Its turnover is nevertheless not larger than that of the Finnish Wholesale Society.

Besides the above union another centre of Russian co-operation is to be found in a permanent committee, appointed as early as 1870 by the Moscow Imperial Agricultural Society, as well as in a branch of this committee, established in Petrograd in 1871, both aiming at the promotion of co-operation. The committee publishes pamphlets, model rules, and a propagandist paper called the *Journal of Co-operation*, first issued in 1909. Beside this, many agricultural societies and zemstvos have special permanent committees for the promotion of co-operative work within their respective spheres. In 1913 steps were taken towards the establishing of a special central institution for the advancement of co-operation and of a co-operative educational institute.

But the co-operative movement has not been limited to Europe only. On the contrary, within recent times it has spread to all parts of the world : to America, Africa (*e. g.* Egypt), Australia and Asia, where it has gained much ground. Numerous co-operative credit societies are to be found in India and in Japan especially, and the results already arrived at are of more than common interest.

In this short review we regret not to be able to sketch even the leading features and present state of co-operation in all countries. Nevertheless in order to give the reader an idea of how the principal branches of this movement have spread in different countries, we give below three tables of figures.

From the following table will be seen the number of co-operative stores in the following countries—

Russia	1911 about	4,800
Germany	1913	2,400
Italy	1910	1,764
France	1912	3,079
Hungary	1912	1,579
Great Britain	1913	1,508
Austria	1910	1,382
Denmark	1914	1,562
Sweden	1910	733
Finland	1914	517
Switzerland	1910	486
Norway	1910	450
Belgium	1908	394
The Netherlands	1910	386
Spain	1904	182
Servia	1909	100
Bulgaria	1909	43

The number of co-operative dairies in the different countries is as follows—

Germany	1913	3,400
Switzerland	1910	2,810
France	1912	1,700
Russia	1911 about	1,600
Denmark	1913	1,190
Norway	1913	660
Belgium	1908	609
Sweden	1910	477
Finland	1914	436
Ireland	1911	329
Servia	1909	15
Bulgaria	1909	10

Of co-operative credit societies the numbers are—

Germany	1913	19,200
Russia	1913 about	11,000
Austria	1910	10,954
Japan	1912	7,301

France	1913	4,700
Hungary	1912	2,500
Roumania	1910	2,600
Italy	1910	2,499
Servia	1909	850
Bulgaria	1909	635
Belgium	1908	568
Finland	1914	512
The Netherlands	1910	500
Switzerland	1910	322
Ireland	1911	284
Spain	1904	49
Sweden	1910	29

Beside these principal branches of co-operation it is also being tried in many other branches of the most varied description. Thus there can be found in England, Germany and other countries co-operative building societies; in France and several other countries co-operative bakeries; and in Italy, Roumania and Hungary co-operative land-renting societies. In Germany and Austria important seed-growing and selling co-operative societies have been organized by the farmers, and within recent times also a large number of co-operative electric stations for the supply of electric power and lighting; there can further be found co-operative associations for the making of wine and sugar, for the sale of fruit and so forth.

Thus we find that since the end of last century the idea of co-operation has been winning admirable triumphs in one country after another. It has in most countries first won the hearts of a few idealists, under the guidance of whom the best elements of the large armies of agriculturists and industrial workmen have then gradually developed this new social movement, which has already attained great importance and contains within itself still greater possibilities of future extension.

III

THE ORIGIN AND DEVELOPMENT OF CO-OPERATION IN FINLAND

1. *Co-operative effort in Finland prior to 1899*

MODERN co-operation has been inaugurated in Finland fairly recently. It is true that as early as 1860 a few prominent citizens of Helsingfors planned a co-operative store on the English lines and even elaborated statutes for it, but for reasons unknown the plan was not realized. Finland's oldest existing co-operative store, the "Helsingfors General Consumers' Union," was not started till 1899. At the same time a few other co-operative stores were established in other Finnish towns and even in the country, either as proper co-operative societies or in the form of limited liability companies, but many of them have already ceased to exist. A number of co-operative dairies were also founded in the 'eighties and a greater number in the 'nineties, sometimes taking the form of a co-operative society, sometimes that of a joint stock company. Energetic propagandist work in favour of the co-operative idea was carried on early in the 'nineties by pamphlets and lectures on co-operative stores, co-operative dairies and even co-operative credit societies. At the same time two different bills were introduced in the Diet, the object of which was the creation of a law

concerning co-operation, but the result aimed at was not attained.

All these attempts, originating in different parts of the country, emanating from different classes of the population and covering different branches of co-operative work, had nothing in common. Most of the originators probably never fancied that, for example, a co-operative store and a co-operative dairy had anything in common, or that co-operative societies established at different places would have any joint interests or gain any benefit by common action. Still less did the majority of them recognize that by means of the movement set on foot by them the Finnish people was, albeit unconsciously, establishing in its midst what would prove to be one of the most fruitful of all modern movements towards social reform.

The movement did not come to its proper strength or find its true scope till the spring of 1899, that spring of great sorrow, great impulses and great hopes, when the Pellervo Society was started. At that time many new enterprises were founded, with the best of expectations, for the improvement of the position of the poorest classes of our people, but none of them has made so deep a furrow in the field of our domestic culture, nor has any of them such great possibilities of further extension, as the movement created by this society.

2. The work of the Pellervo Society for the organization and development of co-operation in Finland

The object of the Pellervo Society is to promote the economic advancement of the people by

means of co-operation and to be the connecting link of all co-operative undertakings existing in this country. It has endeavoured to spread the knowledge of the beneficent power of co-operation, to help in the starting of different co-operative enterprises, first of all farmers' societies, live-stock societies and insurance societies, and later on co-operative societies of different kinds, such as co-operative dairies, co-operative rural banks, co-operative stores and so forth; it instructs the officials of the co-operative societies in the principles of management and book-keeping, it assists co-operative societies by auditing their accounts and by settling disputes, and further helps them to work together for their mutual benefit; finally, it acts as the representative of Finnish co-operation to the outside public, watches over its interests and defends it against the attacks of its adversaries.

The Pellervo Society has carried on this work in the following ways:—

At the central office, at Helsingfors, model rules for co-operative societies and other similar bodies have been drawn up with the assistance of prominent lawyers and experts.

It is obvious that model rules alone cannot give sufficient guidance for the establishment of important enterprises, still less for the management of them, to persons who, on the whole, are little acquainted with business methods. For that reason it has been found necessary to compile handbooks. Such books have already been published for co-operative dairies, stores and credit societies, and further for peat-moss, threshing machine, corn-selling, egg-selling, cattle-selling, telephone and land-buying co-operative societies, as well as for

cattle-insurance societies, co-operative enterprises in the sphere of cattle-breeding and societies for co-operative forestry. In addition, handbooks on the law on co-operation and on the method of keeping accounts have been published.

As a business enterprise, be it either co-operative or capitalistic, cannot be properly conducted without clearly and suitably kept books, there has been elaborated at the office of the Pellervo Society a special system of book-keeping suitable for co-operative societies, and in accordance with this system complete account-books have been arranged for all kinds of societies, with clear and popular instructions for their use. The office has also devised all the forms that may be required by the co-operative societies.

In proportion as the movement develops it becomes necessary to collect, arrange and publish statistics, as detailed and as accurate as possible, in order to be able to find out the defects and to remedy them. This work, which entails considerable labour, is carried out by the Pellervo Office and the results are published in the Society's Yearbooks. During the last few years the Rural Banks' Central Credit Institute has assisted in the compilation of the statistics concerning the rural banks, and the Finnish Co-operative Wholesale Society in the compiling of those concerning the co-operative stores. Both these central institutions took over in the year 1914 the publication of statistics regarding the co-operative societies working within their respective spheres.

In addition to this the Pellervo Office has spent much time and work on the planning and organizing of co-operative wholesales, irrespective

of whether the initiative was taken by the Pellervo Society or by the societies themselves.

A like centralization of co-operative activity is aimed at by the model rules, also drafted on the initiative of the Pellervo Society, in conformity with which local (district) co-operative dairy unions have been founded for the purpose of improving the quality of the butter produced as well as for the improvement of the economic conditions of the dairies.

Side by side with the above work, which might be described as internal, there has also been carried out much work of an external character.

Of such we must mention in the first place the measures for the protection of the general interests of co-operation. Foremost among them stands the motion brought forward in the Diet of 1900 concerning government grants to co-operative credit societies. As an outcome of this motion a loan of £160,000 was made in 1903 to the Rural Banks' Central Credit Institute from government funds. Another measure of the same kind was a proposition made in 1903 to the Senate, the result of which was the creation of a special fund of £80,000, from which loans are given towards the building and equipment of co-operative dairies. In order to popularize the idea of joint purchase of suitable agricultural implements the Pellervo Society planned and started a temporary station for the testing of agricultural machinery, which it is now proposed to turn into a government institution. In this work of an external character, carried out with a view to protecting the interests of co-operation, must be included a motion, based on a number of detailed propositions, on the desirability of alterations in and additions

to the law on co-operative societies, handed in to the Senate by the central board of the Pellervo Society towards the end of 1908. Finally, the central board of the Society is often requested by the government or by government offices to express its opinion on matters concerning co-operation.

In connection with the external work of the Pellervo Society it must also be mentioned that it has been effective in repulsing the attacks made on the co-operative movement by its enemies and replying to misconstructions and misrepresentations. This has been done partly by articles in the newspapers or by booklets, partly by lectures.

Of special importance has been that part of the Society's activity which has consisted in advisory work.

Advice and information has been given to a large extent by means of correspondence, directed from the office. During the past few years the office has received more than 10,000 letters a year containing inquiries or replies to inquiries sent, and has sent out 3000 letters and 12,000 circulars and inquiry forms annually.

Special mention must also be made of the work which has fallen to the Society's legal secretary. He has given advice on questions, put either verbally or—as has mostly been the case—in writing, on matters concerning law, drawing up communications to government offices, preparing large reports on many different subjects, drafting new model rules, or arranging new editions of earlier publications. Besides this he has to instruct the Society's new officials in their work, more particularly in the law on co-operation, and so forth.

Of still greater importance has been the assist-

ance rendered by means of travelling organizers. In this capacity the Society employs a number of young men, interested in co-operative matters and possessing either an agronomist's, board school teacher's, or commercial education. The task of these organizers is to popularize co-operation, to give instructions for the starting and managing of co-operative societies and the keeping of their accounts and to audit these latter.

In order to render this advice to, and inspection of, the local co-operative societies sufficiently effective it has been found necessary to appoint district organizers, especially in certain parts of the country where, for one reason or another, this step has been considered to be of more than usual value. But as the Society's own means have only allowed of the employment of a very small number of such officials, it has found it desirable to co-operate in this respect with some other societies. With the help of the other co-operative central organizations and some of the agricultural societies eleven district organizers have been engaged for co-operative work, and the whole country has been divided into ten districts for this purpose.

An idea of the extent of this organization work may be gathered from the fact that the Pellervo Society's own organizers in the first years of their work lectured annually to tens of thousands of persons, and that during the last few years they have had to attend more than 1,300 public meetings of various kinds each year all over this country.

The Society has nevertheless not been able by any means to meet the demands of the people by sending organizers into the country, in spite of the great assistance rendered by

the consultative agents of several agricultural societies, the secretaries of dairy unions and other agricultural officials, and later on particularly by the officials of the central organizations. During the first years endeavours were made to overcome this insufficiency of organizers to some extent by arranging at Helsingfors for the committeemen of the rural co-operative societies, a series of lectures and discussions on the outstanding questions of co-operation, known as *Pellervo meetings*. Such meetings were held in 1900, 1902, 1904, 1907 and, in connection with the ten years' jubilee of Finnish co-operation in 1909 and 1914. The number of participants, especially of farmers, has been continually increasing, and has at the latest meetings been about 1,500.

The place of the "Pellervo meetings" may be said to have been taken recently by what are called "Agricultural co-operative meetings," which have been held annually since 1911 in connection with the annual meetings of the Pellervo Society and of some other co-operative central organizations. Since the year 1913 representatives of the rural banks have met annually in congress, and in 1914 the same system was adopted by the representatives of the co-operative dairies.

Even these measures have proved insufficient fully to allay the thirst of our people for knowledge of matters pertaining to co-operation, or to supply the necessary amount of instruction and guidance indispensable for the members and committeemen of the co-operative societies in the fulfilment of their duties and their tasks. For this reason the Pellervo Society has since its foundation published suitable literature. The

publications have principally been issued in a series called the Pellervo Library, and include the handbooks mentioned earlier and also other works on co-operative matters. There are altogether thirty-four volumes of such publications in the Finnish language and nineteen in Swedish. Some series of smaller booklets have also been started, viz. *Pellervo's Penny Library*, *Pellervo's "Small Book" Series*, and *Pellervo's Pamphlets*, of which last-named tens of thousands have been distributed. The Society's Yearbook, a very exhaustive work full of useful information, is issued annually, depicting different sides of the progress of Finnish co-operation and containing detailed statistics of all the different co-operative undertakings referred to on p. 47.

These publications are kept for sale at the Society's office and by booksellers, and have been distributed by the Society free of cost on a very large scale considering its circumstances. Thus at one time a free set of the "Pellervo Library" was presented to the parish library of every church village, and also suitable books were distributed to co-operative societies, farmers and agricultural societies, the "people's high schools," agricultural schools, and so forth. The organizers of the Society have also distributed large quantities of its publications, especially of the booklets and other small works. Particularly valuable is the annual gift to all co-operative societies, and up to 1910 to all farmers' societies as well, of the Society's large Yearbook.

The money value of all these presents has risen from £200 to £350, and during these last years has even been as high as £680 per annum.

The *Pellervo Journal* must be regarded as a propagandist organ of the greatest importance

and as a guide towards the fulfilment of co-operative ideas. It is issued in both the languages of the country, the Finnish edition twice and the Swedish once a month. The yearly Finnish volume formerly amounted to 400-500 pages, but has been enlarged during the past few years to about 800 pages. The Swedish volume has about 400 pages of reading matter a year. The journal contains articles in popular form on matters touching upon co-operation, agriculture and kindred subjects, inquiries and replies, pages for the home, domestic news, and lately also essays of an ideal and educational character. The journal has a larger circulation than any agricultural journal in Finland and even in Scandinavia, and only very few agricultural journals in some of the greatest countries have attained an equal or a greater circulation. The number of subscriptions to the Finnish edition was some years ago about 20,000 to 25,000, but has been increasing year by year, and is at present about 55,000. Of the Swedish edition about 3,500 copies are circulated yearly.

Further, the graphic representations published by the Society in 1914 of the development of co-operation and its present position deserve mention. They are in the form of three maps and nine tables, all of large size and printed in colours. They are intended primarily to be used as material for instruction in agricultural schools and popular high schools, but also to be hung up in the premises of co-operative societies, parish halls, etc.

The carrying on of this work has naturally required considerable outlays. Where have the necessary means come from? In the first place, the Society has received considerable sums from

the sale of its journal and other literature. Nevertheless it must be allowed that the Society, as will be seen from the table given below, has not been able to reap any financial gain from its publishing business, but, on the contrary, most of the publications have, as was to have been expected, been worked at a loss. Secondly, the Society has received quite considerable grants from the government. But these two sources of income, the publishing branch and the government grants, would not have been by any means sufficient to cover the expenditure if the Society had not received ample donations from patriotic well-wishers in addition to the members' fees. The extent of the Society's activity and the development of its financial position will be seen from the following table.

PARTICULARS AS TO THE PELLERVO SOCIETY FOR THE YEARS 1899-1914.

Year.	Number of Pellervo's.		Number of consul- tative functions.	Office rooms.	Members' fees and donations.	Government grants.	Grants of the Central Institutes and others.	Publishing department.		
	Members.	Officials.						Total receipts.	Expenditure.	
									In cash.	Publica- tions dis- tributed gratis.
					£	£		£	£	
1899	430	3	252	1	1,024	800	—	1,527	1,622	148
1900	518	6		2						
1901	744	8	142	2	566	800	—	1,418	1,314	168
1902	844	14	286	5	318	960	—	1,511	1,470	164
1903	851	14	489	5	1,673	1,040	140	1,969	2,595	319
1904	1,194	15	529	6	607	1,520	280	2,234	2,308	179
1905	1,181	15	536	6	311	2,400	80	2,260	1,958	237
1906	1,304	17	1,008	6	533	2,480	80	2,252	2,943	718
1907	1,387	18		6	530	3,066	80	2,870	2,684	375
1908	1,391	18	743	6	371	2,840	80	2,364	2,348	204
1909	1,402	23	647	6	236	3,240	292	2,941	4,441	564
1910	1,389	23	776	6	1,417	3,240	384	3,154	3,532	250
1911	1,271	23	860	7	216	3,480	384	3,594	3,629	612
1912	1,372	24	694	7	277	3,240	398	4,691	5,028	669
1913	1,320	23	—	7	269	2,980	385	4,736	5,023	680
1914	1,267	23	—	7	222	2,960	616	5,271	5,229	484

3. Review of the development of co-operation in Finland

At the beginning of the co-operative movement in Finland there were many other societies besides Pellervo engaged in advocating co-operation. In the spring of 1899 about 150 specially prepared students left Helsingfors for various parts of the country for the purpose of lecturing, one item on their programme being the popularization of co-operative ideas. Most of the great provincial agricultural societies also, especially during the first years of the movement, gave powerful assistance through their instructors and by the distribution of suitable reading matter; many of their instructors assisted in the starting of the first co-operative undertakings, principally of co-operative dairies. The newspapers of the country have also contributed greatly to success by publishing numerous articles on the subject. This work of preparation and explanation was more properly concentrated on co-operative societies after the coming into force of the law on co-operation on September 1, 1901.

As a consequence of these combined efforts numerous co-operative societies began to arise in different parts of the country and for different purposes, as will be seen from the upper table on p. 57, which shows the increase in the number of co-operative societies entered in the commercial register between the years 1901 and 1914, classified according to their objects.

ORIGIN AND DEVELOPMENT

57

CO-OPERATIVE SOCIETIES, ENTERED IN THE COMMERCIAL REGISTER
ON DECEMBER 31ST OF EACH YEAR.

Year.	Total Number.	Co-operative Societies.					
		Co-operative Stores.	Co-operative Dairies.	Co-operative Rural Banks.	Threshing Machine Co-operative Societies.	Peat-Moss Co-operative Societies.	Other Co-operative Societies.
1901	3	3	—	—	—	—	—
1902	50	16	28	—	—	1	5
1903	189	66	75	24	3	2	19
1904	393	119	145	87	3	3	35
1905	592	166	225	140	4	7	47
1906	866	263	292	176	15	10	106
1907	1,260	389	330	240	69	31	207
1908	1,601	497	342	308	127	49	274
1909	1,815	506	354	385	169	70	325
1910	1,930	512	362	418	191	85	359
1911	2,002	506	370	443	201	98	380
1912	2,066	503	389	453	207	110	399
1913	2,167	512	418	476	218	118	420
1914	2,300	517	436	512	235	127	468

THE DISTRIBUTION OF CO-OPERATIVE SOCIETIES OF DIFFERENT
KINDS AMONG THE DIFFERENT PROVINCES IN 1914.

Province.	Total Number of Co-operative Societies.	Co-operative Societies.					
		Co-operative Stores.	Co-operative Dairies.	Co-operative Rural Banks.	Threshing Machine Co-operative Societies.	Peat-Moss Co-operative Societies.	Other Co-operative Societies.
Nyland	187	50	16	19	21	17	64
Abo and Björneborg . .	377	84	104	32	26	40	91
Tavastehus	186	51	39	20	17	12	47
Viborg	424	116	26	152	18	18	94
St. Michel	132	19	34	43	9	6	21
Kuopio	385	42	88	131	73	13	38
Vasa	344	109	75	43	28	19	70
Uleåborg	265	46	54	72	43	2	48
Whole country. . . .	2,300	517	436	512	235	127	473

CO-OPERATION IN FINLAND

THE NUMBER OF MEMBERS OF FINLAND'S CO-OPERATIVE SOCIETIES DURING THE YEARS 1903-1913.

Year.	Total Number of Members.	Members.			
		Of Co-operative Stores.	Of Co-operative Dairies.	Of Co-operative Rural Banks.	Of other Co-operative Societies.
1903	21,000	14,000	6,000	500	500
1904	37,000	22,000	12,000	2,000	1,000
1905	57,000	29,000	21,000	4,000	3,000
1906	89,000	50,000	29,000	5,000	5,000
1907	136,000	76,000	31,000	9,000	20,000
1908	170,000	95,000	33,000	12,000	30,000
1909	177,000	92,000	34,000	16,000	35,000
1910	179,000	87,000	35,000	17,000	40,000
1911	180,000	85,000	35,000	18,000	42,000
1912	188,000	87,000	37,000	19,000	45,000
1913	196,000	91,000	39,000	20,000	46,000

THE TRADE TURNOVER OF FINLAND'S CO-OPERATIVE SOCIETIES DURING THE YEARS 1903-1913.

Year.	Total Turnover.	Co-operative Societies.				
		Co-operative Stores.	Co-operative Dairies.	Co-operative Rural Banks.	Other Co-operative Societies.	Co-operative Societies for the Common Purchase of Agricultural necessities.
	£	£	£	£	£	£
1903	440,000	200,000	140,000	8,000	abt. 12,000	abt. 80,000
1904	773,000	320,000	300,000	32,000	" 24,000	" 96,000
1905	1,220,000	480,000	540,000	60,000	" 40,000	" 100,000
1906	2,008,000	880,000	780,000	76,000	" 80,000	" 192,000
1907	2,912,000	1,480,000	840,000	148,000	" 200,000	" 244,000
1908	3,972,000	2,080,000	1,080,000	212,000	" 320,000	" 280,000
1909	3,968,000	2,000,000	1,120,000	248,000	" 320,000	" 280,000
1910	3,948,000	1,880,000	1,136,000	272,000	" 360,000	" 300,000
1911	4,452,000	2,080,000	1,320,000	292,000	" 400,000	" 360,000
1912	4,908,000	2,280,000	1,400,000	320,000	" 480,000	" 428,000
1913	5,356,000	2,520,000	1,480,000	356,000	" 520,000	" 480,000

It must, however, be observed that, on one hand, not all the small co-operative stores, the number of which must be counted in hundreds, have been registered. But, on the other hand, there are to be found included in the register a number of co-operative societies which never got so far as really to begin business, or which started and afterwards quietly came to an end, without reporting their dissolution to the registrar; there are about 200 of these. The number of active co-operative stores was, in 1914, 427, of co-operative dairies 370, and of co-operative credit societies (rural banks) 416.

How the co-operative societies are distributed over the country will be seen from the lower table on p. 57, which is also based on the official figures of the commercial register. The societies are classified according to their objects.

The majority of the Finnish co-operative societies are country ones. In 1913, 1,917 societies had their headquarters in the country and only 250 in the towns.

The first table on p. 58 shows the number of the members of the co-operative societies, and the second one the changes in their turnover between 1903 and 1913. From these tables it will be seen that co-operation developed in Finland between the years 1901 and 1908 both quickly and fairly steadily. The development was accelerated by, in addition to the propaganda work already mentioned, the failure of the crops in 1902, which prompted the farmers to resort to co-operation, and further by the general strike of 1905, which awakened the lower classes of our people in general to work for an improvement of their position. The development of co-operation in Finland has also been

tremendously helped by the comparatively early establishment of central organizations (1903-1906). Under their shelter the movement has not only expanded, but has also gained strength and has been able to endure considerable reverses such as have been met with. It is a well-known fact that the results of over-rapid growth are apt to be weak, and this has been clearly the case in Finland. Many co-operative societies having been established without expert aid, and even in spite of express warnings, and digressing more or less from both the laws and the suggestions made in the model rules and from the most elementary rules of economy as well, it was but a natural consequence that part of them should be too weak to be able to survive. Especially in the years 1908 and 1909, when the monetary position in the country was rather strained, causing more than the average number of bankruptcies in the business world, co-operation suffered some serious setbacks, the results of which were felt from 1908-1909 up to 1911 and to some extent even in 1912. During this time among others 56 co-operative stores, 20 co-operative dairies and 2 rural banks were declared bankrupt. These facts are shown in the table on next page, which gives the number of co-operative societies struck off the commercial register in the years 1902 to 1914. Another consequence was that the total membership of the co-operative stores declined from 1909 to 1911, and that also in the turnover of the co-operative societies a period of stagnation was observable between 1908 and 1910.

The setbacks met with by the young co-operative movement in Finland were naturally used by the enemies of it for spreading reports

that the whole movement had proved a failure. How little even a fairly large number of bankruptcy cases really means for co-operation, taken as a whole, is made clear by the comparatively numerous bankruptcies of the same kind in the early years of the movement in such solidly co-operative countries as England and Germany; a comparison of the percentages

THE NUMBER OF CO-OPERATIVE SOCIETIES STRUCK OFF THE
COMMERCIAL REGISTER.¹

Year.	Total Number of Societies Struck Off.	Through Bankruptcy.	Co-operative Stores.	Through Bankruptcy.	Co-operative Dairies.	Through Bankruptcy.	Co-operative Rural Banks.	Through Bankruptcy.	Other Co-operative Societies.	Through Bankruptcy.
1902	—	—	—	—	—	—	—	—	—	—
1903	2	2	1	1	—	—	—	—	1	1
1904	3	1	3	1	—	—	—	—	—	—
1905	4	2	4	2	—	—	—	—	—	—
1906	7	2	4	—	1	—	—	—	2	2
1907	6	1	2	—	1	—	—	—	3	1
1908	18	8	10	2	1	1	1	—	6	5
1909	33	11	21	6	4	1	—	—	8	4
1910	40	16	23	9	8	3	—	—	9	4
1911	19	11	14	9	1	1	—	—	4	1
1912	18	12	8	5	2	2	1	—	7	5
1913	7	3	2	1	2	1	1	—	2	1
1914	13	5	5	3	5	—	—	—	3	2
Total	170	74	97	39	25	9	3	—	45	26

here and in the countries named is certainly not disadvantageous for us, the number of bankruptcies being proportionately larger abroad than here.

The above setbacks drove the Pellervo Society temporarily to reduce considerably their propa-

¹ The Commercial Register is partly incomplete and partly behindhand in regard to the dissolution of co-operative societies.

gandist work and the starting of new societies; this society as well as most of the co-operative central organizations turned their attention chiefly to the controlling and strengthening of the already existing societies. The causes of the failures were closely studied, and on the basis of the experience gained the organization and working methods were completed and reformed. Among other things there were started in 1909 the *Co-operative Educational Institute* and the review *Suomen Osuustoimintalehti* ("The Journal of Finnish Co-operation," see pp. 169, 170) for the information of the committeemen of the co-operative societies; for the same purpose new and enlarged editions of the principal handbooks were prepared. Further, the Pellervo Society and the Rural Banks' Central Credit Institute, either from their own resources or in conjunction with different agricultural societies, increased the number of district organizers in the manner already mentioned.

As a result of that joint action the period, which outwardly must be considered as one of dire adversity, viz. 1908 to 1911, can yet be looked upon as one of most satisfactory progress in the inner development of Finnish co-operation. This will be made clear by the tables on p. 63, showing the growth of the funds of the co-operative societies in the years 1905 to 1913.

Furthermore, it is apparent that the bankruptcies of co-operative societies are now on the decrease, and that the movement on the whole is again growing and reviving. For this reason it has been found possible in the last two or three years to spread the light of co-operative ideas in new places and to continue the organization of new societies.

THE GROWTH OF THE FUNDS OF CO-OPERATIVE STORES, CO-OPERATIVE DAIRIES AND RURAL BANKS
DURING THE YEARS 1905-1913

Year.	All Funds.				Shares paid in.			Reserve and other Funds.		
	Total Sum.	In Percentage of Liabilities.	Average per Society.	Average per Member.	Total Sum.	Average per Society.	Average per Member.	Total Sum.	Average per Society.	Average per Member.
1905	£ 52,782	17.6	£ 131	£ 1 6	£ 34,070	£ 84	£ 16	£ 18,712	£ 46	£ 9
1908	200,766	17.3	227	1 16	107,762	121	1 0	93,014	105	17
1911	370,784	28.6	347	2 18	167,698	157	1 6	203,086	190	1 13
1912	424,457	30.3	403	3 5	184,799	174	1 8	239,658	227	1 17
1913	471,715	31.6	441	3 10	193,025	180	1 9	278,790	260	2 1

THE ABOVE FUNDS ARE MADE UP AS FOLLOWS—

Year.	Co-operative Stores.				Co-operative Dairies.				Rural Banks.			
	Total Sum.	In Percentage of Liabilities.	Average per Store.	Average per Member.	Total Sum.	Percentage of Liabilities.	Average per Dairy.	Average per Member.	Total Sum.	Percentage of Liabilities.	Average per Bank.	Average per Member.
1905	£ 21,612	14.9	£ 142	£ 18	£ 29,173	23.2	£ 209	£ 2 5	£ 1,996	7.1	£ 16	£ 13
1908	84,198	12.1	224	1 4	106,875	31.7	429	4 4	9,702	7.6	37	1 0
1911	156,402	21.4	406	2 1	190,000	50.0	631	5 17	24,382	13.1	62	1 7
1912	187,820	22.6	507	2 9	208,104	56.7	712	6 1	28,533	14.2	73	1 10
1913	215,913	24.3	596	2 14	222,855	59.6	734	6 5	32,557	14.2	81	1 13

In order to give the reader some idea of the extent which co-operation has already gained in Finland we may mention that out of the whole population nearly 15 per cent. have joined a co-operative store, that out of the total stock of cows about 21 per cent. have been registered with a co-operative dairy, and that out of all farmers about 13 per cent. have joined a rural bank. As a complement we give the following table, giving some comparison with the corresponding figures for other countries.

THE NUMBER OF CO-OPERATIVE SOCIETIES AND OF THEIR MEMBERS,
AS COMPARED WITH THE AREA AND THE NUMBER OF IN-
HABITANTS OF SEVERAL COUNTRIES

Country.	The details given are for the following year.	Area per Co-opera- tive Society (square miles).	Average of Inhabitants per Co- operative Society.	Average of Inhabitants to one Member of a Co- operative Society.
Austria	1911	7	1,700	12
Belgium	1908	5	3,300	15
Bulgaria	1909	51	5,600	80
Denmark	1909-12	3½	600	4
Finland	1913	59	1,400	10
France	1912	19	3,600	33
Germany	1902-12	7	2,100	13
Great Britain	1910	9½	18,000	16
Hungary	1908-10	21	3,500	26
Italy	1910	14½	4,600	23
Japan	1912	16	5,500	59
The Netherlands	1910	4½	2,200	16
Norway	1911	70	1,400	24
Roumania	1910	16	1,900	11
Russia	1912	83	4,200	?
Servia	1909	15	2,100	44
Sweden	1910	35	1,100	?
Switzerland	1911	2	500	10

It is natural that Finland, with its large tracts of uninhabitable land, especially in Lap-land, comes in the rear, if the proportion of the

number of co-operative societies to the area of each country is compared; in this respect only Norway and Russia come behind us. But comparing the populations, Finnish co-operation, its youth notwithstanding, comes abreast of the countries which are leading in this respect; in the proportion of the number of co-operative societies Finland is fourth, and in the proportion of inhabitants who have joined the co-operative movement it is third.

Taking into consideration the enormous difficulties which co-operation in Finland has had to overcome—an exceedingly sparse population, miserable means of communication, the rather undeveloped mental and moral power of the majority of the population, its insufficient apprehension of economic and intellectual matters, and besides the fact that in few other countries the educated classes of the rural population have adopted such a cold attitude towards this movement as in Finland, and a very active political party strife during the first ten years of the existence of the movement—adding all these factors and nevertheless finding that Finland is among the foremost countries in this respect, the results achieved in Finland by the co-operative movement must be considered satisfactory. But at the same time the example of Denmark and Switzerland shows us that co-operation in Finland has still to expand a good deal before it equals that of those countries.

IV

LOCAL CO-OPERATIVE SOCIETIES

Introduction : What is a co-operative society according to Finnish law ?

FROM the foregoing we have seen that a co-operative society is an economic combination of individuals in a common enterprise. In the following we will try to explain this from the point of view of Finnish legislation.¹

According to Finnish law collaboration for economic purposes may be arranged in many different ways. The forms of collaboration which in earlier times were most common in Finland were principally of two different kinds, viz. either societies (*e. g.* farmers' societies, provincial agricultural societies, trade unions and so forth) or commercial companies, among which latter the limited liability companies were the most common. Since the beginning of 1901, when the law on co-operation came into force in Finland, we have a third form of economic association, viz. the co-operative society. The co-operative society is intermediate between a company and a society, so much so that in some countries, for instance England and France, it is classed among companies, but in others, *e. g.* in Germany, Austria, Switzerland and Sweden, among societies. Finnish law places the co-operative society among companies.

¹ Appendix E.

It may be said that whereas a commercial company is principally a union of capital, the co-operative society in the first place is a union of persons. This circumstance is not difficult to explain. A commercial company is usually started in order that the shareholders should receive the greatest possible profit from their investments in it. It often makes no difference to them what kind of goods the company produces or sells; the chief point is to gain fat dividends by it. The co-operative society, on the other hand, endeavours to satisfy the members' own requirements, it makes it possible for them to sell their produce or buy the goods needed by them on profitable terms, or to avail themselves of the opportunity to use expensive machinery, etc. Capital thus has a dominating position in a commercial company and a subordinate one in a co-operative society.

The member of a co-operative society is in direct business relations with his society, and is not merely an investor, as he is in the case of a commercial company. Thus the first paragraph of the Finnish law on co-operation says that the object of a co-operative society is the improvement of the trading relations and general economic position of its members. Thus according to the law the co-operative society serves the purpose of improving the economic position of its own members and not of other persons, whereas commercial companies may work towards the improvement of the economic position of persons other than shareholders, *e.g.* by building cheap workmen's dwellings or by starting cheap restaurants. Thus it is not in conformity either with the idea of co-operation nor with the law on the subject to start co-operative

societies, the function of which is chiefly to benefit the public, such as the publishing of newspapers or other literature, the carrying on of shipping, and the like.

Although the business carried on by a co-operative society ought thus to be principally its members' business, this does not imply that co-operative societies should not also have dealings with persons outside the societies. On the contrary, the Finnish law on co-operation distinctly allows non-members to partake of the benefits offered by the societies, provided such dealings with outsiders are not so large in volume as to form the bulk of the business. And a co-operative society which does not care to receive new members, but prefers to make profits at the expense of outsiders, is a co-operative society in name only.

For this reason the principle of free admission to a co-operative society for all willing to join is so characteristic that co-operative societies have even been defined as "companies with an unlimited number of partners." It would be considered directly contrary to the idea of co-operation if a co-operative society were to fix in its statutes the number of members and the total of their shares so that it would be impossible to increase either of them. Even looking at the matter from an economic point of view, it cannot but be admitted that if a co-operative society really wishes to answer its purpose it must not only, as far as circumstances permit, keep its doors open for new members, but it must also offer the newcomers the same advantages as the older members are enjoying. In this way alone will it be possible for the co-operative society and thereby the whole

co-operative movement continuously to thrive, and thus the feeling of solidarity, which is one of the principal points of co-operation, will also be kept alive.

This "policy of the open door" does not, however, by any means imply that every co-operative society must be open to any one who likes to apply. The co-operative society must be able to limit itself to a certain district or to those employed in a certain trade; it must be able to demand an entrance fee from new members joining in order to compensate the original members for what they sacrificed, and it must have free power to judge, through its committee, whether a candidate is morally fit to be received into the society. A co-operative society also differs in this respect from a commercial company, that it is impossible to become a member of the latter unless some of the shareholders of it are willing to transfer their shares. On the other hand, it is not sufficient in a co-operative society for some member of it to transfer his share to the applicant, as is the case in a commercial company. The applicant must hand in to the committee of the co-operative society a written application, in which he binds himself to obey the rules of the society, and then the committee has the power either to accept or to reject him.

In addition to individuals, all associations with legal standing, such as joint-stock companies and co-operative societies, are eligible for membership in a co-operative society.

Just as admission to a co-operative society is, generally speaking, free, so every member has the right to retire at any time and to receive back the capital paid in by him. In this respect

also a co-operative society differs from a joint-stock company, from which latter one cannot withdraw otherwise than by the sale of his shares to somebody else. As it is of importance, especially for such co-operative societies as have to acquire expensive equipment (*e. g.* co-operative dairies, co-operative butcheries and large co-operative sawmills), to fix a fairly long period of notice of retirement, in order to guard themselves against large unexpected withdrawals of money which might seriously menace the position of the society, the law on co-operation allows co-operative societies to bind the members by their rules to remain in the society for a term not exceeding two years. Experience has nevertheless shown that even this proviso may at times be found not fully sufficient.

The law on co-operation further allows co-operative societies to expel a member. As a co-operative society is a union of persons, in which the individual qualities of every member may be of decisive importance, the interests of the society make it important that it should not be forced to keep as members persons who are inimical or indifferent to its progress. The law allows the dismissal of a member only in case he is sentenced to forfeiture of his civil privileges as a citizen. But nothing hinders co-operative societies from fixing other causes for dismissal in their own rules. Among such causes many co-operative societies have named the following: neglect of the duties of a member, loss of the capacity to take an active part in the work of the society, bankruptcy, membership in another co-operative society of the same kind, removal to some other place, behaviour inconsistent with the interests of the society,

dishonourable conduct, and so forth. In this respect also a co-operative society differs from a joint stock company, as a company cannot dismiss a shareholder against his will, however detrimental or dishonourable his actions may be.

The minimum number of members prescribed by Finnish law is five. For practical reasons it has, nevertheless, been found necessary to prescribe for rural banks that they must have at least fifteen members at the start, and if a co-operative store is started, the majority of whose members are persons of small means, it is in most cases necessary to fix the minimum number of members at 200 to start with.

The amount of the capital of a co-operative society is not fixed, but may vary owing to the fact that the society may at any time be joined by new members and that old ones may retire at their will. The capital, of course, consists of the shares paid in by the members, which shares they are entitled to receive back on their retirement. As to the value of the shares there is nothing said in the law; they may thus be of any size. If the share is fixed rather large, it may be paid in by instalments. It may even be prescribed in the rules that half of the share may be paid up gradually by means of a transfer from the year's profit; this procedure, however, entails a great deal of work for the book-keeper of the society, and is consequently unpractical, and in practice it is not often used. But even sums which are paid in in cash may be divided into a number of instalments, extending even over a number of years.

A member may, if the rules allow of it, take

several shares, but nevertheless at the meetings of the co-operative society each member has only one vote. Compared with a commercial company, a co-operative society is thus a democratic form of business. Such a democratic structure has, indeed, been quite necessary in order to gain and retain the confidence of those classes of the population for which co-operative societies have principally been intended. For this reason the pioneers of the co-operative movement abroad have always considered it one of the essential conditions of co-operation that every member of a society should have one, but only one, vote. So thoroughly is this right of voting in a co-operative society considered to be the personal privilege of each member that the law on co-operation does not allow him, as in a commercial company, to vote by proxy, unless the rules of the society expressly permit it.

A co-operative society being mostly a business form resorted to by persons of small means who usually find it difficult to procure sufficient working capital at the start, the Finnish law on co-operation allows co-operative societies to raise the necessary loan capital by means of a collective liability for the debts of the society which is imposed upon the members by the rules. This liability is one of the leading characteristics of Finnish co-operation. A liability of this kind is not to be found in the co-operative societies of all countries, and in consequence it must not be considered indispensable in all circumstances. For instance, the British law on co-operation does not recognize any liability in excess of the shares subscribed; a consequence of this is that it is very difficult to start co-operative credit societies for

British farmers.¹ In the same way most of the French co-operative societies have been established under the shelter of a law in which no provision is made for any supplementary liability; for this reason it was found necessary to pass a special law for the establishment of co-operative credit societies, by which law unlimited liability is permitted. The German laws on co-operation do not allow of the establishment of co-operative societies without liability; in most of the German co-operative societies this liability is such that a creditor of the society, if unable in case of liquidation to obtain full payment of his claims, may sue any member of the society he chooses for the full amount of his claim. The same form of liability is also in force in Austria, Italy, Switzerland and other countries. The Finnish legislator has taken a middle course between these extreme views. The law prescribes that co-operative societies may be established either with or without any supplementary liability, and in the latter case the creditors must perforce be satisfied with the assets of the society only; in this case the assets include all money due, but unpaid, on shares. In societies where the members are jointly liable for the debts of the society, the Finnish law says that such liability does not come into force until the society has been declared bankrupt and after all the property of the society has been used towards the payment of the debts, and further that the liability is only towards the bankrupt

¹ The author overlooks the fact that the principle of unlimited liability is recognized in the case of co-operative credit societies registered under the Friendly Societies Act. All the Irish credit societies have this form of liability.—
[E.D.]

estate; in no case can a creditor directly sue a member for a claim. A liability of this kind is called a *supplementary liability*, and may be either unlimited or limited to a certain sum, according as the rules of the society may direct.

Thus there are to be found in Finland co-operative societies with three different forms of liability, viz.—

(1) Societies with unlimited liability.

(2) Societies with supplementary liability, limited to a certain sum.

(3) Societies without liability beyond the value of the shares.

According to the commercial register of the Finnish co-operative societies, in 1913, 733, or 34 per cent., had unlimited liability, 1,115, or 51 per cent., had limited supplementary liability, and 319, or 15 per cent., were without supplementary liability. The liability in co-operative stores averages from £2 to £4 per member, but in co-operative dairies it is usually from 15s. to £2 per share, if it is not unlimited. In rural banks it is unlimited.

Another measure by which some Finnish co-operative productive societies (*e. g.* most of the co-operative dairies) have procured the necessary capital is that the members have bound themselves in the rules to grant the society what is called a *supplementary loan*, by permitting the committee to deduct from the monthly settlements for the goods supplied by the members a certain percentage until the deductions amount to the sum promised as a loan. This form of credit has the advantage that the members can get their money back as soon as the society ceases to need it.

The principal characteristic of a co-operative

enterprise is the method by which the profits are distributed. The ordinary method pursued by joint stock companies is, of course, to divide the profits among the shareholders in proportion to the number of shares owned by each. In co-operative societies the members usually receive only the customary interest, if even that. The remainder of the profits, in so far as the rules or the decision of the members do not provide for their being applied to depreciation, reserve fund or some other common object, are divided among the members in proportion to the amount of business each member has done with the society, *i. e.* the profits are returned to those who have helped most to create them. This principle of a co-operative society is particularly fair, as compared with the methods pursued by other forms of business enterprise, and tends in consequence to make co-operation very popular among people of small means.

The policy of a co-operative society is decided by its members at the general meetings. Most Finnish co-operative societies have two ordinary general meetings annually, *viz.* one in the spring and the other at the end of the year. To look after current business the society must elect a committee. The number of the members of this committee need not exceed one, if the society should so wish; the committee of the smaller co-operative stores is usually composed of three members, the rural banks usually have five members, co-operative stores and dairies from five to seven. For societies which have a very large number of members, or whose field of operation is very large, *e. g.* a whole province or the whole country, it has been found necessary to appoint a separate general committee, consisting

of from six to twelve persons, for dealing with matters of importance; the general committee often appoints a managing committee to put its decisions into effect and to carry on the routine business.

A co-operative society is started by persons who are interested in its establishment and who meet together to draw up articles of association, which must include the full rules. It is, of course, of great importance for the founders of a co-operative society to draw up the rules as appropriately as possible. In order to facilitate this, the Pellervo Society has, with the assistance of specialists in different branches and using the experience gained both at home and abroad, printed model rules for co-operative societies of many different kinds (see p. 47). These rules only require to be slightly modified according to the particular requirements of the people concerned and the local circumstances.

At the first statutory meeting the committee of the society should be elected. The first step to be taken by this committee is to apply to the provincial governor for confirmation of the rules, and having received same to enter the society on the commercial register. This registration is necessary before the society can obtain legal status entitling it to operate in its own name and assume the liabilities and privileges of a society.

What, then, is a co-operative society? Taking into account the facts set forth above we may briefly define it as follows—

A co-operative society is a union of persons, established according to principles of equality, the number of whose members is not limited and the purpose of which is, by the joint performance of economic acts, to improve the financial position of

its members or the conditions under which they carry on their profession, by means either of pure self-help, or of self-help with government support ; provided that all profits made by joint action shall be distributed in proportion to the extent to which each member has taken part in the business, and not in proportion to the capital invested.

A. CO-OPERATIVE SOCIETIES FOR THE PURCHASE AND MANUFACTURE OF THEIR MEMBERS' REQUIREMENTS

1. CO-OPERATIVE STORES

A co-operative store is a business, established and owned by the users of victuals, the consumers, and usually possessing an open shop. The consumers, the customers of the business, are thus really selling the articles of consumption to themselves. Hereby they gain two important advantages of great practical significance: they get good unadulterated goods, as it is, of course, natural that they do not want to deceive themselves, and in the long run they get cheap goods, as the profit, which otherwise would go to the merchant, is wholly retained by them.

In most countries the bulk of the co-operative stores have been established and are owned by townspeople, and principally by artisans. But in Finland in 1913 out of 419 working co-operative stores only 35 were in towns. Of the total membership (in 1910) 47·5 per cent. were farmers, 12·9 per cent. factory hands, 26·9 per cent. other workmen, 8·2 per cent. artisans and 4·5 per cent. officials.

A co-operative store must not be established, or at least must not begin to do business, before such a number of assured and loyal members has been gained that their purchases jointly suffice to cover the expenses of running the store and to

give so much profit as to make it possible to set aside the sums required by the rules to the reserve and working capitals. In the circumstances prevailing in Finland it has been calculated that the annual turnover must on an average not fall below £2000. And as the co-operative stores sell to each member annually, on an average, about £10 worth of goods, it is easy to see that a society ought to have at least 200 members at the start. The average turnover for the Finnish co-operative stores was in 1913 about £5,920, but for seventy-five of them it rose above £8000; among these latter, ten reached over £25,000 and five, viz. the Helsingfors Common Co-operative Store, the Keski-Pohjanmaa, the Kotka Workmen's, the Björneborg Workmen's and the Uleåborg Co-operative Stores, over £40,000. The last-named had in that year a turnover of more than £80,000.

The share is usually fixed at from 8s. to 16s. Part of it must be immediately paid in cash; as to the payment of the remainder a clause may be inserted in the rules that it can be effected by monthly instalments. The liability is usually from £2 to £4. In a co-operative store the liability should be fixed equally for each member, irrespective of the number of shares he may possess; members are allowed to take more than one share each, according to the probable amount of each person's purchases, means and interest in the venture. Still, a maximum number per member ought to be fixed, in order not to make the society dependent on one or two members.¹

An important question of principle which arises on the foundation of co-operative stores is whether to start a number of small stores or only

¹ The law of most European countries fixes the maximum at £200. See Appendix E.—[ED.]

one large one, which latter would then, as circumstances required, open branch shops in different parts of the district or the town. Experience has as a rule taught that this latter procedure is the better one. Especially in the country the branch establishments can, at least in the beginning, be made quite simple, more like distributing centres for the principal kinds of goods; these branches can then be managed by quite untrained persons and need in the beginning be kept open only a few hours every day.

A *sine qua non* for the prosperity of a co-operative store is that the society should choose an honest, thoroughly competent and experienced manager, who must receive a fair salary and must be treated with consideration, and further that both the committee and the auditors should closely and carefully watch the progress and the management of the store.

In order to ensure success a co-operative store must be managed on the following principles:—

- (1) Only sound goods must be sold.
- (2) All sales must be against cash only, so that selling on credit, which is equally injurious both to the buyers and the society, might be wholly abolished. In Finland up till now only 35 per cent. of all the co-operative stores have been able fully to realize this principle, and a further 36 per cent. partly. Neglect of this principle has been the ruin of many co-operative stores.

(3) The sales must be effected at the current quotations of the day; reduction of the prices below those of competing tradesmen ought to be avoided.

(4) In the beginning no profit ought to be distributed. Later on, when it can be done without injuring the business, a fair interest, not exceeding 6 per cent., is paid on the capital. When the reserve fund has also been increased by setting

aside a proper amount out of the remaining sum, the rest is distributed among the buyers in proportion to the totals of their purchases during the year. Here, in Finland, a large number of co-operative stores transfer the whole annual profit to the reserve fund, and those societies which distribute a bonus to the purchasers have until now mostly done so at the rate of from 2s. to 4s. on every £5 of purchases; this bonus is at times used as the first instalment for new shares.

(5) Of the net profit, part ought to be used for the common good and principally for educational purposes, *e. g.* for the distribution of literature on co-operation and the like. Abroad, rather large sums are voted for this; in Finland up till now very modest amounts have been appropriated, averaging not more than about $\frac{1}{2}$ per cent. of the annual profit.

Co-operative stores also sell goods to persons who are not members and grant these "outsiders" a bonus as well. This bonus is not paid in cash, but if they are willing to join the society it is credited to them as a first instalment on the entrance fee and the share. If they are not inclined to join, the bonus goes to the society's reserve fund.

When a co-operative store becomes sufficiently strong it may begin to manufacture certain kinds of goods which it has previously bought from private enterprises. Many co-operative stores possess a bakery of their own, several also own aerated water factories, one owns a sausage factory, and two or three their own tailoring workshop or their own workshop for repairing boots and shoes.

In Finland, as in other countries, the number of co-operative stores which have ceased to exist has been proportionately larger than that of all other co-operative failures taken together. This is partly due to the fact that they have not

always been started and managed in strict accordance with the above rules, partly also to the fact that the members have not shown the necessary loyalty to their own business, but have allowed themselves to be tempted to buy elsewhere. In other cases the members have not had either the patience to defer the distribution of profit until the enterprise had gained sufficient strength to allow it, or the necessary harmony and tolerance towards persons holding a different opinion.

The following table shows the increase and development of co-operative stores from 1901 to 1913:—

CO-OPERATIVE STORES IN FINLAND DURING THE YEARS
1901 TO 1913

Year.	Number of Regis-tered Co-operative Stores.	Active Co-operative Stores.			No. of Co-operative Stores which pub-lished their Results.	Gross Profit.	Net Profit.	Own Capital.	Stocks.	Fixtures.
		Number.	Number of Members, thousands.	Sales in Thousand £.						
Thousand £.										
1901	3	7	1	12	—	—	—	—	—	—
1902	16	16	3	60	—	—	—	—	—	—
1903 ¹	66	75	14	200	50	16·8	5·2	7·9	37·2	3·6
1904	119	140	22	320	98	26	7·8	12·4	65·7	5·4
1905	166	165	29	480	142	38	14	21·6	114·7	10·4
1906	263	271	50	880	173	72·2	20	30·4	204	23·2
1907	389	378	76	1,480	211	92	37·4	47·5	344·5	50·9
1908	497	463	95	2,080	305	113	44	78·3	475·4	78·5
1909	506	461	92	2,000	362	140·2	40	108	493·2	104
1910	512	443	87	1,880	382	154·7	50·6	135	466·2	120·7
1911	506	437	85	2,080	376	174·4	64·5	156	520	146·9
1912	503	430	87	2,280	370	188·5	68	187	604·8	133·8
1913	512	419	91	2,520	360	86·4	75	215·8	628	163·8

In 1910 the Finnish co-operative stores established a fire insurance society of their own,

¹ The figures for 1903–1906 include the stores started during the year in question.

styled the *Paloapuyhdistys Tulenvara*, to which 273 co-operative stores belonged in 1914. The society's funds amounted to £5,120, the value of its liabilities reached nearly £16,000, and the value covered by its policies amounted to £632,000.

The co-operative stores have also founded provincial unions (see p. 164). Since 1903 representatives of these have met annually in what are called meetings of representatives, embracing the whole country. Finally, an important index of success is to be found in the fact that the co-operative stores have formed their own wholesale agency, The Finnish Co-operative Wholesale Society (see p. 142), and make most of their purchases through it.

2. CO-OPERATIVE BAKERIES AND EATING-HOUSES

It has already been mentioned that many Finnish co-operative stores have established a bakery of their own, a bakery indeed being a very suitable branch business for a co-operative store. Elsewhere the consumers have founded quite a considerable number of co-operative societies for the carrying on of bakeries, most of which have proved very remunerative. In Finland there are to be found at present only two special co-operative bakeries, of which the *Osuusliike Elanto* at Helsingfors, established in 1905, is the most noteworthy. As this society is of more than usual interest on account of its size and its many-sidedness, being Finland's largest bakery as far as its turnover and the number of its members is concerned, it may deserve a few words of comment.

Elanto has taken for its aim to provide its members with sound victuals at the lowest possible prices. In the beginning only baking

and selling bread was carried on, but in 1912 the sale of milk was entered upon, and in 1914 that of groceries, and the intention is gradually to supply the members with other necessities as well. The society owns a large piece of ground at Helsingfors, upon which it has built its large bakery, said to be the largest and most modern in the north of Europe, and its extensive dairy. Elanto further began in 1908 to keep cafés (four of which are in existence at present), and in 1911 a workmen's restaurant was opened. The bakery produces bread of all kinds, beginning with the coarsest qualities and ending with cakes and fine pastries. The work is carried on on factory lines, wholly by machinery and in gigantic ovens. The dairy sells milk, cream, infants' milk, butter-milk, kefir butter and cheese. Elanto's products are sold in the society's sixty-five shops (1914), to which they are brought in the society's well-known vans and automobiles. The newly started grocery business is carried on up to the present (1914) in seven shops. In the society's laboratory the raw materials used, the dairy products and the like are tested.

Elanto works in every respect in conformity with the principles of co-operation. Thus the conditions of work are arranged in a model manner. Not only is night and overtime work wholly abolished, as required by the law, and the hours of work restricted to forty-eight a week, but also work in shifts has been introduced in all its shops, cafés, etc. The members of the staff receive fourteen days' holidays in summer with full pay; they, as well as their families, receive free medical treatment; various grants have also been voted for their sickness and funeral club and the like. For the shopgirls evening lectures have been arranged in the winter.

For purposes of general use outside the society, for the unemployed and for lectures on co-operation Elanto has granted in all £680.

Elanto is nevertheless, in comparison with its large extent, rather weakly organized, the share only being 5s. and the liability 25s. But just for this reason it has been managed in a way that is leading to increased strength; the amounts written off on the society's property have been large and the reserve funds have been rapidly augmented, whilst on the other hand the bonuses paid have been kept comparatively small.

The business is directed by a general committee consisting of nine persons and by a management committee of four, appointed by the former. In the management of Elanto we find the peculiarity that the general committee plays an unusually large part; the members of it have appointed several sub-committees from among their number for different purposes and employ a salaried secretary.

The following table gives some statistics as to the development of Elanto :—

THE DEVELOPMENT OF ELANTO BETWEEN 1908 AND 1914

Year.	Number of Members.	Value of the Property.	Number of Staff.	Number of Shops.	Annual Turnover.	Annual Profit.	Depreciations.	Bonuses to Members.		Funds.		
										Shares Paid Up.	Reserve Fund.	Other Funds.
		£			£	£	£	£	%	£	£	£
1908	1,776	22,336	135	14	34,560	1,752	1,720	88	5	844	1,040	396
1909	2,046	24,184	189	20	45,120	3,668	1,080	180	5	920	1,240	3,720
1910	2,427	27,832	219	24	54,720	2,652	2,200	360	5	996	1,440	5,800
1911	2,800	44,468	317	33	70,520	2,348	2,600	560	5	1,096	2,720	6,040
1912	3,080	64,664	477	64	129,640	1,356	1,480	696	4	1,164	3,080	6,136
1913	3,579	70,464	525	65	164,080	1,624	3,640	788	3	1,272	3,560	6,232
1914	4,700	69,256	526	72	174,160	2,340	5,104	1,060	3	1,560	4,232	6,464

In addition to the cafés and the popular eating-house started by this society there are also in Finland quite a number of co-operative eating-houses, and, in fact, co-operation has been found very convenient in this branch. The development of Finnish life has been such that great numbers of unmarried workmen and students, instead of taking full board in a family, as they used to do, only hire a room and take their meals in the eating-houses. These eating-houses have often been complained of on the ground that they either serve food of a very mediocre quality, or make an unfair profit out of a class of people whose income is very modest.

For these reasons, in 1902 there was established at Helsingfors a students' co-operative restaurant, *Osmola*, which has gradually turned into one of the largest eating-houses in Finland. Following this example, the pupils of all the board schools and of many agricultural institutes have established co-operative societies for the same purpose. Simultaneously with the co-operative restaurants of the students, people of different professions in several towns have started co-operative eating-house societies (*e. g.* railway attendants and other workmen). Mention must further be made of the so-called co-operative kitchens, mostly to be found in Helsingfors, arranged for one or two large houses (the flat system being here prevalent), the members of which are the housewives and the purpose of which is to prepare all the hot food required in the house. In all, there are to be found at present (1914) in the commercial register twenty-four co-operative eating-houses, but in reality many more are in existence. The majority of these co-opera-

tive societies, and especially of the co-operative kitchens, have not been entered in the register.

The organization of these co-operative eating-houses is very simple. The majority of them are without liability. It is, naturally, of the greatest importance that the managers of them should be honest and suitable in every respect.

3. THE JOINT PURCHASE OF PROFESSIONAL REQUIREMENTS

(a) Joint purchase of agricultural requirements

Agricultural requirements are seeds, artificial manures, foodstuffs, implements and machinery. These goods are mostly such that the farmer is not able to examine them himself, and usually he is not energetic enough to have them analyzed at an official laboratory. Besides, the laboratories would not have time to make the analyses if single agriculturists were to apply to them. For this reason the sale of such goods has gradually taken such a turn that the farmers are deceived into buying inferior or perhaps quite worthless or even injurious goods, for which, nevertheless, the full price is usually charged. Besides, the agents of private merchants often persuade the farmers to buy greater quantities of these goods than they may immediately require, or to buy unsuitable goods or goods on credit, so that the purchase of them may cause losses of every kind. For these reasons, and as it is possible to achieve considerable reductions of the prices and of the cost of transportation if large quantities are bought and transported at one time, the farmers of all civilized countries have arranged for the purchase of these goods on the co-operative principle and endeavour

in this way gradually to get this branch of trading wholly into their own hands.

The purchase of agricultural requirements on co-operative principles has many other advantages : correct information is spread among the farmers of improvements in agricultural technique ; they get familiar with paying cash and with punctuality in business matters, and are able, through their co-operative organizations, to influence in accordance with their own interests the prices of goods and the transport facilities. The many economic advantages achieved in this way increase the feeling of the usefulness of co-operation among the farmers.

The first step in the aforesaid direction is that the farmers of one place should unite for the purpose of buying their requirements through a local organization of their own.

At the outset such joint purchases were arranged in Finland solely by the medium of farmers' and similar societies. If all the persons taking part in such purchase are punctual with their payments and are able to pay cash and they have the good fortune to find a suitable man to arrange everything, then joint purchases arranged in this way may turn out a success. But where these conditions were not to be found (and for other reasons as well), both here and abroad joint purchase has gradually come to be effected through co-operative societies. To that end the co-operative dairies and the rural banks have been found eminently suitable, as they are in a position to grant the buyer some credit while paying for the goods in cash ; as the agriculturists themselves direct the affairs of both the dairies and the rural banks, they are able to arrange these purchases in full conformity with their interests.

But the purchase of agricultural necessities through co-operative societies appears to meet with such great difficulties in Finland, which is sparsely populated and provided with bad means of communication, that farmers are beginning to find it most practical to obtain these articles through a co-operative store founded by them together with other citizens.

As to the question of co-operative stores undertaking such purchases the experience gained in Finland has been of a varying kind. In many instances it has been found that the co-operative stores, departing from the principle of co-operation, have not paid sufficient attention to the quality of the goods, but have bought them from private traders and have thus come to sell to their members goods of unsatisfactory quality. The co-operative stores have further at times been tempted to stock large quantities of goods which deteriorate in the following year or the prices of which are subject to considerable fluctuations, bringing loss either to the stores or most usually to the farmers. But on the other hand the co-operative stores might undoubtedly form exceedingly suitable agencies for such purchases if the business is conducted on the lines of joint purchase and is otherwise rationally carried out in every respect.

If no suitable co-operative society is to be found, there might be established a special buying and selling co-operative society.

Joint purchase of agricultural necessities should not be entered upon at all unless proper care in management and execution can be ensured. The first indispensable condition of success is that a trustworthy and scrupulous agent is to be found.

The joint purchases are arranged in the following way:—

The agent makes arrangements a sufficient time in advance for the orders to be sent to him, and also sees that no member orders more than he can use with advantage or more than he can pay for, and further that the orders are written in a legally binding way. Of all the orders received the agent makes a summary, which is sent in to the central organization. When the goods arrive, the agent receives them and sees that all goods ordered have in reality been sent and that they are intact. If anything is missing he at once gives notice of it, arranges for a formal examination and makes a claim on the transporting company, if the fault is found to be with them, or else on the sender.

After the arrival of the goods the agent gives notice of it as soon as possible to the purchasers, so that they may fetch them from the railway station or the quay, as the case may be. If possible, the agent should at the moment of distribution have made a complete calculation of the whole cost, taking into consideration not only the purchase price, but also freight and all other costs, as well as a reasonable commission, which is used towards the covering of all other expenses and the formation of a small reserve fund, which may come in handy as working capital for further purchases as well as for possible future losses. The expenses must of course include a reasonable compensation to the agent, preferably in the form of a fixed amount per annum and not of a percentage on the total purchase sum, as in the latter case he may be tempted to increase the purchases above the requirements of the members.

All the purchases must be paid for to the agent within three weeks, so that he may be able to pay the society's debt to the seller within one month, the cheapest price being obtained in this way. On payments which have been delayed over the above term the society ought to charge interest. If any purchaser is in need of longer credit, the best plan is for him to borrow the necessary amount elsewhere, *e.g.* from a rural bank.

Experience has proved that it might be of advantage for co-operative purchasing societies using the same railway station or quay to build a joint storehouse and to effect their purchases simultaneously.

As far as can be estimated, the total value of joint purchases made by the Finnish farmers has amounted in different years to the following sums :—

	£		£
1900 about	28,000	1907 about	244,000
1901 "	36,000	1908 "	280,000
1902 "	60,000	1909 "	280,000
1903 "	80,000	1910 "	300,000
1904 "	96,000	1911 "	360,000
1905 "	100,000	1912 "	428,000
1906 "	192,000	1913 "	480,000

(b) Joint purchase of the requirements of other trades

In other countries the artisans of the great cities have fairly commonly begun to acquire the necessities of their trades by means of joint purchase, starting a co-operative society for this purpose. Here the artisans have, as far as can be ascertained, followed this example in very few instances, although a number of credit

societies formed by artisans are engaged in procuring the necessary materials for their members. On the other hand the chemists in the country have established a centre for the purchase and preparation of medicines; the cabdrivers of Helsingfors have founded a co-operative society for the procuring of their professional necessities, and the private infirmaries of Helsingfors and neighbourhood have started a joint purchasing office, principally for the purchase of victuals.

B. CO-OPERATIVE SOCIETIES FOR THE MANUFACTURE AND SALE OF THEIR MEMBERS' PRODUCE

1. *Co-operative dairies*

By a co-operative dairy is meant a dairy the sole owners of which are the persons who deliver milk to it, in the founding and running costs of which each member shares in proportion to the amount he uses the dairy, and of the profit of which each member receives a share in proportion to the amount he has contributed, by using the dairy, to the annual profit. Every owner of dairy cows, irrespective of whether he owns one or many, is allowed to become a part-owner, a member, by binding himself to observe the rules of the dairy and to pay for each cow the share and other payments prescribed in the rules.

The benefits derived from a co-operative dairy are of many different kinds.

More butter or cheese, and that of a better quality, is produced than it would be possible to make from the same quantity of milk at home, because the machinery and equipment of the

dairy are better. Further, there is a considerable saving of labour, as the turning of a given quantity of milk into butter is naturally done much cheaper at the dairy than would be possible in twenty different places; thus a good deal of time is saved, especially by the wives of the holders of small farms, and this time may be devoted to other work. The dairy is also able to get higher prices for the produce on account of the larger quantities and better quality. A farmer who is also a member of such a dairy has a sure monthly income from it, and can thus get a clear idea of what his estate is yielding, and can adjust his economy accordingly. A consequence is that farmers who have joined a co-operative dairy generally begin to manage their estates more thriftily, and to improve the breed and feeding of their cattle. The result is a general improvement in husbandry.

Before the first steps are taken towards the starting of a co-operative dairy, the site for it must be agreed upon; it must be so situated that the distance over which the bulk of the milk and cream brought to it has to be transported is as short as possible. Secondly, it must be ascertained that the new enterprise will be supported by a sufficient number of farmers owning a sufficient number of cows.

Experience has shown that in west Finland milk from at least 250 and in east Finland from at least 400 cows must be brought to a co-operative dairy the costs of foundation of which have been below or up to £400, in order to make it pay. A dairy which costs about £1,200 must be supplied with milk from at least 600 cows if situated in west Finland, and from at least 900 cows if situated in north or east Finland.

If the dairy has cost still more, *e. g.* about £2,800, it must be supported by at least about 1,200 cows in west Finland and about 1,800 cows in east or north Finland. Needless to say, no liability for a new venture ought to be entered upon before a sufficient number of members with a sufficient number of cows have joined it in a legally binding way.

On the whole, the average number of members and cows per dairy is rather small in Finland as compared with that in foreign co-operative dairies. In about 40 per cent. of all the Finnish co-operative dairies the number of members falls below sixty, and in most of them it does not exceed 150. For about half of all the co-operative dairies the number of cows varies between 200 and 600, and only about 20 per cent. have more than 1000. For the three largest dairies the total exceeds 3000, the largest one being able to register 6000 cows. In Denmark, however, the averages per dairy were in 1912 156 members and 956 cows.

The Finnish co-operative dairies are mainly supported by the owners of small holdings. This is evident from the circumstance that only 10 per cent. of their members possess fifteen or more cows; 51 per cent. own only from four to fifteen cows, and 39 per cent. from one to three cows.

It must further be taken into consideration that the average quantity of milk obtained from one cow is very low in the Finnish dairies; in many of them it falls below 198 gallons a year; in about half of all dairies it is between 198 and 308 gallons, and in fifty-five dairies only does it exceed 308 gallons. In Denmark the average for the co-operative dairies in 1912 was 554½

gallons per cow, the corresponding figure for Finland not being higher than about 264.

We must not omit to mention the fact that in many cases the selling agents of dairy machinery firms have persuaded co-operative societies to build their dairies on altogether too expensive a scale, compared with the quantity of milk available. It need scarcely be wondered at that in consequence of this many of the earliest dairies have become bankrupt, or are still leading a feeble life. Experience has shown, nevertheless, that co-operative dairies, if rationally started and conducted, are able to prosper here as well as in any other country. Likewise, the experience obtained in Germany, for example, shows that the number of co-operative dairies which have become insolvent there is larger in proportion than the number in this country; and yet the German co-operative dairies are said to be a great credit to German farmers. In Finland well-conducted co-operative dairies during the last few years have paid on an average from 5·5 to 6·4 pence per gallon of milk, the skimmed milk being given back to the producer. For all the dairies the average has been only from 4·3 to 4·5 pence per gallon.

In consequence it must be considered a great loss both to individuals and to the nation that the reverses experienced have somewhat deterred agriculturists from the establishment of new co-operative dairies. Since 1909 only a very few of these societies have been established. In 1911 of all the dairy farmers of this country not more than 12·6 per cent. were members of a co-operative dairy. The number of cows which supplied milk to the dairies was at the same date only 21·3 per cent. of the total number of cows

in the country. In Denmark 91·6 per cent. of all the dairy farmers have joined a dairy, with a number of cows amounting to 82·7 per cent. of the whole stock of the country.

For the prosperity of a co-operative dairy it has been found to be of the greatest importance that the rules should contain a clause to the effect that each member must take as many shares in the society as he has milking cows, and that each member is obliged to bring to the dairy all the milk or cream which is not used by his household. In order to give the dairy sufficient economic strength and to enable it to pay off within a short time all the expenses incurred at the start, the share must be fixed sufficiently large and the members must, if necessary, sign a guarantee and be prepared to grant the society a supplementary loan. All these obligations ought to be undertaken in proportion to the number of cows owned by each member, *i. e.* in proportion to the number of shares signed by each member. The share and the supplementary loan must be fixed so large that the two together, multiplied by the number of cows registered, suffice to cover all the costs of establishing the dairy. Usually the share is fixed at 15*s.*, and the supplementary loan at 22*s.* 6*d.* per cow. If they are fixed in the neighbourhood of these figures, the liability may be somewhat less, but nevertheless not so low as to endanger the necessary credit. The liability is often fixed at from £2 to £4 per share, but is often also unlimited, especially if there is no supplementary loan.

The co-operative dairies are usually able to get credit at a low rate of interest from the Government up to half of the cost of foundation. They are also able to get loans from the savings

banks, from some of the funds of the parish or from some private individual. But these easily obtained credits have, as already mentioned, in several instances led the promoters of co-operative dairies to make great mistakes, resulting in heavy losses, through buying too large and too expensive machinery. For this reason it would be of advantage for the dairy itself and also in conformity with the principle of co-operation, to buy the necessary machines solely from the farmers' own central co-operative establishments. Hankkija makes a speciality of this business (see p. 149). In any case it is well to request from Helsingfors the assistance of the Government consultative agent on agricultural machinery in inspecting both the estimates of the selling agents and the machines when installed.

The Finnish dairy farmers have usually been able to start co-operative dairies with comparatively small cash payments; of the shares usually not more than 2*s.*–5*s.* have been paid in cash, whereas the remainder, like the supplementary loan, is gradually deducted from the amounts due to members at the monthly settlements for the milk delivered. In the same way the costs of running the dairy are collected by deducting a fixed percentage from the payment for the milk.

The members receive for their milk a price calculated in proportion to the price obtained for the butter and the percentage of fat in the milk. That part of the annual profit which is not transferred to the funds of the dairy or used for extra depreciation is distributed among the members in proportion to the sums received by each during the year for milk delivered.¹

¹ Appendix E.

In the above only those dairies have been mentioned to which milk is brought. There are also in Finland a large number of "creameries," which receive their raw material in the form not of milk, but of cream, separated either at home or at special separating stations. This system is necessary where the population is sparse and the distances of transport in consequence great. The system has certain disadvantages, and the common system of milk dairies is always preferred.

The co-operative dairy also endeavours to improve the members' cattle-breeding, and makes it a condition that milk or cream brought by the members shall be as pure and as good as possible. Every step forward in this respect by the individual member benefits all the others as well. The more and the better milk or cream a dairy is able to get, the better the prices it can pay; on the other hand, if the milk or cream of one single member is inferior, this may affect the whole of that day's production at the dairy.

According to the investigations made by the butter control station of the Government at Hangö, it seems that the co-operative dairies have, on the whole, shown themselves able to produce butter of a finer quality than dairies owned by single individuals or by limited liability companies.

Although in the beginning a rather considerable part of the price paid for the milk is deducted in favour of the society, an up-to-date, rationally managed co-operative dairy still offers the farmers greater advantages than dairies of any other kind. It must be taken into consideration that in the funds of the dairy there are collected

considerable savings for each member, from which savings he is sure to get some benefit later on and which he or his heirs are entitled to get back, should they wish it.

Beside dairying, co-operative dairies may very suitably carry on some subsidiary business as well. So far, the business which has most often been resorted to has been the co-operative purchase of the farmers' professional requirements. Some dairies have erected a small steam-mill, a circular saw, a shingle-cutter, or some similar device; others carry on pig-fattening and breeding.

The co-operative dairies have mostly found it of advantage to join the *Valio Butter Exporting Co-operative Society* for the sale of their butter abroad (see p. 152).

Finally, the co-operative societies have established district dairy unions, the purpose of which is to work together for the improvement of their production and their economy (see p. 167). Since 1914 representatives of the co-operative dairies have met annually in meetings of representatives, at which questions of general interest for the co-operative dairy movement are discussed.

The table on p. 99 shows the increase of the co-operative dairies and their economic development between 1902 and 1913.

2. *Co-operative milk-selling societies*

The sale of milk concentrated in the hands of individual enterprises in the cities has, on the whole, developed in such a way that the town inhabitants have received inferior produce at a high price, and at the same time the farmers have been paid for the milk so low a price that

THE FINNISH CO-OPERATIVE DAIRIES BETWEEN 1902 AND 1913.

Year.	Number of Co-operative Dairies Registered.	Number of Dairies publishing Statistics.	Number of Members. Thousands.	No. of Cows.		Milk. Tons.	Butter Produced.			Value of Dairies and Implements. In Thousand £.	Written Off. £ s.	Funds.	
				Thousands.	In percentage of whole Stock of the Country.		Tons.	In percentage of Country's whole Export.	Sale Value In Thousands of £.			In Thousand £.	In percentage of all Liabilities.
1902	28	28	2.4	16.4	1.5	—	—	—	—	—	—	—	—
1903	75	75	5.5	43.9	4.1	37,591	1,529	14.8	140	15	—	3.92	23.7
1904	145	145	11.8	87.0	8.1	75,018	3,064	25.1	304	59	—	14.64	21.0
1905	225	225	21.2	136.6	12.7	157,754	6,310	39.6	620	108	3 12	29.16	23.2
1906	292	287	29.0	203.5	19.3	214,779	8,698	57.8	888	168	8 0	47.68	24.5
1907	331	319	31.3	216.6	19.7	222,479	9,081	71.4	904	240	17 0	76.56	26.9
1908	342	332	33.9	242.7	21.7	265,394	10,656	86.7	1,144	284	22 0	106.88	31.7
1909	355	331	35.7	246.6	22.5	258,440	10,626	91.4	1,116	265	25 0	132.80	36.2
1910	363	328	34.8	242.7	21.3	267,000	10,854	97.8	1,168	278	31 0	156.60	43.9
1911	371	335	35.8	244.6	21.3	287,398	11,643	94.3	1,312	301	38 0	190.20	50.0
1912	389	349	37.0	250.0	21.6	293,300	12,000	99.9	1,400	296	41 0	203.12	56.7
1913	418	370	39.0	255.0	21.7	325,000	13,300	105.2	1,480	303	39 0	222.84	59.6

it has not sufficed to cover the ever-increasing costs of production. Often the consumers have been forced to pay up to 40-45 per cent. more than the middlemen have paid their suppliers, without having any guarantee of receiving milk of an irreproachable quality even at that high price. These grievances have called forth different attempts to solve the question of a properly organized sale of milk: sometimes it has been the consumers, sometimes the farmers, who have tried to arrange the distribution on co-operative principles.

Bearing in mind that even a difference of $\cdot 1$ or $\cdot 05$ pence per gallon of milk may be of vital importance to farmers, it is but natural that farmers living in the neighbourhood of a town should try to arrange the sale of milk there in accordance with their interests. But experience proves, both abroad and here, that the farmers, in order to be able to keep the sale of milk in their own hands, must absolutely supply the consumers with unadulterated, pure and wholesome milk as conveniently as possible and at reasonable prices. Where all these conditions cannot be followed, the consumers will ere long be compelled to take the sale into their own hands.

The most primitive manner in which the sale of milk is co-operatively carried out consists in a number of neighbours agreeing in turn to transport each other's milk to the town. Of such milk transport societies a number can be found in different parts of Finland. But such small combinations, working independently of each other, cannot, of course, in the long run be carried on satisfactorily, and the farmers are finally forced to arrange a greater and stronger

organization, viz. a proper milk-selling co-operative society.

At the organization of such milk-selling co-operative societies, the following conditions must be observed—

An indispensable condition of success for a society of this kind is to control the members very strictly, compelling them to deliver milk of an irreproachable quality. The society must carefully instruct the members (1) to keep their cattle sound; (2) to perform the milking, the cleaning of the milk cans and the transport of the milk to the town in a rational way; and (3) even that the cow-sheds, the care of the animals and their feeding as well as the cultivation of suitable fodder are all arranged in accordance with the demands of the milk trade. By means of competent inspectors, who frequently visit the members' farmyards, the society must see that the instructions given are closely followed.

Another important condition of success is that the society must always be able profitably to use that part of the milk which may not be sold. Both the production and the consumption of milk vary greatly at different times of the year, and as milk does not keep, provision must be made for the best possible way to use what remains over. The co-operative sale of milk must thus be combined with the production of either butter or cheese, and for this reason a milk-selling co-operative society, especially if carried on on a large scale, usually establishes a dairy of its own from the very beginning.

One more detail of importance must be decided upon at the planning of a milk-selling co-operative society, viz. whether the society ought

itself to undertake the distribution of the milk to the consumers and in what way this ought to be arranged, or whether the society ought to sell the milk to such firms as carry on the retail sale of it. Experience has taught us, to some extent at least, that it is better for milk-selling co-operative societies arranged by farmers to leave the retail selling to others. If the society should itself carry on the retailing, the working expenses would be unreasonably high. The retailing would necessitate considerable quantities of machinery for the treatment of the milk, large quantities of milk cans, which depreciate very rapidly, and expensive means of transport, which are used only a small part of the day, as well as a comparatively large number of employees. All this makes it imperative to get a specially careful and reliable manager, who is generally not easily found. A few instances of carelessness, *e. g.* the distribution for a couple of days of sour milk, might seriously mar the prospects of the society for years to come.

For the sale of milk to a large town by farmers it has been found most practical to start one great central business, of which local milk-selling co-operative societies as well as individual owners of large estates may become members.

In Finland there are to be found in several towns co-operative dairies, founded by farmers, which retail milk. Outside the towns there are about twenty co-operative dairies, situated mostly in south or east Finland, which have become either entirely or mainly milk-selling co-operative societies, sending the milk either to Helsingfors or to Petrograd. Some of these prepare sterilized milk for the Petrograd market.

3. *Co-operative societies for the sale of cattle*

The enormous difference observable at times between the price obtained by cattle-owners and the price at which the town people get their meat (sometimes 100 per cent., and in a few cases even more), has led farmers to make arrangements for the sale of their cattle on co-operative lines, and in a few instances the idea has already been realized. Organization in this respect becomes more necessary day by day, as the towns make provisions to guard themselves against the sale of unwholesome meat, and these provisions force the whole meat trade into quite new forms, which place the agriculturists still more at the mercy of the middlemen, unless they resort to joint action. Another reason for taking measures towards an improvement of the prevailing conditions as regards the sale of cattle for slaughtering purposes lies in the fact that the import of meat to this country during the last few years has exceeded the export by, on an average, about £200,000.

In other countries many different plans to arrange sales of cattle have been tried recently, with very varying success. Two different systems appear to be used abroad in this connection. In Denmark, Austria, etc., small local co-operative societies have taken over the business of the sale of cattle, which they effect through central organizations formed by them. In Norway and Sweden, on the other hand, the farmers have founded large co-operative societies, embracing whole provinces or districts for this special purpose. In Finland this plan has been adopted up to the present. During the years 1909-1914 eight co-operative societies with large

districts have been formed in different parts of the country. The feared dearth of fodder after the summer of 1914 and the conditions in the country caused by the outbreak of the war have aroused among the farmers a greater interest in these cattle-selling co-operative societies. In the late summer of the above year an attempt was made, among other things, at co-operation between the existing cattle-selling co-operative societies, and they succeeded conjointly in making advantageous contracts with the Commissariat Department of the Russian forces stationed in the country.

In order to elaborate the methods by which a co-operative venture in this important but at the same time difficult line may be organized with as little risk of error as possible, the board of the Pellervo Society in 1913 appointed a committee to collect information as to the experiences of societies of this kind both here and abroad, and to draft, on the ground of the material collected, model statutes and other instructions for new co-operative cattle-selling societies to be started in Finland. The majority of the Finnish co-operative cattle-selling societies are organized on the plan so drawn up. According to the report of this committee, the following circumstances must be taken into consideration at the starting of a society of this nature.

It appears most suitable in a thinly populated country such as this to start only a comparatively small number of cattle-selling co-operative societies, and these only at the largest towns and market-places. In consequence of this, the field of operation of each society is rather large, as has been the case until now.

The first task of the society will be to make

arrangements for the sale of the members' live animals and of the whole carcasses. To that end it is necessary for the society to secure suitable sheds and fodder, so that the cattle may be kept until a suitable moment for selling; otherwise the society would be forced to sell or to kill the animals as soon as they arrived, irrespective of the position of the market. If the society is not able to make an advantageous agreement with a slaughterhouse in the town, it will sooner or later be forced to build a slaughter-house of its own. The experience of many different places is against the society's undertaking the retail sale of fresh meat on its own account if it is possible to avoid it, as meat is, of course, liable to deteriorate quickly, and is thus difficult to store, and the daily sales may vary considerably. If the local circumstances compel the society to enter upon the retailing trade, experience suggests the immediate establishment of a factory for the production of sausages, smoked meat and the like, in which also the refuse from the slaughterhouse may be profitably used. As the preliminary cost in such a case will be rather heavy, it is evident that the venture can succeed, in spite of all competition, only if the society has a sufficiently strong financial foundation to rest upon. The founders must consequently be sure that a sufficiently large number of members will join, and that they will bind themselves, on pain of a fine, to sell to the society all the animals intended for sale, and further to collect within a comparatively short time sufficient capital for the society to start its operations with.

The necessary payments have been estimated as follows: a share of 4s., a complementary loan of 8s., and a liability of another 8s. per animal.

Every member should take one share for every full-grown bull or cow or for every two full-grown pigs kept.

The management of such a society might be arranged in such a way that it is entrusted to a general committee consisting of a sufficient number of persons, living at different places within the district, and to a comparatively small management committee, the members of which reside at or in the vicinity of the society's domicile.

It is further important that cattle-selling co-operative societies should so divide among themselves the field of operation that no unco-operative competition will arise among them, and that they should arrange their sales on a proper economic basis. To this end it is necessary that they should work together and make preparations for the joint export of such goods as cannot be profitably sold at home.

4. Co-operative egg-selling societies

During recent years Finland has imported eggs to the value of about £8000 a year, and at the same time poultry-farming here has been in a very backward state. Several organizations have lately taken great pains to promote it, and have been able to record some success. But from different places complaints have been received that when the number of fowls kept has been increased and the fowls have been better cared for, it has been found somewhat difficult to find buyers for the increased production. The interest awakened has in consequence been damped, and the breeding of poultry has again diminished.

As the experience of other countries has proved that co-operation has at times attained considerable results in this direction, measures have lately been taken in Finland also for the arrangement of the sale of eggs on co-operative principles. At first this was done by means of small local women's societies, or with the help of co-operative dairies or other existing co-operative organizations, which found in the neighbouring town some consumer of large quantities of eggs, such as a provision dealer, an eating-house or the like. Even in this way fairly satisfactory results were obtained. But often these associations did not pay sufficient attention to the improvement of the quality of the eggs, their packing and the like, which circumstances all had some influence on the final results. As a wholesale buyer has lately been found in Valio (see p. 152), which in these respects has considerable pretensions, providing a sure market for large quantities of Finnish eggs, and if necessary even exporting part of them, special egg-selling co-operative societies have been established in several places. Interest therein has been specially aroused since Valio, in 1913, appointed a consulting agent to work for the establishment of egg-selling co-operative societies.

Abroad it has been found best to collect from 100 to 150 members to start a society, with from 4000 to 5000 hens. In Finland, with its sparse population, a start can be made as soon as the owners of about 300 hens can be got to combine. A village, or perhaps the district of a co-operative dairy, would probably be the most suitable region for its activity. A society of this kind can be established without contingent liability, and the shares need not be higher than about

3d. or 4d. per hen, as the preliminary expenses need only cover the purchase of the necessary packing cases, scales and a lamp for the examination of the eggs, the whole outfit not exceeding about £10.

The society generally makes it a condition that the members care rationally for their fowls, and that they bring regularly to the society all the eggs not required in their own households; the eggs brought must be fresh and clean. If it is found on more than one occasion that a member is not complying with these rules, the society may expel him.

On these lines foreign egg-selling co-operative societies have been able to procure good prices for their eggs and have thereby ere long been enabled to improve the poultry-farming and the breeds of poultry and considerably to increase the production of eggs.

Of egg-selling co-operative societies in Finland the commercial register of 1914 contained thirty-three; beside these quite a large number of other societies are known to exist, which have not been entered in the register, and egg-selling is further carried on by a number of what are called "Martha societies." Most of the societies are still small, selling from 10,000 to 20,000 eggs a year only, but there are others with an annual turnover of 50,000, 100,000 and even 150,000 eggs.

5. Co-operative corn-selling and milling societies.

In olden times a considerable export of corn was carried on from Finland. Among others the so-called Vasa rye enjoyed an exceedingly good reputation in Sweden, and considerable

quantities of it were ordered from there for seed. Later on, rye coming from other districts was also sold under the name of Vasa, and the quality of the original Vasa seed having gradually receded, at the same time as the buyers' stipulations abroad as to quality were made stricter, this export trade by and by dwindled down to a mere part of what it had been. The cultivation of rye having thus become less profitable, the farmers of south Österbotten began to concentrate their attention on the cultivation of hay-seed, which could be sold to all the other parts of the country, and which has been quite remunerative. But this trade also has begun to deteriorate owing to the unscrupulous behaviour of the middlemen. Under the name of South Österbotten hay-seed, there is being offered hay-seed imported from countries where the seed cultivated is cheap, but wholly unsuitable for our climatic conditions. The farmers have also suffered considerable losses from being obliged for want of ready money to sell their seed to merchants in the autumn, the prices being then at their lowest.

These grievances drove the farmers to co-operation in the sale of their corn in order to retain the profitable seed-growing in their own hands and to reap the full benefit of it.

The first step towards that end was taken by the rural banks, which were started by the farmers, and in recent times commenced to undertake the sale of corn, for which purpose credit has been granted them by the *Rural Banks' Central Credit Institute* (see p. 157). Such credit is only granted to those rural banks which organize the selling of corn in the following manner: the rural bank does not sell the corn at its own risk, but simply

acts as agent against a stated commission. The rural bank stocks the corn of the members in the bank's storehouse until a suitable moment comes. On the delivery of the corn to the storehouse it is examined and rather cautiously valued, so that the bank, even in case of unfavourable selling conditions, ought to be guarded against loss. Against the corn a loan can be taken up to the amount of the valuation. If the result of the sale exceeds the valuation and the cost of selling, the balance is divided among the producers in proportion to the valuation of the corn sold by each of them. If the sales result in a loss, it is divided on the same principle.¹

The sale of corn and hay-seed has been carried on for many years by several rural banks in Österbotten. The average value of the corn sold by each of them has usually not exceeded about £800. The sale of corn has likewise been carried on by some co-operative dairies and co-operative stores, but some of the latter, at least in their handling of this business, have departed from the principles of true co-operation.

If the Finnish farmers do not in the near future extend their co-operative corn-selling further, they will probably not be able to retain the home seed-market in their hands. They ought to follow the example of the German farmers in the establishment of proper corn-selling co-operative societies. In these societies the members must bind themselves to sell all their corn through the society, and they further bind themselves to cultivate, all of them, corn of the same kind, of first-class quality and free from impurities. The society undertakes to provide a sufficiently large and suitable storeroom, in which the corn

¹ Appendix E.

can be stored without risk of deterioration, as well as efficient, necessary machines, by means of which the corn is again winnowed and sorted. Only such corn is sold as is sound and of first-class quality; the corn which is rejected is either given back to the producer or sold locally for fodder. In this way the society gradually wins a good reputation for its goods, and consequently obtains a good market and good prices. Societies of this kind must not be started on too large a scale, or covering too great an area; a parish will be found to be the most convenient size. The societies may then organize a union for the joint sale of the corn.

The business of such a society ought to be conducted on a commission basis. When a farmer holds a certificate from the society for a certain quantity of corn received for sale, he is able to get a loan on it usually from a rural bank, with which the corn-selling co-operative society has made an agreement.

If the co-operative society not only sells corn for sowing but also for bread-making, it might be found of advantage to extend its operations to include a mill for the production of the finer grades of flour and also of shelled oats, etc., and of bran. This may prove particularly necessary now, owing to the introduction of the duty on foreign flour and grain, as Finnish grain cannot successfully compete with Russian produce unless it is offered of good quality, evenly milled and packed in well-made sacks of the same weight as the Russian flour.

Small joint mills for domestic requirements only, have existed in Finland for a very long time indeed. Such were the joint village mills, for which a site was always provided on the division

of the common land among individual owners. Later on there have been started in the country mills in the form of limited liability companies, although they have almost exclusively been carried on more in accordance with co-operative principles. Lately, also, co-operative mills have been started. As far as can be ascertained, thirty-six co-operative dairies are carrying on milling for their own purposes as a branch business; in other places the milling business has been combined with a co-operative saw-mill (see p. 117); of such mills at least eighteen are known. The commercial register does not enumerate more than ten co-operative societies carrying on milling only. From most of these co-operative mills the experience gained has been very unsatisfactory, because they have been started without any guidance and not in conformity with law or the principles either of co-operation or of business. At the starting of such enterprises the same conditions must be observed as have previously been mentioned in connection with co-operative dairies and co-operative cattle-selling, viz. a sufficiently large number of members must be ensured, and these members must bind themselves, on pain of a fine, to bring all their grain to be milled to the society's mill; the mill must be fitted with modern machinery, so as to run well and turn out produce of good quality; the shares, the supplementary loans and the liability must be fixed sufficiently high, so that the society shall not suffer from want of capital; finally, a suitable and experienced manager must be found. Besides this, their business ought to be so arranged as to include several different branches, in order to meet the local requirements in many different ways. It

seems probable that co-operative mills would pay well in Finland, especially if the agriculturists were to extend their cultivation of fodder, instead of buying a large part of it from abroad.

6. *Co-operative forestry and co-operative saw-mills*

A forest grows and matures very slowly, for which reason the results of practical co-operative silviculture become fully visible only after many years of energetic labour. The advantages of co-operative sales of timber are, of course, immediately apparent, but even in this branch a strong organization will soon be needed in order to withstand the efforts made by the organized timber buyers to shatter such co-operation.

As the liabilities undertaken under the Finnish law on co-operation are of a strictly *personal* nature only, and are, in consequence, valid only against the persons who signed them, and as nobody can be compelled to remain a member of a co-operative society if he should wish to retire, provided two years have elapsed since he joined the society, the co-operative enterprises permitted by the above law cannot be said to be always fully suited to the conditions of forestry.

On the other hand, the Finnish law on forestry renders it possible to organize a co-operative society for forestry purposes. The law mentioned prescribes in the case of agreements to carry on silviculture in common that *such agreements, if once made and registered at the county court, are valid up to the end of the term agreed upon, irrespective of any possible changes in the meantime of the ownership of any of the estates, the forests of which are comprised in the*

agreement. According to the forestry law, the associations entered upon, called forestry societies, have thus for members not the estate owners, but the estates themselves. The stipulations of the agreement as to co-operation are thus valid not only against the actual owner, who applies for the inclusion of his forest in the society's charge, but against his successors as well, should the estate change owners within the term agreed upon.

The object of the forestry societies is a rational conduct of forestry and consequent development of forestry products on the members' estates. To that end the society:—

- (1) Tries to arouse the interest of its members in the measures required by rational forestry, to spread information as to these measures, and to bring about the greatest possible economy in the use of forestry products in the household.

- (2) Spreads among the members information as to the prices of timber.

- (3) Arranges for the members to make joint sales of their forestry products through the society.

- (4) Facilitates credit for the members, in order to put them in a position to await an advantageous time for their sales.

- (5) Undertakes the felling and transportation of the timber sold through it.

In order to carry out such a far-reaching programme, it has been thought necessary, where conditions are well-developed and the selling possibilities are good, that the forestry societies should engage a certificated foreman in forestry work, or, if the chances of selling are not so satisfactory and the employment of a permanent instructor is not deemed necessary, at least to resort to occasional professional advice.

The work of the forestry societies ought to

be arranged in such a way that the sales of timber can be effected jointly, as far as possible. But naturally it often happens, especially at the beginning of a society's career, when the number of members is still small, that the arrangement of joint sales may not be of advantage to all persons concerned. For that reason joint sales have not been made obligatory in the model rules drawn up for societies of this kind. It is only suggested that in cases when joint sales are likely to be more advantageous than separate ones, the society should arrange for them. In all other cases sales may be effected by the members themselves.

A forestry society as such does not offer the advantages to be expected from a form of co-operation suitable for silviculture, unless it is established for a minimum of ten and a maximum of fifty years.

Forestry societies must in other respects be based on the same democratic basis as other co-operative societies. So far as can be ascertained, the number of such societies in Finland was thirty-one in 1914.

Lately there has been established in this country a number of what are called societies for the care of forests, the object of which is to improve the attention given to the forests of their members by engaging a certificated instructor of forest work. When joining such a society, the forest owners do not bind themselves in any way as to the care or the use of their forests, but simply promise to share in the costs of employing the instructor according to a scale laid down in the rules. These societies, which have much in common with the forestry societies mentioned above, are established, like them, for a fixed number of

years, but usually for quite short periods, *e. g.* three years. The rules of such a society are usually drafted in the form of a simple contract.

The societies for the care of forests do not as such interest themselves in the selling of timber, and do not, therefore, undertake the sale, either joint or separate, of the members' timber. But this circumstance does not, of course, prohibit the members of a society from arranging, by means of a separate agreement, occasional joint sales, in which case the society's instructor may be of good help in the practical details. Of such societies forty-six are known to exist.

Joint action of forestry societies and of societies for the care of forests might well be practicable. Thus, in a given locality the owners of small forests may start a forestry society, which is entered as a member of the local society for the care of forests, started by the owners of the large forests of the neighbourhood.

Although joint sales of timber, as is but natural, give the best results if arranged by the members of some society whose object is the care of forests, still occasional sales of this kind may at times prove of benefit even to the forest owners. For such joint sales there must be a legally binding agreement in writing, specifying each member's share of the total price, the term during which the agreement is valid, and the indemnity a party to the agreement is liable to pay in case he should not fulfil his obligations.

Such agreements must be entered upon for a fixed number of years, but for many reasons the term ought not to be fixed longer than from three to six years.

In some parts of Finland co-operative forestry has been developed still further, and the handling

of timber has been undertaken. So-called household saw-mills, *i. e.* small saw-mills for the sawing of timber not for sale, but principally for the owners' own requirements, have been in existence for a long time; formerly (if not owned by a single individual) as companies or in the form of unorganized associations, latterly as co-operative societies. Mention has already been made of such saw-mills having been combined with other co-operative mills (eighteen), while eleven co-operative dairies have included in their field of operation a small household saw-mill. But there have also been established co-operative societies (in 1914, nine) exclusively for the carrying on of saw-mills. These small saw-mills are usually started to meet the requirements of the locality, but many of them have gradually begun to sell their best products elsewhere, even abroad. Where a saw-mill has been established solely for local requirements, no wood is bought, the members sawing their own wood for a fixed payment exactly in the same way as they bring their own corn to a joint mill to be milled. At those saw-mills which sell part of their produce outside their own locality, the necessary raw materials are usually bought, just as a co-operative dairy buys milk. It is, however, usually difficult for these small saw-mills to obtain good prices for their goods for the reason that with their limited production it does not pay to procure good machinery and to employ skilled labour.

The more the great timber firms of the country unite with the object of keeping down the prices of the wood required by them, the more does the idea gain ground among the forest owners of establishing great timber manufacturing works of their own for export purposes. But here

co-operation meets with two problems, which so far have not been solved. First, such establishments require a greater fixed capital than co-operative societies from which it is possible to retire within two years at the most are able to acquire. Secondly, it is commonly admitted that a saw-mill business cannot be profitable in the long run unless a continued supply of logs is assured. Such an assurance cannot be offered by a co-operative society, nor even by a limited liability company; to that end the forest owners interested in the establishment of a joint saw-mill on a firm basis ought to bind their forests for this purpose in quite a distinct way.

Experience has proved that it is generally very difficult to get officials for the co-operative societies for various forestry purposes who both possess sufficient professional skill and have sufficient time at their disposal to work for the objects aimed at by the co-operative organizations. Experience has further shown that such forestry societies, dispersed over a large area, are fairly weak as long as they work isolated from each other. In order to assist and unite them the Pellervo Society in 1913 so arranged its consultative work for co-operative forestry, that under the guarantee of the forestry organizer employed by the society, the society's certificated officials undertake against a fixed payment—

(1) The sale of forest products, chiefly in the form of joint sales.

(2) The control of log-felling.

(3) The carrying on of all kinds of work in connection with rational forestry, *e. g.* valuation and marking of saleable trees, drafting of plans for the care of forests, etc.

(4) The guidance and control of the care of forests.

7. Co-operative fish-selling societies

Of these only very few are to be found in Finland. Concerning them no exact details are to be had, except for the society of fishermen established at Helsingfors in 1907, the members of which are Swedish-speaking fishermen, chiefly in the vicinity of Helsingfors. Its object is to sell the fish caught by the members and to procure the necessary fishing-gear, etc., for them. The share is £1, and the liability £2. The members are bound to sell to the society all fresh fish which they are unable to sell at the place where they live. The society owns a number of motor-boats for the transport of fish, and sells the fish principally in its own fish-market in Helsingfors. After overcoming the initial difficulties, accentuated by strong competition on the part of individual fish-sellers, the society has won an important position in the fish trade of Helsingfors. It does much to regulate prices. The development and present position of the society are illustrated by the following table—

THE DEVELOPMENT OF THE SEA FISHERS' CO-OPERATIVE SOCIETY
BETWEEN 1907 AND 1914.

Year.	Number of Members.	Turnover.	Profit (+) Loss (—)
		£	£
1907	91	—	— 61
1908	134	2,936	— 228
1909	150	2,849	— 90
1910	154	4,633	+ 24
1911	157	6,259	+ 208
1912	161	7,905	+ 227
1913	165	9,784	+ 394
1914	160	10,221	+ 62

8. *Other co-operative societies for the manufacture and sale of their members' produce*

In Finland farmers have not so far established any co-operative societies of this description other than those already mentioned.

Among the Finnish workmen residing in the towns, as is the case abroad, many attempts have been made in different trades to apply co-operation to joint production. At present (1914) there are registered in Finland in all forty-five co-operative labour societies. Of these a large number are to be found in different ports, and are unions of dock labourers for the loading and discharging of ships. Many of them own fairly expensive property : derrick-cranes, tug-boats and the like, and on the whole they appear to prosper.

The remaining societies have been started by different artisans, such as stone-dressers (6), joiners (3), painters (4), glaziers (1), braziers (4), goldsmiths (2), saddlers (1), and felt-makers (1). Accurate details as to their results have not been published, but on the whole the experience gained from artisans' and factory workmen's productive co-operative societies has been that most of them will not prosper in the long run, and that those few which succeed are mostly afterwards turned into ordinary capitalist enterprises. The cause of failure is usually insufficiency of capital, of skilled management or of unanimity.

C. CO-OPERATIVE CREDIT SOCIETIES

1. *Farmers' rural banks*

In olden times there was prevalent in agriculture what may be called primitive housekeeping : the farmer got from his land almost everything

he required, and those few goods which he was obliged to buy he usually acquired in exchange for his own productions; even taxes and wages could mostly be paid for in goods. Modern times have brought about or are bringing about a total change in this respect. Taxes and wages must now almost exclusively be paid in cash, the requirements of the farmer have multiplied and cannot any more be obtained by barter. But on the other hand the possibilities of turning various agricultural products into cash have greatly increased; the prices of cattle products in particular have risen in an unheard-of manner. The primitive form of housekeeping has changed and is still changing more and more into one based on money values. The change is accelerated by every improvement in the means of communication—by every new railway, every new steamboat, even by a new highway—as well as by every new factory, every new town and even by every increase in the number of town dwellers.

In order to be able to effect this change in the basis of his housekeeping and to adapt his economy to the new system, the agriculturist stands in need of money. But most of them do not possess sufficient ready money, and are obliged to resort to credit. Credit means, of course, that they are trusted to fulfil a promise of payment at a fixed date.

The farmer is in need of two kinds of credit : real estate credit for the acquirement of real estate, and personal credit by the help of which his farming may be carried on. Real estate credit is mostly obtained from the Real Estate Mortgage Societies. The personal credit required by farmers has partly been granted by savings and town banks, partly by country shopkeepers

and other private lenders. Credit in town banks is, of course, possible only for a limited number of farmers, and is besides dear and inconvenient; the savings banks are often unwilling or to a great extent unable to make the credit as flexible as business credit ought to be; country shopkeepers and other private lenders are in several places carrying on their money-lending in a manner approaching usury, and this system has been the ruin of many a farmer.

The best medium for providing personal credit to farmers has been found in the credit societies, of which in consequence, as we have already mentioned, hundreds and even thousands have been established in most civilized countries.

The credit societies have, in comparison with other credit givers, the following advantages—

(1) They see that the money lent is really used for purposes beneficial to the borrower.

(2) Loans are granted only to capable persons carrying on their household on economic lines, and only for fixed and approved purposes which further their trade or help them to effect savings in their economy. Such purposes are the cultivation of morasses and of old meadows, ditching, the acquirement of artificial manure and of good seed as well as of necessary machinery and implements or of good stock, the bringing of stables and other household buildings into proper condition, the storing of grain intended to be sold at a suitable date, etc. Likewise, the societies have also lent money for the erection of houses for unpropertied persons.

(3) Loans are only granted up to the total amount necessary for the purpose in question, and if necessary they may be taken up in smaller instalments and paid back in the same way.

The credit societies (they might, indeed, in this country more properly be called rural banks) have thus for the above reasons and for the further reason that no renewal of loans is allowed, a great educative importance, and they have, indeed, turned out to be quite admirable agencies of reform in our agricultural conditions. They have brought farmers, even in very backward places, to adopt modern methods of cultivation and to grow new crops, and have thereby considerably increased farm production.

Another advantage from the rural banks is found in the fact that they free the farmers from becoming dependent on merchants and speculators, as by means of this credit they are able to buy their requirements and to sell their products in the best possible way.

The rural bank further offers its members and their farm hands a chance of depositing their spare cash in the place where they live, thus rendering long journeys in connection with money matters to the nearest town bank unnecessary.

The rural bank is thus the farmers' own local bank founded by them and managed by them.

The sphere of action of these rural banks ought to be so restricted that the committee of each is in a position to know all the members and to control their methods of life and their economy. This is necessary on account of the joint responsibility entered upon by the members, which has the result that if any one of them neglects his housekeeping, they might possibly all of them suffer from it. A suitable area for such a rural bank is usually to be found in a small parish or in a geographically suitable part of a larger parish. As founders and members only thoroughly reliable

persons whose honesty and character are beyond doubt are eligible.

The number of members may at the start be small (at least fifteen, if requiring credit from the Rural Banks' Central Credit Institute), but it must be possible later on gradually to get at least a hundred or perhaps even a few hundred members, in order to make the society sufficiently strong. On an average the Finnish rural banks at present number but forty to fifty members. In 1913 there were only eight rural banks with from 150 to 200 members.

In order to get sufficient credit for the necessary money operations the rural banks must be founded with unlimited liability. The share is usually from £2 8s. to £4, payable by yearly instalments of from 4s. to 8s.

The necessary working capital for the farmers' rural banks in Finland is found in the following way. In the beginning they are forced to take the whole working capital from without, and this they do by applying to the Rural Banks' Central Credit Institute (see p. 157). Gradually, as the rural bank becomes better known locally it begins to get deposits, although all the deposits of all the Finnish credit societies taken together do not at present exceed about £8000, partly on account of the unnaturally strict limits fixed for these operations in the law on co-operation. As the years go by, and the number of members increases, the shares paid in as well as the collected reserve funds gradually make up quite a considerable amount. Thus in 1913 forty-four rural banks had from £160 up to £560 capital each, and all the Finnish rural banks taken together more than £32,000.

The loans granted by the rural banks cannot,

of course, be large, the object of them being mostly to get some ready money; in most banks they vary from £1 to £4, £12 or £20 each; only a few of them have granted up to £40 or £80. The term for which they are given is usually from one to three years, but about one-fourth of all the loans are granted for still shorter times, and a small number for longer periods, up to eight years. From the beginning of 1913 the rural banks have also granted loans for larger new settlements, on special terms, for a longer time and for larger amounts up to £200.

The rural banks pay the Central Credit Institute interest at the rate of $4\frac{1}{2}$ per cent. per annum, and usually charge their members 6 per cent.

The rural banks do not naturally aim at great profit, but at procuring loans for their members on the best possible terms. For this reason the annual profit has usually been very modest, averaging a little more than £4 per bank. Of the annual profit not more than 5 per cent. is distributed as dividend on the capital paid in, the remainder is either transferred to the reserve fund or used for purposes from which the members may educationally profit or which are otherwise for the common weal. It is usually provided in the rules that in case of the dissolution of the bank the reserve fund is to be for the public good.

Beside the loan operations, the rural banks also carry on the joint purchase of their members' requirements, amounting in 1913 to about £17,200, as well as the joint sale of their produce.

The business of the rural banks is conducted by a board and a bookkeeper who in most cases also acts as cashier. For this office the most trustworthy and intelligent man of the locality

is, if possible, engaged. In the beginning he must usually be content to work without remuneration; later on he generally gets an annual salary, but no share in the profit.

From the following table may be seen the increase of the credit societies of the Finnish farmers, as well as the development of these societies between 1903 and 1913.

THE FINNISH CO-OPERATIVE CREDIT SOCIETIES BETWEEN 1903 AND 1913.

Year.	Number of Societies.		Number of Members.	Net Value of Members' Total Property.	The Funds of the Societies.		Outstanding Loans.		Turnover.
	Entered in the Commercial Register.	Receiving Credit from the Central Institute.			Total.	In percentage of their Liabilities.	Total.	Average per Member.	
				£	£		£	£ s.	£
1903	24	10	253	76,720	80	3·5	1,800	7 0	8,000
1904	87	69	1,724	474,440	680	5·8	10,920	6 0	32,000
1905	140	119	3,662	748,160	1,960	7·0	25,920	7 0	60,000
1906	176	148	4,930	955,400	3,360	8·1	38,720	7 0	76,000
1907	240	210	8,231	1,437,680	6,480	7·9	81,440	8 10	148,000
1908	308	268	11,745	2,111,200	9,680	7·6	120,400	10 0	212,000
1909	385	340	15,688	2,849,600	14,760	8·9	154,560	9 10	248,000
1910	418	374	17,404	3,351,640	19,640	10·9	167,880	9 10	272,000
1911	443	398	18,546	3,817,680	24,400	13·1	174,520	9 0	292,000
1912	453	399	19,390	4,427,520	28,520	14·2	187,800	9 10	320,000
1913	478	416	19,892	5,156,920	32,960	14·2	216,760	11 0	356,000

2. Other co-operative credit societies

In Central Europe comparatively numerous credit societies have been established by town dwellers, especially by artisans and smaller officials, although those societies are in many respects organized and managed according to the Schulze-Delitzsch system. In these the share is mostly larger and the liability limited; they are mostly managed on the same lines as deposit

banks, *e. g.* granting the manager a share in the profit and distributing fairly large dividends to the shareholders. In consequence, quite a number of these societies have either ended in bankruptcy, bringing considerable losses to a large circle of persons interested in them, or else turned into limited liability companies.

In Finland there are up to the present only a few credit societies of this type. They are only in four places and the number of members is comparatively small. In addition two or three different bodies of officials have formed for themselves such societies.

In 1902 the student body of the university at Helsingfors established *The Co-operative Loan Fund of the Students' Temperance Society*, which according to the latest report has fifty-five members, nearly £400 own capital and about £1,800 in loans. Its object is to grant temporary loans for the continuation of their studies to students who are members of the Students' Temperance Society.

D. OTHER FORMS OF CO-OPERATION

1. *Co-operative threshing-machine societies*

The object of a threshing-machine co-operative society is the joint acquirement by its members of a threshing-machine with the necessary motor, for the threshing of the grain cultivated by them. Several hundred of such societies have lately been established in this country, principally on account of the increase of the wages to be paid for farming work and of the prices of firewood. In places where there is so large a quantity of grain to be threshed as to keep the machine well

employed, threshing by machine is found to be a great deal cheaper than threshing by hand. Usually the number of members of such a society is very small, from five to twelve, or a score at the utmost.

When starting a society of this description, the statutes are drawn up in such a way that the members' shares together with the liability will amply suffice to cover the capital necessary. If this is the case, the society has usually no difficulty in obtaining the necessary credit with the manufacturer or seller of such machines and later on with some credit institution. Thus the farmers have in many instances been able to borrow the money necessary from some rural bank.

For the Finnish threshing-machine co-operative societies the share is as a rule fixed in proportion to the quantity of corn sown by each member. In order to obtain sufficient credit it has been found necessary to fix the share at a minimum of 1*s.* 6*d.* for every hectolitre (2·75 bushels) sown, where the total quantity sown is fairly large; in cases where this quantity is comparatively small, say from 125 to 250 hectolitres only, the share is made somewhat larger, or up to 4*s.* per hectolitre. Likewise, the members must undertake a liability of at least 8*s.* for each share signed, if the quantity sown is sufficiently large, but up to 24*s.* if it is smaller. Beside the quantity sown, the amount of the share and of the liability is also dependent on whether the society is going to acquire some other machinery as well as the thresher, *e. g.* a roller-mill, a shingle-cutter, a circular saw or the like.

In the management of such a society due attention must be paid to the circumstance that payments for the use of the threshing machine

are calculated on a proper basis. The best basis appears to be the time for which each member uses the machine, and the payment must be sufficiently large not only to cover the running expenses of the society (salaries, oil, fuel, as well as interest and fire insurance), but also to allow sufficient depreciation. The best way is to start a reserve fund from the beginning, with which new machinery may be bought when the old has been worn out. Many societies write off the value of their machines within from five to six years.

In 1914 there were to be found in Finland 235 registered, *i. e.* fully legalized, threshing co-operative societies, but there exist perhaps several hundred such societies which have not been entered in the commercial register. Some of these have also acquired roller-mills, seed-sifters, shingle-cutters, small saw-mills and similar machinery.

2. *Co-operative peat-moss societies*

The more rational methods have gained ground in farming in Finland the more has it been found necessary to use peat-moss for collecting solid and especially liquid manure, peat-moss having been found exceedingly suitable for this purpose. It is, therefore, only natural that the farmers have found it useful to procure this necessity also by means of co-operation. A peat-moss co-operative society either buys a bog, or rents it with the right to dig peat, procures the necessary implements and machinery, builds drying-sheds and pays the workmen employed, and afterwards sells the peat-moss so obtained to the members and sometimes even to persons outside the society.

Peat-moss is a material which it does not pay to transport long distances, except when compressed by expensive machinery so as not to take up so great a space. But expensive machinery presupposes a rather large society, with ample means.

Consequently he who has within reach a suitable bog on his own land or in the vicinity does best not to join a co-operative society at a distance. A small unpretentious society in his own village can probably get peat-moss cheaper than a larger one at a distance. For this reason small local societies are preferred, provided that a suitably situated bog is to be found. In these small societies the members themselves can often give the necessary building materials and do most of the work, the expenses thereby, of course, being reduced to a minimum. In such cases the shares can be fixed very low, and contingent liability might even in some cases be found unnecessary, money or credit being required only for the purchase of the most necessary implements—principally a peat-cutter—and to pay the price of the bog, if it be bought. As a single hectare ($2\frac{1}{2}$ acres) of good bog, from which about 1000 tons of peat may be obtained, can provide peat-moss for from fifty to eighty cows for a man's lifetime—(25 to 40 years, calculating 2 kilograms (rather less than 5 lbs.) a day per cow during eight months of the year, the capital required for the starting of such a society will be found as follows : (1) the price of the bog, from £4 to £12; (2) the sheds, £8; (3) the peat-cutter, £3 4s.; it being assumed that the members of the society do all the preliminary work themselves.

In cases when there is not found in a given village a suitable bog, but there is in the neighbourhood one sufficiently large to be used in common

by the whole parish, it is, of course, necessary to make all the arrangements on a much larger scale. In such a case about £400 may be found necessary; a still larger peat-moss factory, sufficient for several parishes, may require up to £2000, or perhaps £4000.

On the basis of such calculations, and taking into consideration the probable annual consumption, the amount of the shares and of the liability may be fixed. The number of shares for each member is usually dependent on the number of cattle for which the peat-moss is wanted. Or, if it is wished to be still more accurate, the number of shares is fixed in proportion to the number of pounds of peat-moss required per day or per year by the members. There are to be found peat-moss co-operative societies with shares as low as 2s. 6d. each. In order to get sufficient working capital or credit it will, nevertheless, in most cases be necessary not to go below, say, 4s. or 8s. per share. Besides this, a liability of from 8s. to 16s. per share has been found desirable. When deciding these details, it is of course necessary to fix them in such a manner that the capital required may be collected within a reasonable time, and that the shares and the liabilities together make a sum sufficient to offer a proper guarantee to the credit-giver.

The costs of production in our peat-moss co-operative societies amount to 11½d. to 1s. 7d. for 220 lbs. The peat-moss has been sold to members at from 1s. 2d. to 2s. per 220 lbs.; persons outside the society have usually paid 4½d. to 9½d. more. Expert advice points to its being possible to reduce the costs down to 9½d. or perhaps even less per 220 lbs. when the societies have been at work for some considerable time.

In 1914 there were to be found in Finland 127 legally registered peat-moss co-operative societies. In reality the number of co-operative societies started and working is a good deal above this figure. It looks very probable that co-operative societies of this kind will gradually be found in every locality of this country where there are bogs suitable for the purpose.

3. Co-operative telephone societies

The telephone is found to be of particular value in country districts. The distances between single villages or farmsteads are large, and the means of communication are not so good as in the towns. In consequence, the sending of a message from one house to another entails loss of time, inconvenience and perhaps cost, which may be spared by means of the telephone. Especially in very urgent cases the telephone may be found of the greatest service, *e. g.* when medical assistance is required, or in case of fire. By its means the farmer can receive in a few moments the daily market quotations. Likewise he is able to order his necessities, to hear the news of the day and to arrange less important business matters. The telephone is of specially great importance for the maintaining and carrying on of joint enterprises. And it has further been observed in Finland, as in other countries, that the telephone has been an instrument of the greatest importance for the promotion and reviving of all kinds of associations, guilds, companies and co-operative societies. And finally in the often monotonous life of a country inhabitant the telephone brings a good deal of diversity, even remote neighbours being enabled to communicate with each other.

In Finland country telephones have been established either in the form of a limited liability company, an open company or a co-operative society, but all of them are working, as far as can be ascertained, on co-operative principles. A co-operative society consequently appears to be the most suitable form for an enterprise of this kind.

Such a co-operative society can be started without liability, in case the members are able to pay sufficiently large shares. The amount of these latter is dependent on the number of members joining at the start and further on the length of the wire by which it is proposed to connect the society's exchange with the nearest regular telephone central exchange, by way of which the connection is obtained with places farther off. Under ordinary circumstances it is found possible to build the exchange and the connections for about £2 to £4 per member. In case the members should not be able to get together a sufficient capital to establish the telephone on a cash basis, they will have to sign a guarantee for the balance.

The management of a telephone society is usually very simple. The committee need not consist of more than three members and the exchange may be in charge of the manager of the local co-operative store, the proprietor of the local inn, the postal clerk (usually a lady), or even a local baker or seamstress, with a small remuneration; the wires can be looked after by the engineer of the local co-operative dairy, or some smith, watchmaker or other person more or less familiar with machines might be instructed to mind them.

Of telephone co-operative societies there can be found in Finland at present (1914) according to the commercial register fifty-eight.

4. *Co-operative land-purchase and housing societies*

The land-buying co-operative societies have for their object to buy for their members plots of land of their own, either for a small farm or else for a building site only. This is done by jointly buying a larger estate or plot of ground, and then dividing it among the members in suitable plots. For this purpose the society can get a government loan if it fulfils certain conditions.

The first condition is that the persons starting the society and wishing to obtain through it a plot of land of their own belong to the so-called unpropertied class. Persons of other classes may also become members, and it might be of advantage for the society if it is joined by persons who could be of assistance pecuniarily and morally. Secondly, it is required that the members of the society should possess at least one-tenth of the value of the plot which they hope to be able to obtain through the co-operative society, and further that they are able to procure the movables, stock and so forth, necessary for the proper use of the land in question.

The share is fixed so high and the members must take so many shares that the necessary one-tenth of the total purchase price is obtained in this way, as well as the costs of the purchase and of the division into plots. The liability must be unlimited. The government loan is obtained up to nine-tenths of the purchase price, if the officials approve the purchase and the co-operative society as the borrower. The land purchased is looked upon as belonging to the society, but as a security for the loan the government gets a mortgage, which is held in force until

the whole loan has been paid back. The government loan is granted for a term of 28 years, an annuity of 6 per cent. being charged, of which 4 per cent. ranks as interest and 2 per cent. in repayment of the principal. Until the loan is fully repaid, the members who have received plots as well as their assignees are legally looked upon as the tenants of the co-operative society. They are constituted owners as soon as the loan is paid. If the estate bought includes a large forest, the same is to be turned into a joint forest for ever and the management of it may be submitted to government control.

There are at present (1914) entered in the commercial register fifty-six land-buying co-operative societies. Some of them have not been able to realize their object for want of capital. A few others have succeeded in obtaining credit from private persons; but they are not so strictly organized and work more freely than stated above.

According to the latest reports (for the year 1915) the number of land-buying co-operative societies enjoying government loans is only thirteen; the loans obtained by them totalled nearly £28,000, and the estates acquired by them measured in all about 15,000 acres; the largest estates bought were more than 2,500 acres. On the whole these co-operative societies are prospering, and they have procured a house and a plot of land of their own for 267 families.

Closely connected with the land-buying societies are the so-called co-operative housing societies, of which many are to be found abroad, principally in the large cities. There they are usually arranged in such a way that a comparatively

large number of members bind themselves gradually to pay in fairly large shares, and they are satisfied with the gradual building of houses by the society, as it gets in the instalments and is able to negotiate loans. These houses are disposed of by lot among the members. This system is naturally apt to produce dissatisfaction among the members who have to wait a long time for their turn, and as it is possible for a member to withdraw from the society, getting back the money paid in by him, experience has in several instances proved that co-operation is not as suitable for this form of joint activity as a limited liability company.

In Finland the housing question used formerly to be solved by means of limited liability companies. They have often been helped with cheap loans by the government or the town where they were started, and have generally prospered; in this way quite an important number of satisfactory workmen's dwellings have been erected in some of the larger towns. Later on, co-operative societies have also been started for this purpose; of these the commercial register in 1914 enumerated forty-three, most of them in the towns. Many are very solid enterprises, with shares of from £20 to £120 each and with a further liability of from £20 to £60. Others are, on the contrary, very weak, with shares of from 8s. to 16s., and with a liability of the same amount or none at all. The best among them have met with good success and offer their members comfortable lodging at a cost below the usual. Their number of members is restricted as a rule to between 5 and 30. Several of them have built fairly large houses, with from 60 to 140 living-rooms, at a cost of from £4000 to

£20,000. The loans necessary for the erection of the houses have mostly been obtained from the savings or commercial banks, or sometimes from the Mortgage Bank of the Finnish Towns or from some life insurance company.

V

CO-OPERATIVE FEDERATIONS

CO-OPERATIVE societies abroad have as a rule founded central organizations, in order to be more able to answer their purpose than would be the case should each of them work separately in its own locality only.

The central organizations established by the Finnish co-operative societies are of two different kinds, viz. co-operative trading federations and co-operative unions, the object of which is to spread the idea of co-operation and to guard the interests of the co-operative societies.

A. CO-OPERATIVE TRADING FEDERATIONS

Introduction : What is a Co-operative Federation ?

One of the leading authorities on co-operation at the present day, Professor Gide, has said :—

“ It is peculiar that persons who, by belonging to a local co-operative society, show that they understand the benefit derived from co-operation, cannot grasp the value of co-operation on a higher grade (co-operative federations). Our beautiful motto, ‘ Each for all,’ seems, when the question of uniting the separate societies is taken up, to change into ‘ Everybody for himself.’ Our adversaries, who are

more far-sighted than most co-operators, understand exceedingly well the importance of our central organizations, and are, therefore, directing their attacks chiefly towards them. A Latin proverb says that we must learn from our adversaries . . .”

The local co-operative societies are endeavouring to replace the retail traders by business men in the service of the consumer or producer. Likewise the co-operative central or wholesale enterprises are, at least partly, endeavouring to do away with the large number of wholesale dealers' agents and commercial travellers, and also the wholesale dealers themselves and the combines arranged by them, which all have personal gain for their purpose, and to replace them in so far as seems necessary by persons in the employ of co-operative enterprises. In this way the local societies are, through the assistance of their central organizations, enabled to acquire guaranteed goods directly from the factories and other producers, or at least from foreign wholesale dealers closely connected with them, and, on the other hand, to sell their goods directly to the consumers or the consumers' organizations. Having attained sufficient strength, the co-operative central organizations may enter upon the starting of factories of their own, in which goods are manufactured of exactly the quality required as well as in the quantity needed by the affiliated societies. This has been done abroad, and will probably be done some day in Finland also.

In addition to this work, the central organizations are also trying to educate and control the affiliated societies. Experience has clearly shown that those local co-operative societies which

have joined a central organization are on the whole prospering both materially and ideally better than those which have declined to join. On the other hand, it is obvious that the central organizations cannot attain any strength or importance worth mentioning until they have enjoyed for some time the full assistance of the affiliated societies and have thereby been able to consolidate their position.

The question has been much discussed whether it is of greater advantage for the local co-operative societies to have several centrals competing with each other, or to have only one business of this kind, which, as circumstances may require, establishes branch offices in different parts of the country. Competition is, however, wholly inconsistent with the idea of co-operation. In the same way as two competing co-operative societies in one locality are detrimental to each other and to their members, so also two competing co-operative wholesales will obviously in the long run act to the detriment of each other, and finally also of their members. Experience has put it beyond doubt that if two co-operative wholesale societies are selling the same goods, supplied by co-operative societies, they are forced to compete with each other to get buyers, and must in consequence reduce their prices, and, on the other hand, if two co-operative wholesale societies are buying the same goods for sale to co-operative societies, they are forced to compete for the sellers and in consequence to increase their offers. It is further apparent that the educational influence of the central co-operative organizations upon the local societies weakens or wholly vanishes if the former have to compete with each other.

Competition will also render it difficult for the central co-operative organizations to augment their funds, and thereby to strengthen themselves and increase their economic importance. It has further been observed that co-operative central organizations competing with each other are less willing to assign part of their profit towards educating the masses in the meaning of co-operation than those which have no competition to fight against.

The co-operative central organizations in Finland are established and owned by co-operative societies. They are organized exactly like other co-operative societies, and their members are exclusively, or at least chiefly, local co-operative societies or similar associations. These send persons, appointed for the purpose, to the meetings of the co-operative central organizations, and the meetings elect a general committee of suitable persons; this body appoints in its turn the managing committee.

In 1915 there were in Finland in all five co-operative central organizations, viz.—

The Finnish Co-operative Wholesale Society (Suomen Osuuskauppojen Keskusosuuskunta r.l.).

The "Hankkija" Agricultural Co-operative Wholesale Society (Keskusosuusliike Hankkija r.l.).

The Finnish Farmers' Co-operative Wholesale Society "Labor" (Suomen Maanviljelijäin Keskusosuuskunta Labor r.l.).

The "Valio" Butter Export Co-operative Society (Voinvientiosuusliike Valio r.l.).

*The Rural Banks' Central Credit Institute, Limited (Osuuskassojen Keskuslainarahasto Osa-
keyhtiö).*

The great growth of the joint business activity

of these central organizations can be realized from the following table.

Year.	Number of Centrals Operating.	Number of Co-operative Societies and other Organizations among their Members.	Own Means.	Liability.	Sales and Loans.	Year's Profit.	Branch and Store Offices.	Staff.
			£	£	£	£		
1903	1	10	12,120	—	1,680	320	—	2
1904	1	69	12,280	—	10,560	400	—	3
1905	3	213	14,000	4,444	93,080	1,880	1	29
1906	5	413	14,068	28,716	621,600	9,440	4	64
1907	5	584	24,612	35,136	1,048,000	15,360	7	109
1908	5	741	35,460	41,528	1,372,120	10,504	12	141
1909	5	895	42,320	48,016	1,404,880	11,648	16	154
1910	5	946	49,456	50,216	1,483,360	15,356	22	159
1911	5	1,028	60,060	55,920	1,739,600	31,140	29	204
1912	5	1,113	78,144	64,432	2,037,200	26,064	35	256
1913	5	1,284	94,728	70,656	2,383,120	23,064	36	296
1914	5	1,536	109,552	91,128	2,625,920	54,384	41	346

It will be seen from this table that centralization has taken place uninterruptedly from year to year; a backward movement is nevertheless observable for the critical years 1908 to 1910. From the year 1911 there is again a great development, and the year 1914 in particular shows an unusual increase.

1. *The Finnish Co-operative Wholesale Society.*

In most countries the co-operative stores have seen the advantage of establishing wholesale enterprises of their own more quickly than other co-operative organizations, and have also brought centralization further. One of the causes of this has been the circumstance that in most

countries the majority of the members of co-operative stores has consisted of factory hands, and these appear on the whole to have grasped the importance of co-operation earlier than has been the case with farmers.

In 1904, after thorough preparations and lengthy deliberations, a wholesale business exclusively intended for the Finnish co-operative stores was started under the style "*Suomen Osuuskauppojen Keskusosuuskunta r.l.*," commonly abbreviated "*Keskuskunta*," or named by the initials simply, "*S.O.K.*" The start was an extremely modest one: only twelve co-operative stores had the courage to join, an agitation having been got up against the enterprise which deterred many societies from joining. During the whole of the first year the society was engaged solely in instructing and supervising the affiliated societies, thus strengthening and improving them; a number of booklets as well as a set of account-books were published, and a periodical, named the *Yhteishyvä*, was started. Since 1909 it has also been published in Swedish as a monthly in a more condensed form under the name of *Samarbete*. In 1905 selling was begun, and at once reached quite unexpected dimensions. The society has subsequently grown to be the largest wholesale enterprise in this branch in Finland, while at the same time it has attained the sixth place among all the co-operative wholesale societies of the world.

The society is organized as follows: Only co-operative stores having good credit are received as members. The shares are of £4 each; each society joining is obliged to take a share for every twenty-five members. The liability is £12 for each share. The business is conducted

by a general committee of eight and by a management committee of three persons appointed by it.

The society sells its goods at the usual quotations of the day. The profit obtained is distributed as follows, in accordance with the rules of the society: at least three-quarters of the profit is transferred to the reserve fund, until this latter attains the same amount as the total of the shares subscribed; when this is the case, at least a quarter of the profit goes to the reserve fund. Out of the remainder a dividend not exceeding 6 per cent. is paid to the shareholders. From the balance left a bonus may be paid to the buyers, in proportion to the total of their purchases during the year. If there is still something left it may be transferred in the books to a so-called deposit fund, which is used towards the popularization of co-operation or else for some purpose for the common weal. In reality, until now the bulk of the profit has been used for the augmentation of the reserve and other funds, so that they now total more than £80,000, and more than £18,000 have been voted for educational purposes. To this laudable policy of self-denial shown by the local co-operative stores, which together form the circle of members of the society, may principally be ascribed the noteworthy success attained by the society, at the same time as it bears witness to the strength of the co-operative sentiment pervading the local societies.

The head office of the wholesale society is at Helsingfors. It is divided into several departments, of which one comprises groceries, another manufactured goods, a third haberdashery, a fourth provisions. There is further a separate

department which attends to the book-keeping of the whole enterprise (also of the branch offices), as well as what is called the credit department, which has for object the examination and controlling of the credit capacity of the co-operative stores, in order thereby to render secure the society's giving of credit. By the information which it has constantly collected and the repeated audits of the co-operative stores, the credit department has even succeeded in bringing it about that the wholesale society during recent years has more and more been spared losses through the giving of credit. The selling is chiefly concentrated in the sale offices established at different places and in the store offices subordinate to them. Of the former the wholesale society had in 1914 ten. Of great importance also is the "advisory office" of the society, of which further details are to be found on pp. 174-176. Since 1913 the society has maintained its own laboratory for the examination and control of goods.

The year 1914 was for the wholesale society and the co-operative stores connected with it a new period of development, in that the society then started its own production. In that year a number of small productive enterprises were founded: a brush factory, a workshop for sewing working clothes and underclothes, coffee roasting, and a workshop for the cleansing and packing of dried fruit. Of still greater importance was the purchase of one of the larger match factories. The society now carries on the work of the factory on a still larger scale. It may not be without interest to point out that the last-mentioned step was directly caused by the unfriendly attitude the match trust

prevailing in the country had adopted towards the wholesale society and the co-operative stores.

The society owns storehouses of its own at six places, and has also at Viborg a business house which cost more than £36,000.

Although the society only has 244 co-operative stores as members, it was in 1914 able to number in all 387 co-operative stores as its customers, out of a total of all the 415 co-operative stores doing business in the country.

THE DEVELOPMENT OF THE WHOLESALE SOCIETY FROM
1905 TO 1914.

Year.	Number of Members (Co-operative Stores).	Branch and Store Offices.	Staff.	Funds.		Annual Turnover.	Annual Profit.
				Total.	Contributory Liability (in- cluded in total).		
				£	£	£	£
1905	27	1	16	4,496	3,392	40,160	680
1906	57	4	24	9,352	6,564	161,480	2,200
1907	80	5	58	14,552	8,964	355,400	6,160
1908	115	6	80	26,240	13,680	570,160	4,280
1909	131	6	88	31,580	15,288	562,880	6,200
1910	139	7	81	36,832	15,624	544,400	6,600
1911	148	9	104	44,040	17,280	645,680	14,680
1912	168	10	122	59,584	19,180	780,920	14,320
1913	196	10	137	74,704	21,528	918,720	7,560
1914	244	10	142	92,192	30,744	971,440	23,080

2. The Finnish Farmers' Co-operative Wholesale Society "Labor"

Joint purchasing by farmers must, in order to be fully successful, be effected from the purchasers' own wholesale business, founded and carried on in accordance with the principles of co-operation. Should there not exist an enter-

prise of that kind, the results of joint purchasing will often be found to be quite hazardous, especially with regard to the quality of the goods bought, but often also as regards the prices demanded. In no case can joint purchasing in the absence of a wholesale business of the buyers' own be developed farther than the initial steps, nor are the farmers able to free themselves from the middlemen or from the iron heel of the business world. By means of a co-operative wholesale enterprise of their own they may further be able to effect improvements and advantages in customs or transportation matters and the like, which are in most cases arranged with the greatest consideration for the interests of the merchants. We may further add that the farmers' own co-operative wholesale enterprise proves a powerful instrument towards the levelling of the prices quoted by individual wholesale businesses, and acts as "the conscience" of trading as regards the improvement of the average quality of the goods offered for sale.

As early as 1897 (before the co-operative law was passed) the large land-owners formed a wholesale society of their own, known as the Finnish Farmers Consumers' Union "Labor," with headquarters at Helsingfors. The newly formed association was the first of its kind in Finland which attempted to apply the modern co-operative idea among farmers. It had as its object first to supply to its members farming necessities and implements of all kinds, and to undertake the sale of farming produce. According to the rules of this society, it could receive as members not only individual farmers from all parts of the country, but local societies

as well; its organization was thus something of a mixture of a local society and of a central organization. In 1906 the rules of this "Consumers' Union" were altered in conformity with the law on co-operation, and it was renamed the "Finnish Farmers' Co-operative Wholesale Society Labor." The alteration of the rules, however, did not affect the organization of the society, which still receives as members any number of individual farmers, who form the majority of the shareholders, as will be seen from a table following. As according to law every member in a co-operative society has one vote at the annual meeting, a position of equality is thereby ensured between the separate members on the one side and the local associations or co-operative societies affiliated as members on the other. A peculiarity of the Labor organization is that the local associations affiliated with it are for the most part purchasing societies.

The shares are of £2 each, and the entrance fee is from £2 to £20, as fixed by the annual meeting. The liability is £40 per share. A member whose purchases from the society exceed £200 a year is obliged to take another share and to sign a liability bond of £80. Of the profit a dividend of at the most 6 per cent. on their shares is distributed to the members, after which at least 20 per cent. of the remainder is transferred to the reserve fund, to which the entrance fees are also carried. This is to take place as long as the reserve fund does not correspond to a fourth of the total amount of the members' guaranteed obligations.

Although there is no specific agreement, Labor has paid annually to its members considerable

bonuses, usually amounting to 1 per cent., but in some years even to 3 per cent., on the total of the purchases of certain articles by the members during the course of the year. Out of the profit for 1914 over £1,100 was distributed to the members.

The management is in the hands of a committee of six persons.

The head office of Labor is at Helsingfors. In other places there are four branches and eight stores.

A pension fund was founded in 1914 for the staff.

The development of Labor from 1906, when it was changed to a co-operative society, can be seen from the following table:—

THE DEVELOPMENT OF LABOR FROM 1906 TO 1914.

Year.	Number of Members.		Branch and Store Offices.	Staff.	Funds.		Annual Turnover.	Annual Profit.
	Total.	Individuals.			Total.	Contributory Liability (included in total).		
1906	195	164	—	11	£ 17,080	£ 15,400	£ 62,560	£ 1,520
1907	184	165	—	12	18,760	16,160	74,720	2,040
1908	229	198	3	15	19,680	16,240	92,040	440
1909	259	223	4	15	22,120	17,960	108,280	920
1910	267	227	6	20	24,440	19,480	96,320	1,120
1911	318	277	9	30	27,680	21,880	129,280	1,720
1912	383	335	12	39	33,680	26,840	172,080	2,440
1913	416	359	12	45	37,760	29,040	182,280	1,920
1914	429	371	12	54	39,280	30,040	217,560	3,244

3. *The Hankkija Agricultural Wholesale Society.*

As the Pellervo Society during the first years of its activity, before co-operative societies

could be maintained in the country, devoted very much work to arousing an interest among farmers in the common purchase of farming necessities and organizing that form of activity, such common purchases were comparatively general even during the first year of the co-operative movement in Finland.

For these reasons the establishment of a wholesale centre for agricultural co-operative purchase was soon found to be indispensable. As the number of agricultural co-operative societies was at that time no large one, the Pellervo Society at first hoped that the "Labor" Consumers' Union of Finnish Agriculturists (see p. 146), which had been started in 1897 by a number of owners of large estates in south Finland, might be altered into a joint wholesale. As this plan could then not be realized, there was started in 1901 a temporary business, called "Pellervo's Joint Purchasing Department," which facilitated the interchange of agricultural commodities between co-operative societies, which were then coming into being, and wholesale merchants or manufacturers. Three years later matters had advanced so far that (in 1905) this department could be succeeded by a proper wholesale co-operative society, in possession of capital and its own stock of goods and owned by the local agricultural co-operative societies, namely, *The "Hankkija" Agricultural Co-operative Wholesale Society.*

The chief object of the Hankkija Society is to procure for its members the necessities required by farmers (artificial manure, seeds, fodder, machinery, implements and the like) of the best qualities obtainable. Besides this, Hankkija sells and erects machinery for dairies,

saw-mills, mills, waterworks, electric stations, wind-motors, machinery for peat-moss factories, and so forth. As a speciality the society occupies itself with procuring first-rate home-grown seed. Good home-grown strains are improved by special agreements, and for the betterment of selected strains an improvement and testing station was started in 1913, where cultivation tests are made with the seed met with in the trade. In 1913 a department specially for garden seed was established. During the year 1914 Hankkija started to handle and sell farm produce; it therefore began to grind home grain in a mill which was at first hired, and opened a business in hides.

Membership of Hankkija is open to : (1) co-operative societies and (2) individual farmers; the latter may, however, not exceed in number one-third of the total number of members, and they are further allowed to buy from the Hankkija only the requirements of themselves and their tenants. Formerly also farmers' and other societies were received as members on certain conditions, but this has been discontinued from the beginning of 1913. Hankkija distributes annually, without any specific agreement, a bonus to the buyers in proportion to their purchases. In 1914 the sum of £1,624 was thus distributed to the members.

The shares of Hankkija are £4 each; each member is bound to take a number of shares proportionate to his regular purchases. The liability is £16 per share. Of the annual profit at least 20 per cent. must be transferred to the reserve fund, until this latter has reached £8000, and 10 per cent. to the deposit fund; from the balance a dividend not exceeding 6 per cent. may be paid to the shareholders.

The management of Hankkija is in the hands of a general committee of six and of a management committee of three persons, appointed by the former.

Hankkija's head office is at Helsingfors. There are eight branches in the country and a number of warehouses.

THE DEVELOPMENT OF HANKKIJÄ BETWEEN 1905 AND 1914.

Year.	Members.		Branch and Store Offices.	Staff.	Funds.		Annual Turnover.	Annual Profit.
	Total Number.	Individual Members.			Total.	Contributory Liability (included in total).		
1905	67	—	—	10	£ 1,352	£ 1,072	£ 28,000	£ 400
1906	97	—	—	17	2,240	1,552	60,000	240
1907	134	—	2	23	3,292	2,192	104,000	1,240
1908	206	25	3	28	7,148	3,488	124,000	— 376
1909	359	121	5	25	9,664	6,496	113,640	— 1,192
1910	358	122	7	28	8,292	6,512	143,560	636
1911	439	148	9	38	10,500	7,840	192,680	2,460
1912	482	156	10	45	13,160	8,512	217,760	3,024
1913	610	196	17	66	19,120	11,488	246,520	1,664
1914	832	271	15	76	25,296	16,384	280,920	4,640

4. The "Valio" Butter Export Co-operative Society.

The "*Voinvientiosuusliike Valio r.l.*" was founded in July 1905; it began its operations on a small scale in December of the same year, and came into full activity at the beginning of 1906. It has met with unparalleled success, and has already for several years been the largest butter export business in Finland, its turnover now exceeding that of all the other butter export houses taken together. It is,

along with the Danska Mejeriers Andelssmör-exportförening,¹ the largest in northern Europe.

In the first place, Valio is a co-operative butter business, the object of which is to sell the butter produced by its dairy members. As a butter business Valio aims at making our butter trade honest and independent of all quotation speculations, and at giving all the profit, which formerly remained in the hands of persons who had no part in their endeavours, to the dairy farmers. Initially Valio was, in conformity with its name, a purely export business, but since 1909 it has carried on the retail sale of butter in four branch offices. The butter is chiefly sold to England, but since 1909 to Germany and Russia also; in order to carry on the wholesale sale of butter in the Empire a branch office was established at Petrograd in 1914. The development of Valio's sales of butter is seen from the fact that while its share in the quantity of butter shipped from Finland in 1906 was 21 per cent., the corresponding figure for 1914 was not less than 81·4 per cent.

Valio is not satisfied with selling butter only, but also works for the improvement of the quality of the Finnish butter exported. To that end it pays the dairies for the butter delivered according to its quality. Being a co-operative undertaking, Valio has found it imperative that the payment should be strictly just, exactly adequate to the quality and the worth of the butter. Such a procedure is, of course, the best possible in the long run, and practically the only one permissible for a co-operative business; on the other hand, it also stimulates the persons

¹ Danish Creameries' Co-operative Butter Exporting Society.

managing the dairies to the greatest possible carefulness and awakens their interest in increased training in this branch. For the same end Valio also arranges what are called butter-testing courses, at which persons representing affiliated dairies are instructed as to the defects to be found in butter, their causes, and the means of obviating them. The courses further include lectures by the leading specialists in Finland on dairying, co-operation and trading as well as debates on all these matters. For the promotion of the professional skill of the persons employed by the different dairies stipends are given to dairymen and dairy managers for studies abroad and in the home country, and suitable literature on these subjects is distributed. Finally, we ought not to overlook the educational work of the managers and travellers of Valio when visiting dairies or acting as judges and lecturers at local butter exhibitions arranged by dairy unions, or as instructors at the Finnish co-operative educational institute.

Beside its principal purpose, the sale of butter, Valio in 1910 entered upon the sale of eggs and cheese as well. Considerable success can be registered for these branches also, especially as regards eggs, numerous egg-selling co-operative societies having been started on the initiative of Valio. In order to collaborate in this and organize the selling of eggs by co-operation Valio has in its service a special consulting agent. Valio's work in this connection has been crowned with such success that its sale of Finnish eggs has steadily increased—during the year 1914 by 60 per cent.—while its sale of Russian eggs has decreased (in the above-mentioned year by 13 per cent.). For the purpose of furthering

the making of cheese in the country Valio among other things pays for the cost of training dairymen to be cheese-makers, and collaborates in the altering of suitable dairies to cheese factories. The quantity of home-made cheeses sold through Valio has so risen that this increase was, in 1914, 271 per cent.

Membership of Valio is open only to co-operative or proprietary dairies, and these have to possess certain qualifications in order to gain membership. Besides the butter produced by the affiliated dairies, Valio sells the products of other co-operative dairies as well.

The shares are of £4 each, and the liability is £20 per share. Each dairy is obliged to take a number of shares proportionate to its production. Each member is bound to sell to Valio all butter and cheese which cannot be disposed of by its own members. Of the annual profit after the necessary amounts have been transferred to the funds a dividend not exceeding 6 per cent. is paid on the shares, and the remainder is distributed among the dairies which have supplied the butter and the cheese in proportion to the total value of the goods supplied by them during the year.

Valio is managed by a general committee of ten persons, elected by the representatives of the dairies which have joined, and by a management committee of three, appointed by the general committee.

The head office of Valio is at Hangö.

In what degree Valio has been able to influence the improvement of the prices paid on the world market for Finnish butter may be seen from the following tables, which give the prices reached by Valio compared with a number of quotations.

Year.	The Averages of Valio's Average Prices, as compared with		
	The Copenhagen quotation in Kroners ¹ per 110 lbs.	The Finnish Dairy Union's quotation in Marks ¹ per 220 lbs.	The Trade quotation in Marks per 220 lbs.
1906	6.43 below	6.0 above	—
1907	5.01 "	7.21 "	16.96 above
1908	3.06 "	9.70 "	18.52 "
1909	2.93 "	7.11 "	15.89 "
1910	2.09 "	8.15 "	13.37 "
1911	1.25 "	7.96 "	22.25 "
1912	1.62 "	8.15 "	22.90 "
1913	3.52 "	7.67 "	28.70 "

Year.	The Averages of Valio's Top Prices, as compared with		
	The Copenhagen quotation in Kroners per 110 lbs.	The Finnish Dairy Union's quotation in Marks per 220 lbs.	The Trade quotation in Marks per 220 lbs.
1906	5.02 below	9.90 above	—
1907	3.95 "	10.15 "	19.63 above
1908	2.08 "	12.55 "	21.37 "
1909	1.72 "	10.47 "	19.25 "
1910	1.0 "	11.18 "	16.40 "
1911	0.39 above	12.47 "	26.76 "
1912	0.08 below	12.41 "	27.16 "
1913	0.25 "	16.73 "	37.76 "

THE DEVELOPMENT OF VALIO BETWEEN 1906 AND 1914.

Year.	Number of Members (dairies).	Branch Offices.	Staff.	Funds.		Annual Turnover.	Annual Profit.	Valio's Export in percentage of the whole butter export from Hango.
				Total.	Liability Bonds.			
1906	80	—	8	£ 5,000	£ 5,000	£ 299,640	£ 4,600	20.9
1907	141	—	12	9,884	7,820	445,640	5,000	38.1
1908	146	—	14	11,240	8,120	470,800	5,160	39.7
1909	150	1	20	12,344	8,280	473,600	4,760	42.4
1910	157	2	24	14,468	8,600	532,400	5,560	48.5
1911	150	2	25	16,320	8,920	614,680	11,320	47.8
1912	172	2	42	19,140	9,920	701,920	5,320	52.1
1913	201	2	39	22,280	12,040	847,160	10,480	64.5
1914	232	4	64	26,720	13,960	942,320	21,760	81.4

¹ One kroner = 1/1½ and one Finnish mark = 10 pence.

5. *The Central Co-operative Credit Society*

Owing to its having been found indispensable that the Finnish rural banks should from the beginning have recourse to a credit institution of their own, from which they would be able to get not only working capital, but guidance and support in other respects as well, the Diet of 1900 unanimously decided to petition His Majesty for a government subvention towards the establishment of an institution of this kind in Finland, similar institutions abroad likewise enjoying the support of the respective governments. The petition having been granted, there was founded in 1902 a limited liability company, styled "The Rural Banks' Central Credit Institute, Limited" (*Osuuskassojen Keskuslainatrahasto Osakeyhtiö*), with a share capital of £12,000. As there did not exist at that time such rural banks as would have been able to establish this enterprise, individual persons, interested in the founding of such a venture, had to start it and subscribe the necessary share capital. According to the rules private shareholders are to retire from the company gradually, as the rural banks, receiving credits from it, are able to take over the shares; consequently the Institute will finally be converted into a central institute, owned solely by co-operative rural banks.

The above-mentioned founders' shares will be entirely redeemed in 1916. In order to increase the company's own capital, there were issued in 1915, 7000 new preference shares at £4, by which the share capital rose to £40,000, for the most part subscribed by private persons and larger financial institutions. Some considerable time must therefore elapse before these shares can be

redeemed and exchanged for shares intended to be issued only to co-operative societies which are credit holders in the company.

The company received in 1903 a government loan of £160,000 against $3\frac{1}{2}$ per cent. annuity, of which 3 per cent. is interest. Towards the end of 1908 the company presented a petition for a further government loan of £200,000, but of this sum only £50,000 was granted in 1909 under the same conditions as before. The Central Credit Institute, however, has had occasion to use only £40,000 of this.

As under such circumstances the company's working capital threatened to disappear, the Institute approached the Finnish Diet, which in 1913 granted a loan of £40,000 from the profit of the Bank of Finland, and in 1914 a further loan free of interest of the same amount with the obligation to refund only in the case of the Central Credit Institute's ceasing its activity and after other lenders have been paid; as a condition for the enjoyment of the loan it is required that the Central Credit Institute shall pursue its present purpose and not increase the advantages enjoyed by individual shareholders. It ought to be added that the dividend accruing to them is limited to $5\frac{1}{2}$ per cent.

From the means thus placed at the company's disposal, credit is granted to such rural banks as fulfil certain stipulated conditions and subject themselves to control by the company. One of the conditions is that the rural banks must not use the money borrowed by them otherwise than by lending it to members for the purpose of improving their agriculture or other means of livelihood carried on by them.

Other conditions are, that if loans are granted

towards the purchase of agricultural necessities, these purchases must be made through the co-operative central organizations, that loans may be granted to such persons only as are subscribers to a periodical, dealing with co-operation and agriculture, and that for larger loans for the bringing of land under cultivation a plan of the work and an estimate of the cost must be produced and approved by a competent person. As may be seen, these restrictions have for their object to guard the borrowers against mistakes and deception, so that they may reap benefit, but not loss, from the loans.

The credits granted the rural banks may be drawn by instalments, as may be required. The rural banks are also entitled to pay in to the Central Institute, without any previous notice, any amounts they may happen to have in excess of their requirements, and again to draw out the money when required, without previous notice. The rural banks generally pay the Central Institute interest at the rate of $4\frac{1}{2}$ per cent. per annum, and receive from the fund the same interest on the deposits they may have there.

According to an alteration made in 1915 in the rules of the Central Credit Institute, it grants credit not only to rural banks, but also to such other co-operative societies as have for their object the promotion of farmers' economic life, such as to peat-moss, threshing-machine, milling and other similar co-operative societies.

The amount of the credit granted to individual rural banks varies, according to the financial position and the requirements of each, between £40 and as much as £3,200; in 1914 the average was very nearly £600 per rural bank.

The rural banks receiving credit are inspected on behalf of the Central Credit Institute regularly once a year, and the weaker ones more often. The inspection is done by persons specially trained in that work, employed partly by the Institute alone, partly together with the Pellervo Society, and partly together with different agricultural societies. The country is divided among these persons into ten inspection districts (see p. 51). These inspectors at the same time carry on educational work in many different co-operative matters. The number of such instructors employed solely by the Central Credit

THE DEVELOPMENT OF THE CENTRAL CREDIT INSTITUTE BETWEEN
1903 AND 1914.

Year.	Number of Affiliated Rural Banks.	Staff.	Own Funds (in hand).	Total of Credits granted to Rural Banks.	Loans to Rural Banks at end of year.	Annual Profit.
			£	£	£	£
1903	10	2	12,128	3,160	1,680	320
1904	69	3	12,287	17,160	10,560	400
1905	119	3	12,631	33,3600	24,920	800
1906	148	4	12,958	49,000	37,920	880
1907	210	4	13,320	82,7200	68,240	920
1908	268	4	13,712	130,280	114,120	1,000
1909	340	6	14,644	160,000	146,480	960
1910	374	6	15,656	175,520	154,680	1,440
1911	398	7	16,679	189,520	157,280	960
1912	399	8	17,067	199,600	164,520	960
1913	416	9	15,520 ¹	222,120	188,440	1,440
1914	441	10	17,192	252,760	213,680	1,640

¹ The decrease from the previous year is only apparent. To that capital is to be added a sum of £1,852 in redeemed shares of A series for which the Institute gradually gets back its capital from the Rural Banks when they redeem corresponding B shares. In the year 1914 the corresponding sum amounted to £744.

Institute is at present five. Chiefly for this consulting and inspection work the Central Credit Institute has enjoyed an annual state grant of £800 during the first ten years, and of £400 thereafter.

The fund is administered by a management committee of three, which includes the managing director and, when discussing the granting and countermanding of credits, two deputies. The company's office is at Helsingfors.

The development and present position of the Central Credit Institute is seen from the table on p. 160.

B. CO-OPERATIVE UNIONS

Introduction. The nature of these bodies

The co-operative central organizations may be called the trading federations of the co-operative societies, watching their joint commercial interests. The co-operative unions again might be described as the trade unions of the co-operative societies, taking care of and deepening co-operative sentiment, promoting co-operation ideally and guarding its interests.

The principal aims of such unions are the following—

(1) *The spreading and deepening of co-operative education.* This is done by publishing journals and books on co-operation, collecting statistics on co-operation, arranging so-called "co-operative days," or meetings of representatives of co-operative societies, sending out travelling consultative agents, lecturing, etc.

(2) *The further development of co-operative organizations and institutions.*—This is effected

by publishing handbooks, account-books and model rules and new editions of them, altered and enlarged in accordance with experience gained, by inventing new means and measures for the facilitation of the management of co-operative societies and their unions, by controlling the book-keeping and the management of the co-operative societies and by giving advice and guidance.

(3) *The representation, guarding and defence of the joint interests of co-operation.*—For this purpose, when required, articles are published in newspapers; lectures are delivered at public meetings, in which the idea of co-operation is made clear or attacks made on it are gainsaid; motions or petitions are initiated in the Diet, if necessary, with the object of promoting co-operation; the government or the government offices are approached with petitions and propositions or, if they have requested it, are supplied with details of or opinions on co-operative matters.

(4) *The awakening of the feeling of solidarity* among the co-operative societies and in their central organizations and determining the limits of their spheres of work, in order to avoid competition among them. This is accomplished by means of literature, "co-operative days," or meetings of representatives of the societies concerned and by individual consultations, all of which measures have already been mentioned here.

In countries where co-operation enjoys a more advanced position, the co-operative societies have found it necessary to associate themselves into unions of different kinds. There have been

established general unions, common to several branches of co-operation, and also special ones, encompassing one branch only. Both kinds are arranged either as (1) district unions, or (2) national unions. The work is mostly so divided among these unions that those comprising the whole country attend to the literary, organizing and representative work, whereas the district ones carry on the verbal consulting and auditing. The unions of the different countries further unite in (3) international co-operative leagues.

As a rule the unions do not carry out any work from which monetary profit may be expected, and they must, in consequence, rely on annual assistance from without. This they get from the affiliated co-operative societies and from the co-operative central organizations; besides which the agricultural co-operative unions of most countries receive some grants from their respective governments, especially for the auditing of the co-operative societies' accounts (see p. 11).

The names of several central co-operative societies in other countries are apt to mislead one as to their functions. For example, we have in Sweden the Kooperativa Förbund (Co-operative Union) and in Norway the Kooperative Landsforening (Agricultural Co-operative Union), which are really associations of consumers for retail and wholesale trade. It is true that these bodies do at the same time carry on some of the educational or propagandist work proper to co-operative unions, but this is only what is done by every well-organized and progressive wholesale society; compare, for example, the chapters describing the activities of Valio and the Central Credit Society—which latter body spent £1,600

on propaganda and auditing in 1914. (See pages 138 to 152 for an account of the wholesale societies' activities in this direction.)

1. DISTRICT UNIONS

Up to the present it has not been found necessary to set up general district unions in Finland, as the work proper to such bodies has been carried on partly by Pellervo and partly by the other central co-operative societies.

Instead we have special district unions of two kinds, viz. co-operative store unions and dairy unions.

(a) *Co-operative store district unions*

As mentioned earlier, the Pellervo Society in the first year of the co-operative movement was also responsible for the advisory work among the co-operative stores. Later on, when the Co-operative Wholesale Society had been established, the work was divided between these two institutions. Still later it was found most practical to concentrate the bulk of this work in the Advisory Department of the Wholesale Society. As the number of co-operative stores was steadily on the increase, and the Wholesale Society soon required its whole staff for its rapidly increasing trading operations, it was after a while found necessary to put the whole advisory work on quite a new footing, based on the principle that it should be borne and conducted directly by the co-operative societies themselves, and thereby it was hoped that it would also be regarded by them with greater interest.

At the meeting of representatives of co-operative societies held in 1908, a scheme for the

formation of so-called co-operative store districts was approved and rules were drawn up for these districts. Soon afterwards the present co-operative store districts were formed, to which, in the year 1914, 292 or 73 per cent. of the co-operative stores in the country had affiliated.

The rules were slightly re-modelled in 1910. According to them the object of the district unions is "the carrying out of advisory work among co-operative stores and the instruction of their members in co-operative matters." The district union is open to every co-operative store within the district, if it is working in conformity with the principles of co-operation and binds itself to follow the rules of the union. Other co-operative societies operating within the district may also be admitted to membership. Every society belonging to the union is entitled, against a fixed fee, to receive at its meetings or entertainments a district organizer, and to ask the advisory department of the Wholesale Society for guidance and help in matters pertaining to the management and conducting of the society, as well as for any other counsel which the consulting office is in a position to give. Each affiliated society may further send a representative, with a right to vote, to the district meetings or to the meetings of the representatives of co-operative stores embracing the whole country. Each society belonging to a union has to pay two pence a year for each of its members towards the expenses of the union. The affairs of the union are decided at its meetings, to which each of the societies sends a representative, and are conducted by a committee of three, elected at the meeting. The committee watches the development of the affiliated co-operative

stores, directs the propaganda work and employs for this purpose district organizers.

It will be seen from the above that the programme of the Finnish district unions does not include all the duties which are elsewhere considered to belong to the objects of a district union. The principal difference lies in the fact that the Finnish unions do not audit the societies' accounts, the auditing being principally done by the Advisory Department of the Wholesale Society (see p. 174). The means at the disposal of the district unions are still so meagre (their total incomes during the year 1914 amounted to only about £920) as not to allow the engagement of permanent officials, who may be compared to the officials in corresponding unions elsewhere. The unions have, in consequence, been obliged to engage occasional instructors only, and these have mostly been either some manager of a co-operative store or members of the board of some co-operative society, and thus persons who on account of their regular occupation have not had much time to spend on that work. For this reason the total number of persons engaged by the eleven district unions for the above purpose has risen to as many as forty to fifty a year, whereas the number of commissions with which they have been charged has averaged only about 300 a year; in 1914 that number increased to 659.

Compared with these humble means and the scarcity of help available for the work of the unions, the results arrived at by the co-operative store district unions are, according to the opinion of experts, considerable. They have raised the co-operative education of the members of the co-operative stores by the literature distributed,

by arranging entertainments and other public assemblies, at which the district organizer has delivered lectures, and the like.

(b) *Co-operative dairy district unions*

As early as 1903 the co-operative dairies in eastern Finland had organized a district union of their own, which worked energetically and in many different ways for the good of the local dairying industry; first with means of its own (or, properly speaking, by the personal sacrifices of its secretary), and since 1906 by means of a government grant. Later on, a committee appointed by the Pellervo Society having in 1904 published a report in which the establishment of dairy unions is recommended and which even included model rules for such unions, several unions of this kind were established in 1906. As in 1909 a special government grant was obtained, from which annual subventions are given to dairy unions, a couple of new ones were started, and in 1914 their number was nine in all, to which only 196, or about 50 per cent. of the country's dairies, have affiliated.

Taking into consideration the fact that the government grant received by the unions covers from 70 to 80 per cent. of the unions' total expenditure, it must be admitted that the co-operative dairies have displayed a comparatively small feeling of solidarity.

Still the dairies obtain considerable advantages from the unions, if they are fortunate in finding suitable officials. Their programme includes, among other things:—

(1) The employment of a common organizer visiting the unions' dairy members, and giving advice both as to the making of the butter and

the managing of the dairy and the book-keeping as well as auditing the accounts.

(2) The employment of a common repairer of machines, who has to repair machinery and instruct the local mechanics.

(3) The improvement of the technique of butter-making by means of small local butter exhibitions and the arrangement of lectures and practical courses for persons wishing to learn dairying.

(4) The weekly publication of statistics as to the prices obtained by the dairies within the district.

The unions have already been able considerably to promote the working of the dairies. But it is, of course, not all the unions that have been able to realize the whole programme; and in particular the auditing and the giving of instruction as to the management and book-keeping are still much behindhand in most of the unions. Partly owing to that reason and partly because, as above pointed out, dairy unions have not been formed in all parts of the country, the Pellervo Society has continued to carry out an extensive work of revision and instruction in the co-operative dairies in the country.

In the year 1913 these unions had incomes to the total amount of nearly £3,920, of which £2,880 was a state grant and £680 members' subscriptions.

2. CO-OPERATIVE UNIONS EMBRACING THE WHOLE COUNTRY

(a) *The plans of a general union, embracing the whole country in Finland*

Comparing what has been said on pages 161 and 162 as pertaining to the work of unions

embracing the whole of the country, with pages 47 to 55, it will be found that the Pellervo Society had previously been doing all this work. It is true that according to the rules of this society its activity was to include the promotion of the co-operative movement among the rural population of Finland only, but from the force of circumstances the society has been obliged to assist the development of co-operation in the towns as well, when applied to for assistance and as much as its resources have allowed it. This was only natural at the time when no co-operative societies yet existed in this country, and even somewhat later when a number of such societies had been created, but they were both intellectually and materially weak. Gradually, as the co-operative central organizations have been formed and have gained strength, most of them, and principally the Wholesale Society and the Central Credit Institute, have taken a prominent part in this work, each one within its special sphere.

As the need grew, the central organizations and the Pellervo Society joined themselves together in such common undertakings as they would not be in a position to carry out separately.

In 1908 Pellervo, the Wholesale Society, Hankkija, Valio and the Central Credit Institute signed a guarantee agreement, the object of which is to ensure the publication of a journal intended for the leaders and managers of the co-operative societies as well as for the more instructed members of the societies, named the "*Suomen Osuustoimintalehti*" (The Finnish Co-operative Journal). They thereby bound themselves to take an equal share in the annual costs of publishing the journal, to have a representative

each on its editorial staff and to be responsible each within his own sphere. The journal has been issued monthly since the beginning of 1909 in numbers of from forty-eight to sixty-four pages each. Its circulation has increased yearly, and in 1915 amounted to 2,700 copies.

In 1909 the above-mentioned societies entered upon another agreement, the object of which is the maintenance of the Finnish Institute for Co-operative Education. For this purpose they have bound themselves to take an equal share in the general costs of the institute (house-rent, management, advertisements and the like) and each of them to pay the full cost of instruction in its special branch.

The institute has been working since 1909 in two different ways, viz. by arranging—

(1) One longer course a year at the “people’s university” at Tuusula, near Helsingfors for the professional instruction (up to the present only in the Finnish language) of the officials of co-operative societies or persons intending to become such.

(2) From five to ten shorter courses a year at different places, principally for the members of the committees of the co-operative societies, but at the same time for other interested persons as well.

At the longer courses all the pupils have received about three weeks’ instruction in the theory of co-operation, the law on co-operation, and on some other general subjects. Besides this, instruction is given either at the same time or later on special subjects, *e. g.* for the managers of rural banks, instruction in the management of these and in book-keeping (3 weeks); for the managers of co-operative dairies, instruction in

the management of such and in dairy book-keeping (5 weeks); for the managers of co-operative stores, instruction in the management of co-operative stores, book-keeping, commercial arithmetic, knowledge of goods and the like (6 weeks).

The number of pupils has been from 60 to 100 a year.

The shorter courses have mostly had a duration of two or three days only; in these, information has been given in the form of lectures and discussions concerning the law on co-operation and, as required at the different localities, on the management of rural banks, co-operative dairies and co-operative stores, at times also on the arrangement of joint purchases, co-operative forestry, cattle-selling co-operative societies, egg-selling co-operative societies, peat-moss co-operative societies, and the like. During recent years these courses, arranged in different parts of the country, numbered a total of nearly 1000 participants every year.

In 1912 Pellervo, Hankkija, the Central Credit Institute and the Suomi Mutual Life Insurance Company jointly started a limited liability company, styled the *Yhteiskirjapaino Osakeyhtio* (The Joint Printing Office, Limited), which acquired a joint printing office for all these societies. The share capital is £2,800, and the printing office was equipped with up-to-date machinery. In 1913 the Wholesale Society also joined this company, the printing office being enlarged in consequence. The object aimed at is that the above societies should in this way get all their extensive printing work done well and at a reasonable cost. The possible profit, so far as not required for depreciations or transfers to the reserve fund, is used towards a dividend, not

exceeding 6 per cent., on the capital invested. Any balance left after that will be divided among the shareholders in proportion to the printing done for them during the year. There are good prospects of this venture becoming a profitable one, the more so as all the private printing offices in 1913 formed a ring considerably increasing the prices paid for printing work. Already for the years 1913 and 1914 it has distributed, not only the above-mentioned dividend, but also bonuses of 8 per cent. on the work accomplished.

It is also worthy of mention that the central societies and the Pellervo Society have further jointly edited several books, dealing with Finnish co-operation, in foreign languages.

The more the co-operative movement in Finland gathers material strength and grows intellectually self-conscious and competent to take the management of its general business in its own hands, the more necessary does it become that the above-mentioned duties, performed by different organizations and in different ways, but all of them properly belonging to a general co-operative union, should all be concentrated in one central organization, in the composition, support and management of which the co-operative societies should themselves take part. In view of this the committee of the Pellervo Society in 1913 drew up a plan for the alteration of the society for the purpose of gradually transforming it into a general union of the Finnish co-operative societies.

It has been thought that this transformation could be carried out as much as possible in conformity with historical development and the present state of things if, to begin with,

the following modifications were effected in the structure of the Pellervo Society.

The Society's sphere of work is to be enlarged so as to include the promotion of co-operation not only in the country districts, but also among all classes of the population of Finland.

The management of the society ought to be arranged as follows:—

All the co-operative central organizations engage themselves to support the Pellervo Society with fairly large annual sums, and are thereby each entitled to appoint one member of the Pellervo's committee, while the number of committee men appointed by Pellervo's other members is decreased.

Beside this ordinary committee, a so-called joint committee should be appointed, the chief work of which should be to give directions regarding the consulting, educational and inspection work of the society, to make decisions as to new steps of great importance to be taken by the society and as to possible alterations in the society's mode of procedure.

This committee should be elected in the following way:—

The co-operative stores and other consumers' co-operative societies would elect three, the co-operative dairies and other producers' co-operative societies three, and the rural banks likewise three. The elections would take place at the meetings of the representatives of the societies in question. The condition for the right of election should be a yearly subscription fixed in proportion to the turnover of the co-operative society.

The above plan was approved during the year 1914 by nearly all the central co-operative

organizations, after which the annual meeting of the Pellervo Society in 1914, in its turn, approved the new rules for the society drawn up on the basis of that plan. When the society later on approached the authorities for their sanction, such obstacles were put in the way of the application that the committee of the society, at the annual meeting in 1915, was obliged to announce that it had not been carried into effect.

The plan for establishing a general union of the Finnish co-operative societies by a gradual transformation of the Pellervo Society, by whose work the co-operative movement in the country has chiefly been started and organized has, therefore, been postponed for an indefinite period by the force of external circumstances.

(b) *The Co-operative Store Union, embracing the whole country*

The so-called Advisory Department of the Wholesale Society has in some respects been acting ever since its start as a co-operative store union. It has annually arranged meetings of representatives of the co-operative stores, at which important matters have been discussed and the lines of action have been drawn up for the leaders of the movement; it has published the organ of the co-operative stores as well as other literature, it has effected the auditing of the accounts of co-operative stores and has given advice as to the management of the stores.

In 1908 the work was formally arranged thus : that the co-operative store districts form a union, the annual meetings of which are meetings of the representatives of the stores belonging to the districts, and the managing committee of

which is identical with the managing committee of the Wholesale Society. The union's affairs are attended to by the latter through the committee of the Wholesale Society and the Advisory Department subordinate to it; the Wholesale Society is entirely responsible for the union's expenses. At the meetings of the representatives the general working policy of the co-operative store districts is annually fixed. The Advisory Department partly sees that the districts are working according to the policy laid down and to a great extent carries out the necessary work itself in a variety of ways.

This department sends out members of its staff to different places all over the country to attend the deliberations of the committees or the annual meetings of co-operative stores or districts or the entertainments arranged by them; in 1914 in all 460 meetings or entertainments of this kind were attended. The department further effects the audit of co-operative stores, the total of such audits carried out in 1914 being 328. The advisory work is done gratuitously, except the auditing, which is paid for in proportion to the amount of work done. Advice and guidance are also given by means of letters and circulars.

The department also does a large amount of publishing business by printing and distributing (1) small booklets, by which information on co-operative matters is spread among the members of the co-operative stores; (2) larger works on co-operative commercial activity; (3) the minutes of the meetings of the representatives of co-operative stores; (4) statistics regarding co-operative stores; (5) periodicals.

The drawing up of statistics regarding the

management of co-operative stores was carried on up to 1914 by the Pellervo Society, which founded the same and which has enjoyed the collaboration of the Wholesale Society in the work. Since that year the statistics have been drawn up and published by the advisory department of the Wholesale Society.

Of the other publications the journals of the co-operative movement are the most important. Since 1905 the *Yhteishyvä* (the Common Weal) has been published, at the beginning in monthly, but since 1906 in weekly parts. It contains about 900 pages of reading matter a year, the subscription price is 2s. a year, the number of subscribers was in 1914 about 11,000. Since 1909 a Swedish monthly, the *Samarbete*, has been published; it contains about 250 pages a year and costs 1s. In 1914 about 2,900 copies were circulated. An excellent means of popularizing the idea of co-operation is the *Osuuskauppavaen kalenteri*, a yearbook of about 100 pages, issued since 1910 and costing 2½d.; the circulation of it is yearly 30,000 to 50,000 copies.

The staff of this department in 1914 numbered eleven persons, and it also receives a considerable amount of assistance from the persons employed by the Wholesale Society, especially as regards auditing. The expenditure for the publishing of books and periodicals and for the advisory work done in 1906 was £825, in 1910 £4,898, and in 1914 £7,805. Of these costs the Wholesale Society has refunded the loss caused by the journals and publications as well as the advisory expenses, making in all in 1906 £226, in 1910 £1,662, and in 1914 £4,137.

3. INTERNATIONAL CO-OPERATIVE LEAGUES

(a) *The International Co-operative Alliance*

As co-operation has won a firm footing in most countries, a number of interested co-operators in the mother country of co-operation, England, devised a scheme of joining the co-operative organizations of the different countries into an international co-operative league. The scheme was the easier to realize, as both the object, the principles and the working of co-operation are identical in all countries.

In this way the International Co-operative Alliance was established in England as early as 1895. The objects of the league are, according to its revised statutes of 1910, elucidation of co-operative principles and procedure, spreading of co-operative propaganda in all countries, maintenance of friendly relations among the members of the league, development and uniformity of co-operative statistics, furnishing of information as to matters connected with co-operation and support of the study of them as well as furtherance of the business relations between the co-operative organizations of different countries.

In the early days of the Alliance individual persons as well as co-operative societies and their federations were admitted to membership, but the rules adopted in 1910 provide that individuals shall only be allowed to join in exceptional cases. The Alliance organizes international congresses every two or three years at various places in Europe. As an example of questions discussed at these congresses, we may take the programme of the ninth congress held at Glasgow in 1913,

which includes the questions of business relations between co-operative wholesale societies in various countries, inter-trading between distributive stores and agricultural productive societies, development of the co-operative press along educational lines, and avoidance of overlapping and competition between co-operative societies in the same neighbourhood.

At the meetings of the Alliance the committee of it is appointed, which includes representatives of all the countries which have joined the Alliance. This Committee appoints among its members an executive committee of five, who look after the current business of the Alliance, and likewise meet in different countries, as circumstances may require, but usually in London, where the office is situated.

The Alliance has edited several series of publications. The first series comprises the *Reports of the International Congresses*, including fairly detailed reports on co-operation in different countries, the text of the papers discussed and the minutes of the meetings. It has further published an *International Co-operative Bibliography*, as well as a directory of all co-operative newspapers and periodicals. For the latest assemblies international statistics on co-operation have been collected. Besides this, the Alliance has edited since 1908 a special international monthly journal, which, like all the above publications, has lately been issued in three languages.

The work of the International Alliance was at first very defective. In the first place it was a mistake to admit as members others than the central organizations of the different countries. Secondly, especially at the start, the co-operative stores and their interests as consumers were too

strongly represented in proportion to other forms of co-operation. At some meetings there have even been violent differences of opinion between socialists and non-socialists. Lately, however, we notice that an attempt has been made to remedy these defects. The Alliance has taken up a position of absolute impartiality, its later Congresses and publications have been more valuable and more comprehensive in scope, and the Alliance has assumed to a far greater extent the position of a general co-operative league. The greatest credit for all this must be ascribed to the Swiss doctor, Hans Müller, who was in the service of the Alliance as its secretary from 1908 to 1913. In 1913 the Alliance numbered among its members, from twenty-four different countries, fifty-five co-operative central organizations and 3,871 co-operative societies, mostly co-operative stores, and also indirectly as members of the affiliated central organizations about 4,000 more co-operative stores. Finland has as members the Pellervo Society, the majority of the central organizations and all the co-operative stores which have joined the Wholesale Society. For these latter the Wholesale Society pays the annual fees. We have two representatives on the committee of the Alliance.

(b) *The International Alliance of Agricultural Co-operative Societies*

The onesidedness which we have spoken of as displayed in the work of the above Alliance at first resulted in the foundation by the central agricultural co-operative organizations of Germany, Austria, Italy and Switzerland on the initiative of the then leader of the agricultural co-

operative movement in Germany, Wilhelm Haas (see p. 23) of the International Alliance of Agricultural Co-operative Societies. Into this league only the central organizations of agricultural co-operation of the different countries are admitted.

The programme of this alliance is, on the whole, identical with that of the general one, but is restricted to agricultural co-operation only. The Alliance has arranged three international congresses, of which the last one, held in Baden-Baden in 1913, was of great importance. The following questions were discussed among others : (1) co-operative educational and instruction work ; (2) the results of experience in auditing work ; (3) the development and duties of central credit institutes ; (4) land-renting co-operative societies, and (5) agricultural co-operative societies for the supply of electricity.

The Alliance has been joined by the leading agricultural central organizations of twelve countries. Among these is the Pellervo Society, representing the Finnish agricultural co-operative societies, the delegate of which has been appointed a member of the Committee of the Alliance.

APPENDIX A (Page 11)

STATE AID AND CO-OPERATION

THE question of the relation between the Government and the co-operative movement in various European countries has been hotly debated for many years, and it must be admitted that there is more divergence of opinion on this subject in some countries than apparently exists in Finland.

In almost all cases the State has taken up an attitude of hostility at the beginning of the movement, but it has now been converted to a support of co-operation practically everywhere except in Ireland. The stronger co-operative federations, however, do not uniformly approve of this support, in the first place because it is an apparent contradiction of the principles of self-help laid down as fundamental to the movement, and secondly because the appearance of the State as a benefactor almost inevitably leads to its encroachment on the functions of control, which should remain entirely in the hands of voluntary bodies.

The proper line of demarcation between State aid and voluntary effort has been laid down more clearly in Ireland than elsewhere. Sir Horace Plunkett has insisted from the beginning that the function of a State Department of Agriculture, when dealing with the co-operative

movement, was to evoke and supplement, but *not* to provide a substitute for organized self-help. On the one hand it is necessary that the State should be prepared to give technical instruction to the members of agricultural co-operative societies; but, on the other hand, it is most desirable that it should not subsidize them or interfere with their own management of their business. Anything which tends to weaken the sense of responsibility, or retard the development of business instinct on the part of members of a co-operative society, must be deplored, as being contrary to the whole aim of the movement. The experience of Irish co-operators, who have had to fight for many years against a definitely hostile State Department, which is more concerned in protecting the interests of certain forms of trade than those of the farmer, has not encouraged them to take the same view of State aid as that set forth in the text. At the same time, they have recognized that Government can properly give grants in aid of the purely educational side of the movement; and the Irish Agricultural Organization Society is at present receiving a small grant for this purpose from the English Development Commissioners.

In Austria and Hungary, and to some extent in Germany, State aid to co-operative societies has reached a point when they may almost be said to be under the control of the Government; and the recent proceedings of the federations have shown that this development is causing co-operative leaders considerable uneasiness. In France, also, the large amounts of money granted by the State as subsidies to co-operative credit societies have tended to rob these societies

of a considerable measure of vitality and self-reliance.

The inadvisability of Governments taking any part in the actual work of organization of one class of the people for business purposes is easily seen; and experience has shown that political pressure will almost invariably be brought to bear to hinder this work in some way, when it reaches a point where it seems to trench upon any vested interests.

For these reasons we have always believed that any State aid which is given should be confined entirely to technical instruction, or to grants for purely educational purposes, and should involve no subsidy to, and consequently no control of the trading functions of, co-operative societies.

Thus, the statement in the text that in Finland State loans are granted for the purpose of enabling co-operative associations to borrow capital for the carrying on of their business shows a marked difference between the attitude of the co-operative movement in Finland and that adopted both in Ireland and in many other countries.

Time will show whether Finnish co-operators are peculiarly fortunate in this respect, or whether they, too, as the movement develops, will find it necessary to free themselves from their financial obligations to Government agencies.

APPENDIX B (Page 12)

LIMITATIONS OF CO-OPERATION

It should be noted, that in stating the limits within which co-operative societies have to confine their activities, the writer is evidently thinking mainly or entirely of industrial or distributive societies.

There is no particular reason why well-to-do persons should not become members of agricultural societies, if their interests are similar in kind to those of the other members. Nor, as a matter of fact, is there any real hindrance to the setting up of co-operative stores for the benefit of the more prosperous classes, except that in the past these people have not felt the pinch of necessity sufficiently to be willing to take the extra trouble involved in this enterprise. Under the pressure of war conditions, however, the movement is rapidly expanding its sphere, and there is every reason to suppose that the middle classes will shortly recognize its benefits, and be able to adapt the co-operative form to the purchase of their requirements. As a matter of fact, the larger co-operative stores in England have already reached a point at which the statement that they must deal only in the commonest necessary articles has almost ceased to hold good.

A very much more serious difficulty is in-

volved in the statement that the poorest classes are unable to join these societies. This is unfortunately true at present, to a very large extent, of the industrial movement in England, where the passion for quarterly dividends on trade has reached such a point that the price of goods is beyond the reach of the very poor. The agricultural societies, however, do not suffer to anything like the same extent from this limitation, although complaint is frequently heard in Ireland that the co-operative movement has done little or nothing for farm labourers.

While it is true that philanthropy is not a proper object for co-operative societies, the idea should not be given that these societies are unable to do anything towards the better housing of their members. A great many successful experiments in co-partnership tenancy and house-building have already been carried out in England, and this branch of the movement seems to have a considerable future before it.

APPENDIX C (Pages 15-18)

INDUSTRIAL CO-OPERATION IN THE UNITED KINGDOM

SOME further points in connection with the Industrial movement in England seem to merit notice. On p. 15 no mention is made of the method by which societies formed on the Rochdale plan have accumulated capital. Shares in these societies are of the value of £1 each, usually payable in comparatively small instalments. Interest at 5 per cent., and in most cases the dividend paid on trade, are added to these instalments until the member holds the amount of fully-paid-up shares required by the rules. The shares are of two kinds, transferable and withdrawable; transferable shares can only be disposed of by transferring them to a person approved by the committee—while the others can be withdrawn at will. In the vast majority of societies all but the first share held by a member are withdrawable, and thus it comes about that the members use their societies practically as savings banks—investing in shares when they have money to spare and withdrawing them when they need money. In this way the capital of the distributive societies, although constantly fluctuating, is considerably larger than that of corresponding agricultural societies.

In connection with the description of the Co-operative Wholesale Societies at Manchester and Glasgow, it should be noted that the Irish

Agricultural Wholesale Society is now acting as a joint wholesale for both the industrial and agricultural sides of the movement in Ireland, and although small in comparison with the two others, has a rapidly increasing turnover. This fact is of special interest as indicating the first serious attempt to bring about some union between the interests of the organized producer and those of the organized consumer.

The reference to co-operative industrial production on p. 18 passes very lightly over one of the most vexed questions of the English industrial movement. Through the tremendous development of the Co-operative Wholesale Society practically all production has come into its hands, and is thus co-operative only from the point of view of the consumer. There has been, however, a great party in the co-operative movement which held the view that co-operators should undertake production through co-partnership associations or co-operative productive societies. This party originally included some of the best known of the pioneers, and the divergence of views within the ranks seemed almost likely at one time to break up the whole movement. At present the consumers' point of view appears to be practically triumphant, but exponents of the opposite principle continue to flourish under the ægis of the Labour Co-partnership Association, and the Co-operative Productive Federation. The latter body includes about sixty federated productive societies, such as clothiers, boot and shoe manufacturers, printers and even carriage-makers. Relations with the Co-operative Union are at present quite amicable, but there is an ever-present danger of friction between these societies and the Co-operative Wholesale Society.

APPENDIX D (Page 35)

AGRICULTURAL CO-OPERATION IN IRELAND

THE Irish Agricultural Organization Society here referred to now acts as the central committee for advisory and propagandist purposes of more than 1000 agricultural co-operative societies in Ireland, with a membership of more than 105,000 farmers. In 1914 these included 350 creameries with a membership of 47,000 and a turnover of $2\frac{3}{4}$ million pounds, 233 credit societies with more than 20,000 members and a turnover of £53,000, and 222 agricultural societies for the common purchase of agricultural requirements with a turnover of £197,000. The trade federation of these bodies, the Irish Agricultural Wholesale Society, has a turnover of about £400,000 per annum, and is growing rapidly.

The Irish movement is remarkable for the success with which unusual difficulties have been overcome, and for the noticeable improvement which it has brought about in the conditions in many of the poorest parts of Ireland. The principles of the Irish Agricultural Organization Society, for which Sir Horace Plunkett is largely responsible, have attracted attention in many other countries, and have been directly imitated in England and Scotland, and to some extent also in India and America.

APPENDIX E (Page 66 ff.)

CO-OPERATIVE LAW

THE law governing co-operative societies is now practically the same in most European countries with certain modifications of detail. The Industrial and Provident Societies Act of 1893, under which all co-operative trading societies in the British Isles are registered, is perfectly definite on certain points which are discussed in the text, namely, the limitation of interest on share-capital to 5 per cent., and of individual holdings to £200 (see p. 78). Liability is also limited to the amount of the share-capital subscribed for by any member. The societies, however, have borrowing powers which are usually exercised by the Committee, and they may secure repayment by getting members to take up a certain number of shares on which only a small amount is paid, the remainder being subject to call in case of necessity. This has practically the same effect as the principle of supplementary liability which is not recognized by English law. With regard to restriction of membership, the law provides that co-operative societies shall be exempt from income tax unless they deal with non-members, and also restrict their membership—in which case they would be held to have become an ordinary trading firm.

The Act allows a considerable latitude to the societies in the framing of their own rules; it provides, for instance, as to the division of profits

that "the rules of every society . . . shall provide for the profits being appropriated to any purposes stated therein or determined in such manner as the rules direct." In point of fact, the model rules of the Co-operative Union, which are accepted as standard by the Registrar, have now almost the force of law, and they lay down with some exactness the method of appropriating profits, which must be devoted to the following objects in the order named—(a) depreciation (10 per cent.); (b) preliminary expenses (5 per cent.); (c) interest on shares (5 per cent.); (d) reserve fund; (e) educational fund; (f) subscriptions to co-operative union; (g) social fund; (h) dividends on trade, to members, non-members at half-rates, and bonuses on sales to employes (see p. 96).

Co-operative credit societies of the Raiffeisen type, as organized in Ireland, come under the Friendly Societies Act and have unlimited liability, without trading powers. Trading societies under the Industrial and Provident Societies Act are debarred from banking functions unless all their shares are transferable only and not withdrawable. Thus the combination of credit and trading societies familiar in Germany, Finland and other countries is rare in the British Isles (see p. 110).

In France, Belgium and Italy the majority of co-operative societies are registered as "syndicates," or associations for the advancement of the professional interests of their members and are not technically trading bodies. For trading purposes they usually create separate societies which come under the commercial code.

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