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Consumers' Cooperation in the United States, 1936

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PREFACE

The consumers' cooperative movement in the United States is in a continuous state of change. Weak associations are failing, new associations in greater numbers are taking their places, and a solid block of old, well-established associations remains year after year, expanding operations and adding new services. The rate of change is such that no general survey can possibly do more than present a picture of the cooperative situation as of a specific date. This the present report attempts to do, covering the 1936 operations of consumers' cooperatives of all types, and giving membership and financial status as of December 31 of that year. During the interval that has elapsed since the first questionnaires were sent out, early in the spring of 1937, a number of the associations covered in this study have gone out of existence. But later data indicate that the birth rate of new associations was higher in 1937 than in any other previous single year—even during the World War.

This report, covering the year 1936, presents the results of the fifth survey of cooperative associations in the United States made by the Bureau of Labor Statistics. The previous studies related to the years 1920, 1925, 1929, and 1933. Like its predecessors, the 1936 survey does not cover all of the consumers' cooperatives in the country, but its coverage is so extensive as to justify estimates being made for the extent of the movement as a whole.

The Bureau wishes to express its appreciation of the assistance rendered, during the whole course of the study, by Thomas Holland, formerly Director of the Consumers' Project of the Department of Labor; of the aid given by the Farm Credit Administration and the Rural Electrification Administration in obtaining information for the Bureau in their respective fields; and of the conscientious efforts of the interdepartmental committee (Donald Montgomery, Udo Rall, Nathaniel Fairbank, and Thomas Holland) which assisted in the formulation of the questionnaires and the instructions used in the survey. Spot studies of certain areas, not reproduced here but upon the findings of which the present report draws freely, were financed and made by the Consumers' Counsel Division of the Agricultural Adjustment Administration and the Consumers' Project of the Department of Labor. The spot studies were as follows: Chicago, by Sidney Gubin, Consumers' Counsel Division; northern Wisconsin, by Samuel Mermin, Consumers' Project; southern California, by

Elbridge Burnham; and Cleveland, by Ernestine Wilke, of the Bureau of Labor Statistics.

The Bureau of Labor Statistics takes this opportunity to extend its thanks to the cooperative associations which furnished information in the survey and especially to those which have supplied data on their operations year after year.

The survey was directed and the report prepared by Florence E. Parker, under the general direction of Hugh S. Hanna, chief of the Bureau's Editorial and Research Division. The section on legal status of medical-care cooperatives was prepared by Samuel Mermin. The field work was done by the following, all of whom were on the staff of the Bureau of Labor Statistics: Charlotte Abbott, John Ball, Lloyd Barnard, Irene Bergmann, Emma Borchers, Grace Felker, Pearl Ferrin, W. O. Futch, H. J. Hillebrandt, Nell Keyes, Edward Knapp, Joseph Lethco, Morris Levine, Pauline Paro, Carl Rittenhouse, Margaret Rupli, Lucy Scott, Helen Sexton, and Louise Sigler. Valuable assistance in the compilation and preparation of basic data was rendered by Elizabeth Black and Myrtle Selove of the Bureau's staff, and by Tessim Zorach, of the Consumers' Project.

ISADOR LUBIN,

Commissioner of Labor Statistics.

AUGUST 15, 1938.

Consumers' Cooperation in the United States, 1936

Chapter 1.—GENERAL REVIEW OF THE MOVEMENT IN 1936

During the past few years there has been a marked increase in interest in the United States on the subject of consumers' cooperatives, especially since President Roosevelt in 1936 appointed a commission to study the working of the cooperative movement in various European countries. At the time that that commission was carrying on its foreign survey, the Bureau of Labor Statistics was beginning a survey of the cooperative movement in the United States. This survey followed the same general lines as the earlier studies on the same subject made by the Bureau at various intervals, but was considerably broader in scope, and, while lacking complete coverage, was sufficiently comprehensive to give a fairly accurate picture of the extent and character of all phases of consumers' cooperation in this country.

As a result of this survey, dealing for the most part with conditions as they were in 1936, it was found that the retail distribution and service associations, which constitute the heart of the movement, numbered about 4,100 with over 830,000 members and were doing a business of some \$188,000,000 per year. Because the cooperative movement in this country is largely restricted to certain geographical areas, however, there is undoubtedly much misunderstanding as to what consumers' cooperation is and what it seeks to accomplish.

Any activity in which two or more people join can in a broad sense be called a cooperative enterprise. However, the term "cooperative movement" has come to apply to joint effort under certain well-defined principles. It all began in 1844—nearly 100 years ago—as a sort of protest movement. In that year 28 poverty-stricken flannel weavers in Rochdale, England, decided to take action against the evils from which they suffered: namely, those resulting from unemployment, underemployment, exorbitant prices, and adulteration of goods. Their first step in this ambitious undertaking was a very modest one. They formed the Rochdale Society of Equitable Pioneers, each member subscribing 1 pound sterling to be paid in at the rate of twopence per week. These small sums they invested in small quantities of flour, sugar, butter, and oatmeal, and with these

commodities as their stock in trade they opened a store. As they had to earn their living by labor in the textile mills during the day, the store was open only a few hours on Monday and Saturday evenings.

The organization was successful from the first and in a few years other societies sprang up in imitation, in England and then on the Continent. Organizations patterned after the original are now found practically all over the world. Thus the Rochdale association can be said to be the parent of all the consumers' cooperatives now in existence. It may also be noted that the first cooperative organization is still in successful operation and the original tiny shop in Toad Lane, Rochdale, has been restored and is a mecca for all cooperative travelers.

All truly cooperative associations follow the principles adopted by the Pioneers: Membership is open to anyone who can make use of the association's services. The members themselves provide the capital necessary, but no one has more than one vote regardless of the size of his investment. The members decide what type of business they shall carry on and they control all the policies. Whatever activity they undertake is carried on in their interest as consumers, to supply themselves with goods and services. The characteristic which above all distinguishes the consumers' cooperative business from other business is that the net amount saved through the operation of the business (i. e., what would in private operation be termed the "net profit") is returned to the members, not in proportion to the amount of capital stock they hold, but in proportion to their patronage of the business. Thus, in a store society the member who has spent \$500 at the store in the course of the year receives five times as much as the member whose purchases totaled only \$100.

The consumers' cooperative movement, wherever found, is still grounded upon these principles. The immediate objective is economic—to make the pennies go farther, to eliminate the extra cost entailed by extravagant advertising and by high-pressure salesmanship, to handle only commodities of known good quality, and to fill an increasing number of human wants on a nonprofit basis. Like the original Pioneers' society, the present-day movement also has a far-reaching social philosophy. Its final aim is to supply every need of life, social and economic, without profit and by united effort.

Although the cooperative movement long ago reached the category of "big business" abroad, it remains, as it started, a distinctly working-class movement, although other groups are evincing increasing interest and participation.

So successful has this method of doing business proved that in Great Britain it is estimated nearly half of the whole population is served through the consumers' cooperatives. The Scandinavian countries are other examples of successful operation.

Development in the United States

In this country the first known instance of consumers' cooperation occurred in 1845—only 1 year after its beginning in England—when a tailor in Boston induced the members of his labor union to undertake joint buying of their household supplies and distribute them at the weekly meetings of the union. Another labor organization, the Knights of Labor, actively fostered cooperatives as part of its economic program during the early 1880's. Of the movement that has persisted to the present time, however, the farmers may be said to be the earliest proponents. Some of the Grange stores formed by the Patrons of Husbandry shortly after the Civil War still survive.

Since those early years consumers' cooperation in this country has developed in a series of up-and-down movements corresponding roughly (but in reverse order) with prosperity and depression.

The movement has not yet attained the development in the United States that it has achieved abroad, but it is growing steadily, though slowly, in a number of directions. Not only is there an expanding retail movement, but cooperative wholesaling is now firmly established, and here and there productive activities are being undertaken. Local study groups, city-wide or county-wide councils of local associations, and regional leagues are doing various kinds of recreational and educational work—acting as channels for the exchange of ideas and experience, issuing cooperative literature, furnishing speakers, sponsoring social events, running summer camps for children, youths, and adults, holding classes, and furthering in all possible ways the spread of the cooperative philosophy. All of the educational work is headed up in a national league which serves the movement on a Nation-wide scale.

The movement is also developing its own machinery to supply such centralized service as auditing, advice on merchandising methods, store planning, etc., and the technical training of both managers and clerks. Greater emphasis is being laid upon quality of goods and purchase by specifications, making use not only of established consumer services but to some extent of their own laboratory tests.

Forms of Cooperative Effort

Probably the best-known form of consumers' cooperation in this country is the cooperative store handling groceries or general merchandise. As a matter of fact the store associations do form the largest group and account for the largest proportion of total cooperative business. There are, however, many other lines of activity in which cooperation has made at least a start, and there is probably greater diversification in cooperative effort today than at any time in the history of the movement in the United States.

In various parts of this country cooperatives are supplying themselves with one or more of nearly all kinds of service. Thus, through cooperative channels they obtain groceries, bakery goods, meats, shoes, clothing, furniture, hardware, paints (made in some cases by their own plant), all kinds of farm supplies, radios, refrigerators, electricity and electrical appliances, gasoline, motor oil, tires, and other automobile accessories. They can, in some sections, buy ice cream made in their own plant, bread and pastries from their own bakery, milk pasteurized in their own creamery, coffee roasted in their own roasting plant, and sausage and smoked meats from their own factory.

Cooperators in many places insure themselves against sickness, death, fire, theft, hail, and accident, and insure their automobiles against accidental collision through cooperative or mutual associations. When they fall into debt, they borrow from the credit union.

Medical service is an activity the possibilities of which are being explored with more and more attention. In such associations the physicians' services are engaged on a yearly basis and preventive measures are stressed. If the patient needs hospitalization, he can, in one place, go to the cooperative hospital. At death, cooperators in certain Middle Western States can be laid to rest by the cooperative burial association.

One group of farmers in the West operates its own coal mine from which the fuel needs of the members are supplied. An association in the East provides bus service for the members' children to and from school. Another runs a beauty parlor, and two associations (both in Wisconsin) each have a beer tavern as one department of the association's activities. As an instance of the feasibility of application of the cooperative principle to even the smallest processes of every-day life may be cited the six families which combined in the purchase of a lawn mower and the hiring of a part-time worker to cut their lawns; another association for the same purpose is known to have been started in 1938.

Other services cooperatively supplied include laundry service, printing, and recreational facilities.

This is not to say that all or even a majority of these services are commonly offered throughout the United States. But one or more associations are rendering some of these services and in some districts nearly a full complement has been attained. Such a district is represented in St. Louis County, Minn., where a special study made for the Bureau revealed a high degree of cooperative infiltration. In that sparsely settled area of some 7,000 square miles, with a population in 1930 of 204,596, the consumers' cooperatives alone had a combined membership of about 13,500; this number did not include the members of the many cooperative associations marketing or processing farm

products, neither did it include the families of members of the consumers' societies.

In that area cooperative telephone service, credit, lodgings, recreational facilities, electric power, insurance, garage service, automobiles, petroleum products, and automobile accessories, food, and practically all articles of household and farm equipment are available through cooperative channels. The cooperators produce their own butter and sausage, in a federated association, and since September 1, 1937, burial service has been obtainable through a new department of the same association. In some of the towns of that county, virtually every family in the area belongs to the cooperative. This region presents one of the best and most complete examples of cooperative development to be found in this country—the result of many years' patient building and education.

At the other end of the scale are the communities where a credit union or one small struggling store represents the sum of cooperative activity. Between these two extremes are all degrees of development.

Extent of the Movement in 1936

Earlier studies by the Bureau included the store associations, housing, credit, and certain service associations such as burial, laundry, and restaurant associations. In the 1936 survey, for the first time, attempt was made to obtain general coverage for the telephone, electricity, and insurance associations, and for farmers' marketing associations doing collective purchasing of consumers' goods. In short, the purpose of the study was to present as complete a picture of the consumers' cooperative activities in the United States as the Bureau's resources would permit. The actual coverage obtained, based on the number of associations known to have been in operation at the end of 1936, ranged from about 43 percent for the telephone associations to over 86 percent for the credit unions.

Strictly speaking, all of the above classes of organizations were carrying on consumer activities and filling consumer needs of one kind or another. As generally considered, however, neither the credit unions nor the telephone or insurance associations are regarded as part of the consumers' movement proper. As a matter of fact, although a certain proportion of the telephone and insurance associations are organized as cooperatives and run as such, by far the larger proportion of them are cooperative only because of their conformity to the principles of mutuality, not because of their acceptance of the Rochdale philosophy.

The very large sample of associations reporting in all these fields enabled the Bureau to make, for the first time, detailed estimates of the total extent of the movement in this country. On the basis of the sample, it is estimated that there were at the end of 1936 some

3,600 associations engaged in retail distribution, of which 2,400 were stores and buying clubs and 1,150 were handling petroleum products. There were also some 500 service associations providing for their members such services as medical care, housing, burial, and serving of meals.

These local associations had gone into the wholesale field, also, setting up wholesale organizations for that purpose. In these wholesales the retail associations, not individual persons, were the members. About 1,900 local associations were estimated to have been affiliated in the 20 regional wholesales doing business in one or more States. Eighteen of the regional wholesales had, in turn, formed two "super" wholesales in order to obtain through them the advantages of the large-scale buying thus made possible.

In some districts the retail associations had formed federations to take over the distribution of certain commodities or to perform specific services. The 9 such federations were owned by 81 local associations.

It is estimated that the telephone and insurance associations doing business on a mutual or cooperative basis totaled 5,000 and 1,800 respectively, and the known credit unions reached a total of 5,440, at the end of 1936.

TABLE 1.—*Estimated Number, Membership, and Business of Consumers' Cooperatives, 1936*

Type of association	Number of associations	Number of members	Amount of business
<i>Local associations</i>			
Retail distributive associations.....	3,600	<i>Individuals</i> 677,750	\$182,685,000
Stores and buying clubs.....	2,400	330,500	107,250,000
Petroleum associations.....	1,150	325,000	69,985,000
Other distributive associations.....	50	22,250	5,450,000
Service associations.....	529	155,293	5,015,000
Associations providing rooms or meals or both.....	60	19,150	1,530,000
Medical-care associations.....	14	15,143	50,000
Burial associations.....	50	31,500	180,000
Housing associations.....	50	3,500	2,525,000
Electricity associations.....	275	82,500	(¹)
Miscellaneous.....	90	13,500	750,000
Telephone associations.....	5,000	330,000	\$5,485,000
Credit unions.....	15,440	1,210,000	\$112,135,000
Insurance associations.....	1,800	6,800,000	\$103,375,000
<i>Federations ¹</i>			
Wholesale associations.....	31	<i>Associations</i> (²)	43,328,099
Interregional.....	12	118	1468,067
Regional.....	120	1,900	42,000,000
District.....	19	181	1860,032

¹ Actual figure; not an estimate.

² Gross income.

³ Insufficient data to warrant computation of an estimate.

⁴ Amount of loans made.

⁵ Policyholders.

⁶ Gross premium income.

⁷ Does not include noncommercial federations, for which data were insufficient to warrant estimates.

⁸ Items cannot be totaled because subgroups are not mutually exclusive.

The combined membership of the local distributive and service associations is estimated to have exceeded 800,000, of which about 155,000 were in the service associations, and most of the remainder were about equally divided between the stores and the petroleum associations. The estimated business done by the local associations totaled some \$187,700,000, of which nearly 60 percent was accounted for by the store associations. The wholesale business by associations handling consumers' goods during 1936 was estimated at more than \$43,000,000.

In order to round out the picture, data are given in table 2 for the labor banks, mutual savings banks, and the whole group of mutual insurance associations, all of which have some cooperative features.

TABLE 2.—*Semicooperative Organizations in the United States in 1936*

Type of organization	Number of organizations	Members	Amount of business, 1936	Share capital	Total assets	Net worth
Labor banks ¹	4	(²)	\$ 21,747,423	\$1,725,000	\$24,368,310	\$2,155,221
Building and loan associations ⁴	10,256	6,125,971	(²)	(²)	5,741,935,430	(²)
Mutual savings banks ⁵	566	13,165,045	\$ 10,059,951	18,587	5,113,633	1,716,097
Mutual insurance companies ⁷	1,279	(²)	\$ 276,015,960	(²)	515,582,733	(²)

¹ Data furnished by Industrial Relations Section, Princeton University.

² No data.

³ Deposits.

⁴ Data furnished by United States Building and Loan League.

⁵ From Annual Report of the Comptroller of the Currency for year ended October 31, 1936; data are for June 30, 1936.

⁶ Depositors.

⁷ From Directory of Mutual Insurance Companies in the United States (fire and casualty), published by American Mutual Alliance, Chicago, Ill.; figures here given represent remainder after deduction of associations included in Bureau of Labor Statistics study.

⁸ Premiums on policies written.

GEOGRAPHICAL DEVELOPMENT

There has been considerable variation in the development of different types of associations on a geographical basis. Store associations are now found in practically every State in the Union. They still appear in largest numbers in the North Central States, though smaller growth is found in New England, the Middle Atlantic States, California, and Washington. The petroleum associations also have reached their greatest development in the Mississippi Valley States, with only a few in the Mountain States; the East is almost barren of such organizations. The bakery societies on the other hand are all in the States of Massachusetts, New York, and New Jersey, although there are a few store associations in other parts of the country which run a bakery as one department of the merchandising business.

Cooperative housing has been concentrated in one metropolitan area—New York City. At the time the Bureau's survey was made

two associations had been formed in Wisconsin but had not progressed to the point of actual construction.

A group of petroleum and fuel-oil associations has developed in Texas. Aside from these, however, there was little cooperative activity in the South until the advent of the electricity associations formed under the rural electrification program. Of 28 States in which such associations had been formed and had received Rural Electrification Administration loans by the end of June 1937, 8 were Southern States. Practically all other sections of the country also had associations of this type except New England and California. Washington State, although not represented by associations under the Rural Electrification Administration, had a number of cooperative power associations which had been in existence for many years before that program was inaugurated.

Telephone associations are found here and there in nearly every part of the country, but the vast majority (80 percent) are in the North Central States. No other geographic division has as many as 5 percent of the total.

Credit unions also have been started in every State in the Union. Although New England was the birthplace of the cooperative credit movement in this country, that section has yielded first place as regards numbers of associations to the East North Central and West North Central regions; these together accounted for more than two-fifths of the credit cooperatives existing at the end of 1936. In this connection it may be noted that although the South still has few distributive and service cooperatives, some of the States there have been very receptive to the idea of cooperative credit. Among these may be cited Florida, North Carolina, Tennessee, and Texas, each of which had more than 100 credit unions in operation at the end of 1936. The expansion of the credit-union movement was greatly facilitated by the passage of the Federal Credit Union Act, in June 1934. In the year and a half between that time and the end of 1936 nearly 1,900 associations had been formed under that act, whereas State associations (dating from as early as 1908) numbered only 3,575.

Much of the cooperative development is in rural sections. Most of the telephone associations and a large proportion of the insurance associations are in the country or in small towns. The electricity associations are almost entirely rural. Analysis of the store associations and their members, in relation to population, indicated that of 1,668 associations in cities, towns, and villages, more than three-fourths of the associations, over three-fourths of the membership, and nearly three-fourths of the business done in 1936 was in places with a population of 5,000 or less. For the whole group the cooperative membership¹ formed 0.92 percent of the total population in places

¹Members only; not counting their families.

where the associations were located. However, although the co-operators formed only 0.05 percent of the population in cities of a million or over they formed about 11 percent in places of 1,000–5,000, nearly 24 percent in places of 500–1,000, and 47 percent in places of less than 500.

The bakeries, creameries, housing associations, restaurants, medical-care associations, and credit unions were practically all in industrial centers. As the above figures indicate, the large cities have proved to be the most difficult locale in which to obtain a foothold for the store societies. There are several reasons for this: The efficiency of private retail distribution; the low prices in the chain stores, with which the cooperative with its small purchasing power cannot compete on a price basis, unless it has the advantage of a cooperative wholesale in nearby territory; the difficulties of bringing city people together in homogeneous groups and of contending with long-established buying habits of the housewife.

That cities are not invulnerable to cooperative attack, however, is attested by the growing number of American cities in which there are associations of some size that are in apparently successful operation. Even in Great Britain the city of London was long regarded as impregnable. But in 1936 it had a city-wide society with 631,464 members—a number sufficient in itself to populate a large city—and its sales exceeded 60 million dollars (two-fifths of the sales of all the retail cooperatives in the United States combined) in that year.

In the United States the buying club is being utilized as the approach to cooperative development in the cities. This method has the advantage of being very simple in operation, requires no financial investment and consequently involves no financial hazard, and offers a means of obtaining experience in the technique of cooperation. Part of the savings realized from the pooling of the members' orders is retained in the common treasury, to be used in starting a store when the members feel that the time is ripe to do so.

AGE AND SIZE OF ASSOCIATIONS

Because they see small associations spring up here and there and die out in a few months or a few years, many people are inclined to regard the whole cooperative movement as an ephemeral one. It is therefore of interest to note that of the associations reporting in 1936 there were 379 organizations that had been formed during the period of high but largely uninformed enthusiasm of the period 1916–20 and there were 229 others that had survived from even earlier periods. Two associations had been in business 57 and 60 years, respectively. Nearly 45 percent of the reporting associations, however, had been formed since the beginning of the depression that started in 1929.

On the average, the retail distributive associations in the United States are small. In 1936 the average membership of the store associations was 219, of the petroleum associations 335, and of all retail distributive associations combined, 257. About 70 percent had fewer than 250 members, and only 3.5 percent had attained what would in Great Britain be considered a fair-sized association (1,000 members or more).

Seven retail distributive associations (including three handling students' supplies only) had sales in 1936 of over one million dollars each. For all distributive associations combined, the average annual sales per association were \$81,058, and nearly half of the total had sales falling within the range of \$25,000-\$100,000.

PATRONAGE REFUNDS

The level of charges, volume of business, operating margins, and business efficiency all influence the amount of net savings made. As already stated, the practice of the distributive associations is to charge the regular current prices for the merchandise handled by them and to return all or part of the net surplus remaining, after expenses and reserves are covered, to their members in proportion to patronage. This practice is not so common among the service associations, many of which set their scale of charges only high enough to cover the overhead; this was true also of the telephone associations. The insurance associations operating on the assessment basis levied assessments only sufficient to cover actual losses and expenses, and those collecting advance premiums had set these at levels considerably below the "manual" rates.

Over 70 percent of all the retail distributive associations reporting were able to make net savings on the 1936 operations, but slightly over 7 percent of the total sustained losses.

Possibly because of the relatively larger margins of profit and the less involved type of business, the Bureau found that a larger proportion of petroleum associations than of the store associations were able to make net savings and their patronage refunds were at a higher rate. In the store associations the most common rates of patronage refunds were from 2-6 percent, whereas in the petroleum associations the largest groups paid refunds of 5-6 and 10-11 percent; these rates, it should be emphasized, represented percentages of sales, not of share capital.

What these refunds meant to the individual member is indicated by the fact that, for the associations reporting the amount returned on 1936 patronage, the average received by each member in the store associations of all kinds was \$13.42 and for the petroleum associations was \$13.87. Individual members in some cases received patronage refunds of as much as \$150.

A larger proportion of petroleum associations than of store associations—62.6 as compared with 38.4 percent—made patronage refunds. For the whole group of retail distributive associations the proportion returning patronage refunds was slightly over 48 percent. The failure of the other associations which had net savings on the year's business to make refunds on patronage may have been due to a number of causes, such as use of the surplus to make up deficits in previous years, to provide additional working capital for the organization, to build up reserves, to construct or purchase new buildings, new equipment, or to expand into new lines of operation. In every case where such a plan was adopted, it was, of course, on the members' own vote.

Naturally the economic conditions during the depression affected adversely the ability of the associations to make patronage refunds. Nevertheless some associations made such refunds throughout the depression; and others could have done so but preferred to use the surplus to strengthen the financial position of the association.

The rate of interest that credit unions may charge is limited by the laws under which they operate. The most common maximum is 1 percent per month, calculated on the unpaid balance. Reports to the Bureau indicated that some 60 percent were charging the maximum rate of 1 percent per month and about 20 percent were charging $\frac{1}{2}$ percent per month. As the operating expenses of credit unions are very low, these rates yield a gain from which shareholders are remunerated. Credit-union practice differs from general cooperative practice in that such returns are made on share capital and not on patronage.

Trends in Cooperative Development

DEVELOPMENT FROM 1933 TO 1936

The Bureau's latest previous study of cooperatives was made in 1933—at the low point of the depression. In contrast, the year 1936 was a year of considerable recovery which was reflected in the status of the cooperatives.

The depression had the usual effect of depressions upon the cooperative movement. Cooperative associations are predominantly working-class organizations and as such are peculiarly sensitive to conditions affecting the employment and income of the workers. A substantial number of associations were wiped out by the results of unemployment, bank failures, failures of employing firms, and the general hard times which their resources were not sufficient to overcome. The stable and well-established associations, though severely affected, managed to survive and some were able, as well, to extend their operations. Also, there appeared the usual crop of new associations which always follows in the wake of a depression, when people begin to cast about for a means of eking out reduced incomes. The accessions

resulting from the depression of 1929-34, however, exceeded by far those in any period since the Bureau has been studying the movement.

Although the development of the distributive branch of the movement has proceeded at an uneven pace in different parts of the country, its momentum has greatly increased in the past few years. Distributive cooperatives at the end of 1936 represented not only a more extensive but also a sounder development than at any time since the Bureau first began to follow the movement, in 1918.

It should be pointed out in this connection that there is in general a considerable difference in the picture presented by the associations which are affiliated to the organized movement and in that presented by the large number of scattered associations that are either unaware of the existence of cooperative wholesales and regional leagues or are not yet persuaded of their value. Among the associations that are members of cooperative educational or commercial federations, more and more emphasis is being laid upon education of members and employees, upon better accounting systems, and greater operating efficiency. Most of the larger and more stable organizations in the United States are part of these organized groups. The Bureau's field studies, however, disclosed that the independent, isolated associations were in general far below the level of the federated associations in business efficiency, size, volume, financial stability and operating results. A certain proportion of the movement disappears each year through failure or voluntary dissolution, but among the increasingly large number of associations which have realized the advantages of federation and have utilized to the full the wholesaling, auditing, and other facilities thus available, failures are becoming fewer and fewer.

The credit unions represent a fast-growing phase of cooperation. Their growth during the past few years has been accelerated by the passage of the Federal Credit Union Act. Possibly, also, their formation has been speeded by the depression, the increased need of the small borrower for credit, and the losses from bank failures.

The telephone associations, on the other hand, are not an expanding group. One of the older forms of cooperative activity, the telephone association filled a real need in the early days when there were wide rural areas without telephone communication. With increasing density of population, the private companies have taken over more and more of the service, cooperative associations have disbanded or been bought by private interests, and each succeeding telephone census has shown a decreased number of companies but an increase in the proportion of telephones served by the larger operating units. Duplication of telephone service is not favored by most public regulatory bodies. Undoubtedly, there are still areas in which expansion or creation of cooperative telephone facilities is possible, but in the very nature of things such opportunities cannot be great.

TREND SINCE 1934, IN IDENTICAL ASSOCIATIONS

Not only was the distributive movement expanded in 1935 and 1936 by reason of the formation of new associations, but there were also increases in average membership and average sales. Of 1,475 retail distributive associations reporting membership in both 1935 and 1936, 58.8 percent showed increases in number of members, 27.4 percent showed no change, and only 13.8 percent had a loss. There were 1,238 associations reporting amount of business for both years; of these 78.6 percent increased their sales and 21.4 percent suffered a decrease.

The following table is based upon identical distributive associations, i. e., those that furnished membership data for both 1935 and 1936 and those that reported on sales for all three years 1934 to 1936. As the table shows, the combined membership of the retail distributive associations increased 7.2 percent from 1935 to 1936. Sales increased 19.8 percent from 1934 to 1935 and 16.0 percent from 1935 to 1936—a total rise of 39.0 percent during the 3-year period. All types of retail distributive associations benefited by this increase but the petroleum associations registered the greatest relative gain, both in membership and in sales.

TABLE 3.—Percent of Increase in Membership and Sales of Identical Distributive Cooperatives in Specified Periods

Type of association	Percent of increase in—			
	Member- ship, 1935 to 1936	Sales		
		1934 to 1935	1935 to 1936	1934 to 1936
Retail distributive associations.....	7.2	19.8	16.0	39.0
Store associations.....	7.3	18.8	16.5	38.3
Petroleum associations.....	7.9	26.1	20.1	51.4
Distributive departments of marketing associations.....	3.8	13.5	7.6	22.2
Wholesale associations.....	8.3	50.9	23.7	85.9
Interregional.....	80.0	11.5	12.0	24.9
Regional.....	7.9	51.2	23.5	83.4
District.....	12.2	48.6	37.3	104.2

The record of the identical retail distributive associations was exceeded by that of the wholesales. They increased the number of their member associations 8.3 percent and their sales 23.7 percent from 1935 to 1936; in the 3-year period 1934–36 their business rose 85.9 percent

DEVELOPMENT IN PERIOD 1920 TO 1936

Index numbers of aggregate sales, net earnings, and patronage refunds of store associations and petroleum associations are shown in table 4. This shows in graphic fashion the effects of the depressions

of 1920-21 and 1929-34 upon the business of the cooperative stores. Beginning with 1922 the sales of the cooperative stores continued steadily upward until 1929 and declined only slightly in 1930, from which point they fell precipitately during the next 2 years but only slightly from 1932 to 1933. Beginning with 1933 they improved decidedly each year through 1936.

An interesting feature is that although net earnings fell in 1932 to less than one-third of the 1929 level, even 1933 (at the trough of the depression) showed an improvement over 1932.

The gasoline associations being a much newer type of cooperative business, which began only in the early 1920's, naturally showed a much sharper upward swing in sales than did the stores, as the movement gathered momentum. This momentum continued into 1930 and carried petroleum sales to nearly 15 percent above the 1929 level in that year. It was only in 1931 that a decline began.

Neither sales nor earnings declined in the petroleum associations to as low a point as was true in the stores. Also, whereas the store group as a whole had not regained in 1936 the 1929 level as regards either volume of business or net earnings, the petroleum associations not only had passed the 1929 level but had considerably surpassed their peak year of 1930.

It should be noted that a number of individual store associations reporting to the Bureau had sales in 1936 substantially above any previous year in their history.

TABLE 4.—*Indexes¹ of Sales, Net Earnings, and Patronage Refunds of Store and Petroleum Cooperatives, 1920-36*

[1929=100.0]

Year	Retail store associations			Petroleum associations		
	Sales	Net earnings	Patronage refunds	Sales	Net earnings	Patronage refunds
1920.....	76.1	-----	-----	-----	-----	-----
1921.....	66.1	-----	-----	-----	-----	-----
1922.....	63.9	-----	-----	-----	-----	-----
1923.....	70.7	-----	-----	-----	-----	-----
1924.....	75.1	-----	-----	-----	-----	-----
1925.....	82.3	84.0	88.1	38.6	34.5	30.3
1926.....	88.3	90.2	82.6	54.0	51.3	54.8
1927.....	93.0	89.9	91.5	62.9	62.0	51.0
1928.....	98.1	94.5	97.3	79.4	51.7	57.4
1929.....	100.0	100.0	100.0	100.0	100.0	100.0
1930.....	97.4	97.4	93.1	114.6	145.2	146.6
1931.....	76.7	65.6	82.7	103.5	111.7	120.4
1932.....	59.7	30.2	83.3	95.0	79.2	101.3
1933.....	55.5	34.3	58.1	93.4	74.5	101.6
1934.....	64.2	54.0	81.8	114.9	86.2	122.1
1935.....	75.2	60.8	92.5	142.9	94.7	142.7
1936.....	87.5	87.6	129.8	168.8	115.7	173.9

¹ Indexes computed on the chain system, i. e., on reports from identical associations from one year to the next.

Compared to the situation in 1920, when the Bureau of Labor Statistics made its first study of the movement, the following may be noted:

Today more associations are formed only after extended educational work (issuance of pamphlets, holding of meetings, formation of study groups, etc.) than was formerly the case. Reliance upon practical facts has to a large extent supplanted the unthinking enthusiasm and exaggerated claims that characterized the early period.

There is now greater realization of the advantages of federation both for education and for business purposes. Fewer than 200 associations were affiliated with the national body—the Cooperative League—in 1920, and almost none of these were in a position to pay dues for its support. In 1936 the League had some 1,500 dues-paying member associations, and there were about 1,900 associations which were members of the various regional wholesales.

In 1921 cooperative wholesaling, which had seemed to be on the upgrade a year or two before, was at very low ebb. There were still several subjobbing organizations, and two farmers' wholesales (which handled consumers' goods) operating in one State each, but all but one of the regional or State wholesales connected with the consumers' movement proper had either already gone down in the crash of the National Cooperative Wholesale or were so deeply involved financially that their remaining period of existence was a matter of only a few years at best. By 1936 cooperative wholesaling had revived in a most spectacular manner and represented one of the most successful phases of consumers' cooperation.

Largely because of the continued efforts of both the educational federations and the wholesales, the business practices of local associations have undergone a noteworthy change for the better. The Bureau's 1920 report noted an almost incredible lack of knowledge of the most elementary principles of accounting, which in some cases proved fatal or nearly fatal to the organization. One of the more common of these was the failure to include the share capital as a liability. Others were simply mathematical errors. Thus, one association, through such an error, showed on its balance sheet an apparent profit of \$7,074; as a matter of fact it had a loss of nearly \$5,900. On the strength of the report, however, the illusory "profit" was distributed to the members in patronage refunds. The association never recovered from this misstep, but went into bankruptcy a few years later.

Such elementary mistakes were very few in number among the financial reports received in 1936. There was still a certain proportion of associations in which improvement in accounting methods was badly needed. Thus, one of the Bureau's investigators found that in a small miners' association visited in Pennsylvania no records of the transactions had ever been kept; he found also that there had never

been any net earnings. This association was started in 1929; it had always been operated entirely with volunteer help. In 1936 it had 29 members and its business in that year amounted to approximately \$10,000 (as nearly as the secretary could estimate). The wonder is that it had lasted for 7 years. Again, a farmers' store formed in the early 1920's had never had its books audited and the investigator reported that the "manager didn't seem to know much about the financial condition of the association." Another had an audit in 1936 for the first time since it began business, in 1930. In a Wisconsin association "the books were in very poor condition, so that it was difficult to get exact figures; they carried a large amount of accounts receivable, some of which were quite old." In another organization evidently very little check was kept on financial matters, for it was reported that the secretary-treasurer had embezzled \$3,024 in 2 years and then committed suicide when about to be exposed.

These were extreme cases and few in number. Whereas in 1920 only 35 percent of the associations subjected their books to periodic audit by an independent expert accountant, in 1936 this was true of over 76 percent of the associations.

Operation on the hazardous cost-plus basis has decreased almost to the vanishing point. Under this method, instead of operating at current prices, the association sets its price level at cost plus a percentage estimated as sufficient to cover expenses. Cooperatives have come to realize, however, that this method allows no margin for building up reserves for expansion or unexpected losses, and that it is almost impossible to ascertain in advance what the cost of operation will be.

Increasing numbers of associations have demonstrated the feasibility of abolition of credit sales, with the corollary, surprisingly enough, of increased sales in some cases. In certain places the return to a strictly cash basis has been accomplished with the aid of a newly formed credit union which fills the members' need for credit.

In both 1925 and 1936 over 70 percent of the reporting distributive associations were able to make a net gain on the year's operations, but whereas only 40 percent returned patronage refunds in 1920, 48 percent did so in 1936.

The most common rate of stock turn in 1920 was between three and four times. In 1936 it was between 10 and 13 times.

On the other hand there are still many ways in which individual associations can make improvement: Some of the older associations are inclined to rest upon their laurels, to discount the value of the continuous educational work that is necessary to bring in new members and to make convinced cooperators of them, and to rely exclusively upon financial benefits to keep the membership loyal. Certain associations, including several which have been outstandingly successful in a business way, have allowed the responsibility and authority to

drift into the hands of the manager and have in fact become "one-man" associations. Such organizations are not on a sound basis, and face an uncertain future when the manager's days are over.

The average capitalization is still too small, in many cases, to allow the associations to realize their potential achievements. They struggle along, in a hand-to-mouth existence, unable to take the discounts earned by cash buying or to make advantageous purchases, and without sufficient funds to make needed improvements or to expand into new fields. The wage earners who, by and large, are the members of the cooperatives, ordinarily have very little funds to invest, it is true. But it is also true that what money they have they feel must be placed where it can be withdrawn in an emergency, and this has not generally been the case with the share capital of cooperative associations.

Also, the working conditions, both hours and wages, will in many cooperatives bear improvement.

The field work revealed a considerable number of associations which need to improve their "housekeeping," bearing in mind that dingy, unkempt, and carelessly displayed stocks attract neither members' nor nonmembers' patronage. Many of the stores visited would be benefited by increased attention to attractive windows, well-arranged goods, and a general paint-up campaign. One of the most common observations made by the field workers was the crowding of too many commodities into cramped quarters, giving the whole store an untidy, cluttered appearance. In some districts, on the other hand, the cooperatives have adopted a distinctive sign, a uniform, attractive color scheme, and up-to-date fixtures and store lay-out, with the result that the cooperative store compares favorably with any of its competitors.

Scope and Method of Study

DEFINITION OF TERMS

Cooperative associations may be divided broadly into two classes: Consumer organizations and producer organizations.

(1) The consumer organizations are those operated for the benefit of the members in their individual consumer capacity, i. e., providing goods such as food, clothing, household supplies, fuel, or milk, or providing services such as shelter, automobile repair, credit, laundry service, insurance, telephone service, medical care, burial, recreation, etc. These may be provided singly, by an association specializing in one line, or in combination, by a general-service association whose aim is to fill the needs of the members in as many lines as it is practicable to do so.

(2) The producer organizations are those operated for the benefit of the members in their producer capacity. Their function may be

either (a) the marketing or processing of goods produced individually (as in the fishermen's marketing associations; the farmers' associations marketing grain, livestock, milk, etc.; or the associations making butter, cheese, etc., from farm products received from farmer members, to be sold on the open market) or (b) the marketing of goods processed or produced collectively (as in the so-called workers' productive associations operating shingle mills, clothing factories, shoe factories, etc.).

In practice these classes may overlap. Thus, a farmers' marketing association may also undertake to purchase for the members groceries, or household supplies, or fuel to heat their houses. Precisely in the degree that it undertakes consumer activities it becomes also a consumer organization. Or a consumer association may by itself or jointly with other organizations undertake productive activities, such as the manufacture of sausage, bakery goods, etc., for consumption by its members; in this case, however, although carrying on this producer activity, the organization does not thereby become a producer organization, for this is merely an extension of activities for the further benefit of its members as consumers.

As individuals combine to furnish themselves with goods and services through local cooperative associations, so the local associations may in turn combine (1) for purchasing goods at wholesale, for the processing or production of commodities, or for the undertaking of any other kind of business, or (2) for the carrying on of noncommercial activities, such as the fostering of new associations, education, or recreation. Here again the classification of such an organization will depend upon whether its activities are for the benefit of the members as producers (as, for instance, in a cheese factory owned by local cooperative creameries, manufacturing cheese for general sale) or as consumers (as in a wholesale purchasing association, or a factory manufacturing sausage for consumption by the members of the local associations which own the establishment of the federation).

The present survey covers only associations, whether local associations or federations, carrying on activities for the benefit of the members in their consumer capacity.²

BASIC PRINCIPLES OF CONSUMERS' COOPERATION

Consumers' cooperatives vary but little in their organization and methods, from country to country. All are based upon the principles established by the Rochdale Pioneers in 1844. These principles are seven in number:

1. Open membership.
2. Democratic control (one vote only per member and no proxy voting).

² For the basis of classification of the various types of associations and the basis upon which their inclusion in this report rests, see separate sections in chapters dealing with specific types of associations.

3. Distribution of net surplus to the members in proportion to their patronage of the association.
4. Limited interest on share capital.
5. Political and religious neutrality.
6. Business for cash only.
7. Promotion of education in cooperation.

In 1930, 86 years after the enunciation of these principles, the International Cooperative Alliance, at its congress, appointed a committee to examine anew these principles and their present validity. After 7 years' study the committee reported that "nothing in the modern developments of industry and commerce, or changes in economic method, has diminished the integrity" of the Rochdale principles. The committee, however, was of the opinion that, in deciding the essential cooperative character of any organization, stress should be laid particularly upon the observance of the first four principles. The observance of the others, while of importance as regards good practice, was not, in the opinion of the committee, of sufficient weight to be imposed as a condition for membership in the International Cooperative Alliance.

Generally speaking, acceptance of the "cooperative philosophy" and the recognition of cooperative activities as steps toward a new social order are found only among the store associations and in certain of the service associations. In the major service groups, however—credit-union, telephone, and insurance associations—in general the associations have not, with certain outstanding exceptions, regarded themselves as part of the cooperative movement. In them the collective activity undertaken is regarded as an end in itself. Also, there has been little contact among the various branches of the movement, except where members of one kind of association were also members of another. Continuance of the present tendency of the distributive associations to undertake the formation of such other activities as credit unions and cooperative insurance will in time undoubtedly have its effect in making for closer relationships.

The so-called "Rochdale principles" are consciously practiced in their entirety only by the store associations. All of the others deviate in certain respects. It happens that associations in either the insurance or the telephone business which operate as pure mutuals are in fact genuinely—though not consciously—cooperative and conform to all of the cooperative principles and methods except business at current prices and (consequently) the return of patronage refunds. They have open membership and democratic control on the one-vote plan and furnish service at cost. But this follows from their adherence to principles of "mutuality," not from acceptance of Rochdale philosophy. Mutual associations—insurance and telephone—were, however, included in the tabulations if they were oper-

ating on the recognized cooperative principles. All things considered, a surprisingly high cooperative standard was found among them.

COVERAGE OF STUDY

The Bureau's study was started in the summer of 1936 when a committee was formed, composed of representatives from those Government agencies interested in various aspects of the cooperative movement. This committee drew up the forms to be used and a set of instructions for the field agents.

Early in 1937 these questionnaires were sent to every consumer cooperative association, of whatever type, known to the Bureau. In this phase of the work the Farm Credit Administration cooperated by circularizing the farmers' cooperatives known to be carrying on collective purchasing of supplies for their members. The data for those organizations which were purchasing some consumer goods were then made available to this Bureau.

The returns from the questionnaire study were supplemented by personal visits to nonreporting associations made by representatives of the Bureau of Labor Statistics. This field work covered all or part of the 13 States of California, Connecticut, Illinois, Indiana, Massachusetts, Michigan, Minnesota, Nebraska, New Hampshire, New York, Ohio, Pennsylvania, and Wisconsin.

The credit unions, like the distributive associations, were all circularized. The information so obtained was supplemented, for associations formed under State law, by data furnished by the State officials having supervision of credit unions. Information regarding the credit unions chartered under the Federal act was furnished by the Credit Union Division of the Farm Credit Administration.

The data here given for the electricity associations were obtained from the Rural Electrification Administration.

The rate of returns and the incidence of undiscovered and nonreporting associations were checked in various parts of the country by "spot" studies.³ Three of these studies were made by members of the Bureau's staff, and the other two were made by members of the staff of the Consumers' Project of the Department of Labor and of the Consumers' Counsel Division of the Agricultural Adjustment Administration.

Although the Bureau had made a number of earlier surveys of cooperative associations,⁴ this was the first time that an attempt

³ Summary data from three of these, covering Cleveland, Chicago, and northern Wisconsin, were published in the *Monthly Labor Review* for September 1937 (p. 541), October 1937 (p. 816), and December 1937 (p. 1327). The findings of the other two, covering southern California and St. Louis County, Minn., are as yet unpublished, but some of the data obtained have been utilized in the present report.

⁴ See U. S. Bureau of Labor Statistics *Bulls.* Nos. 313, 437, 531, and 612.

was made to obtain general coverage on telephone, electricity, and insurance associations.

Altogether, usable reports were received for 9,880 local associations and 57 federations.

SUMMARY DATA FOR SAMPLE REPORTING FOR 1936

The following table brings together data on the principal points of operation for the various types of organizations which reported for 1936.

TABLE 5.—*Operations of All Types of Consumers' Cooperatives for Which Reports Were Received for 1936*

Type of association	Associations furnishing usable reports ¹	Membership at end of 1936	Amount of business	Net earnings
<i>Local associations</i>				
Retail distributive.....	1,939	<i>Individuals</i> 458,812	\$146,309,260	\$7,527,092
Store associations.....	911	185,860	71,052,638	2,298,336
Buying clubs.....	98	6,573	415,991	9,311
Petroleum associations.....	769	232,417	50,911,944	3,585,916
Distributive departments of marketing associations.....	145	23,530	20,360,534	1,581,571
Bakeries.....	7	5,307	595,680	² 16,643
Creameries.....	4	4,497	2,954,121	63,526
Water-supply associations.....	5	628	18,352	5,075
Service.....	330	41,641	2,498,889	40,261
Associations providing rooms or meals or both.....	30	10,151	989,306	14,220
Laundries and cleaning establishments.....	3	875	33,150	549
Medical-care associations.....	4	5,143	1,950	77
Garages.....	2	96	53,229	² 1,718
Printing and publishing associations.....	7	4,916	69,264	² 2,347
Burial associations.....	17	15,006	63,189	4,432
Recreation associations.....	9	914	6,498	200
Housing associations.....	39	2,323	³ 1,281,641	24,848
Electricity associations.....	214	(⁴)	(⁴)	(⁴)
Miscellaneous ⁵	5	2,217	³ 662	-----
Telephone associations ⁶	1,614	110,981	³ 1,486,761	69,381
Credit unions.....	4,663	1,106,076	⁷ 88,342,486	(⁴)
Insurance associations ⁶	1,334	⁹ 4,774,854	¹⁰ 71,925,068	(⁴)
<i>Federations</i>				
All federations.....	57	<i>Associations</i> (¹¹)	41,677,594	1,120,339
Distributive: Wholesales.....	30	(¹¹)	41,402,623	1,103,412
Interregional.....	2	18	468,067	5,406
Regional.....	19	1,746	40,074,524	1,045,422
District.....	9	109	860,032	52,584
Service.....	12	(¹¹)	254,269	16,927
Auditing.....	4	469	37,364	(⁴)
Printing and publishing ¹²	5	388	216,905	16,927
Other.....	3	74	(⁴)	(⁴)
Educational.....	15	(¹¹)	20,702	-----
National.....	1	1,500	-----	-----
Regional.....	2	396	³ 17,974	-----
Other.....	12	259	³ 2,728	-----

See footnotes at end of table.

TABLE 5.—Operations of All Types of Consumers' Cooperatives for Which Reports Were Received for 1936—Continued

Type of association	Patronage refunds	Paid-in share capital	Total assets	Net worth
<i>Local associations</i>				
Retail distributive.....	\$4,920,880	\$23,669,613	\$45,752,538	\$36,893,273
Store associations.....	1,239,575	9,634,138	20,077,206	16,127,283
Buying clubs.....	5,921	19,854	35,043	26,362
Petroleum associations.....	2,352,290	4,992,205	12,937,282	10,026,823
Distributive departments of marketing associations.....	1,323,094	8,059,027	11,016,487	9,479,461
Bakeries.....		77,195	322,769	107,067
Creameries.....		839,486	1,287,338	1,049,864
Water-supply associations.....		47,708	76,413	76,413
Service.....	5,497	4,438,324	1,057,819	770,828
Associations providing rooms or meals or both.....	3,425	152,234	491,842	377,704
Laundries and cleaning establishments.....	650	8,777	14,574	9,331
Medical-care associations.....		109,900	112,689	109,900
Garages.....		13,022	143,645	6,250
Printing and publishing associations.....	1,422	19,398	47,572	36,878
Burial associations.....		31,724	62,915	50,109
Recreation associations.....		6,550	184,432	180,506
Housing associations.....		4,086,599	(⁴)	(⁴)
Electricity associations.....	(⁴)	(⁴)	(⁴)	(⁴)
Miscellaneous ⁵		10,150	150	150
Telephone associations ⁶	7,168	2,413,895	2,719,155	2,446,111
Credit unions.....	⁸ 2,068,310	62,592,591	82,139,281	52,007,044
Insurance associations ⁹	2,155,424	(⁴)	(⁴)	(⁴)
<i>Federations</i>				
All federations.....	686,211	2,069,843	6,085,139	3,671,296
Distributive: Wholesales.....	684,811	2,069,843	6,085,139	3,671,296
Interregional.....		127,900	197,717	180,127
Regional.....	636,873	1,889,408	5,697,743	3,370,807
District.....	47,938	52,535	189,679	120,362
Service.....	1,400	(⁴)	(⁴)	(⁴)
Auditing.....	(⁴)	(⁴)	(⁴)	(⁴)
Printing and publishing ¹²	1,400	(⁴)	(⁴)	(⁴)
Other.....	(⁴)	(⁴)	(⁴)	(⁴)

¹ Not all of these associations reported on all points; for exact number reporting in each case, see sections dealing with specific types of associations.

² Loss.

³ Gross income.

⁴ No data.

⁵ This group includes local educational, lawn-mowing, and cold-storage associations.

⁶ Includes reporting "mutual" associations operating on cooperative principles.

⁷ Loans made.

⁸ Dividends on share capital.

⁹ Number of policyholders.

¹⁰ Gross premium income.

¹¹ Items cannot be totaled because most of member associations are in each case included also in the membership of the associations of wider scope, with resultant high degree of duplication.

¹² Includes one federation serving local credit unions, printing credit-union forms and other supplies.

Production by cooperatives.—It is the general practice in the cooperative movement that such production as is undertaken is carried on by federations of local associations rather than by the local associations themselves. This practice is based upon considerations of both efficiency and economy. In the United States, however, cooperative wholesaling has only recently developed to the point of undertaking manufacture, and some of the older and larger local associations have gone into this field themselves, producing for the most part commodities (such as bakery goods) requiring immediate sale or suitable

for local distribution or consumption. The articles produced by the local associations reporting included bakery goods, butter, ice cream, cheese, jams and jellies, canned goods, sirups, sausage and smoked meats, cosmetics, men's custom-made clothing, briquets, lumber, and flour and feed, and the generation of electric power. The total value of such commodities produced in 1936 was \$1,192,997.

The wholesale associations had a combined production—of butter, sausage, canned goods, coffee, bakery goods, lubricating oil, feed, and fertilizer—valued at \$1,009,039. One association has developed an international business in lubricating oils, with cooperative wholesales in several other countries.

Chapter 2.—RETAIL DISTRIBUTIVE ASSOCIATIONS

Summary

The Bureau of Labor Statistics estimates that in 1936 there were approximately 3,600 cooperative associations engaged in the retail distribution of consumer goods of various kinds, including such associations as stores, buying clubs, petroleum associations, bakeries, and creameries. These are quite distinct from the associations (such as housing, telephone, electricity, and burial associations) engaged in rendering various services. The total membership of these 3,600 retail distributive associations is estimated to have been about 677,750 at the end of 1936 and their total retail business done during the year \$182,685,000. The reports indicate that over 70 percent of the associations were able to effect a net saving for their members on the year's operations and that of these some 48 percent returned patronage refunds.

The above figures include many farmers' organizations engaged in the collective purchase of consumers' goods.

It is recognized that there is considerable difference of opinion as to whether the farmers' organizations which do collective purchasing for their members should be classed as consumers' cooperatives. Even the farm organizations themselves appear to be divided on this point. Many farmers' purchasing associations handle only farm supplies, or producer commodities—goods used only in the productive business of the farm. Whether such associations are consumers' cooperatives is a very moot point. However, insofar as they handle consumer goods—food and other commodities consumed or used by the household—they do unquestionably enter the consumer field. It was for that reason that farmers' organizations doing any consumer business were included in the Bureau's study.

Scope of Study

Data were obtained for 1,939 of the 3,264 local distributive associations known to be in existence at the end of 1936. The coverage as to business done was considerably greater than that for number of associations, as the returns include practically all of the larger associations. In view of these facts, the data were felt to be sufficiently inclusive to warrant computation of estimates for the whole cooperative distributive movement.

Allowance was made for undiscovered associations in the proportions that these were revealed by the field work, and for the fact that as most of the larger associations were known to be already covered, the averages for the nonreporting associations would be considerably under the averages for those reporting. On this basis the following estimates were arrived at, as representative of retail distributive cooperation in the United States at the end of 1936: 2,400 store associations (including buying clubs),² with 330,500 members and a business of \$107,250,000; 1,150 petroleum associations, with 325,000 members and a business of \$69,985,000; and 50 other distributive associations (creameries, bakeries, and water-supply associations, etc.), with 22,250 members and a business of \$5,450,000.

General Condition of Cooperatives

The Bureau's last previous survey covered the year 1933—at the low point of the depression. In the interval since then, the cooperative distributive movement has had both gains and set-backs. Many associations have gone out of business, but a greater number of new associations have been formed. In general the record is one of slow, quiet expansion, of the strengthening of both local and wholesale associations, and of increasing emphasis upon educational activities. The data at hand indicate that the rate of progress has been very uneven, being greatest where the sense of cohesion and of a definite social and economic aim was liveliest and least among the scattered associations operating on the "go-it-alone" policy. The field work done in the present survey discovered numbers of isolated associations going their own way, making mistakes that could have been avoided if they had been sufficiently in touch with the rest of the movement and had been utilizing the improved methods and other helps available through the central associations.

It is recognized that some of the organizations have faced difficulties beyond their control. Thus, the manager of a South Dakota association, in his annual report to the membership, made the following comment:

The 16 years which mark the life of our store have been, in many ways, without parallel in South Dakota history. They have brought deflation, poor crops, low prices, insects, bank failures, dust storms, foreclosures, Government relief, and changed the very fabric of our living.

Yet, despite these disheartening conditions, we have kept going. We are enjoying a profitable trade. We owe no debts. Our store is controlled chiefly by practical farmers. Its stockholders, with few exceptions, patronize the store generously, and are directly interested in its principal purpose. All things considered, we have done exceptionally well.

² It should be emphasized that this figure does not include farmers' cooperative stores handling feed, fertilizer, and other farm supplies, but no consumer goods. There are hundreds of such associations.

Two associations are known to have lost their stores by fire; both, however, took immediate steps to acquire a new place of business.

The associations in the textile towns of New England were very hard hit, with the closing (in some cases, permanently) of the factories upon which the members depended for their livelihood. One organization, visited in the course of the study, which had been started by German textile workers in 1915, had finally given up and was in process of dissolution at the time of the agent's visit in May 1937.

The miners' associations, also, have been through some bitter experiences caused by long-drawn-out strikes, by the depression, and by the closing down of unprofitable or worked-out mines. Some towns—notably in the copper district of Michigan and the coal-mining districts of southern Illinois—now contain a virtually stranded population. One of the oldest cooperatives in the country is located in such a town. At its peak the organization did an annual business of nearly \$400,000 and claimed that it had the largest sales of any retail store north of Milwaukee. During the period of its operation it has returned to its members in patronage refunds about 1½ million dollars. After the war the prosperity which the town had enjoyed because of the demand for copper ceased abruptly and the place became almost overnight a "ghost town."

An Illinois coal miners' association reports: "This cooperative almost went bankrupt extending credit to the miners during the United Mine Workers and Progressive Miners' Union troubles and has lost money during the years 1932 to 1935." Another miners' association in the same region had adopted the practice of "plowing in" the net earnings, by crediting the patronage refunds to the members' individual accounts and using the money as "loan capital" in the business. This association, whose store was described by the Bureau's representative who visited it as "the best I have seen thus far," operated at a loss in 1936 because the railroad mine upon which most of the members depended failed to pay wages due; individuals lost as high as \$800 each, and were unable to pay their bills at the cooperative. The Bureau's representative commented: "Right now this town of 1,000 people is in a pathetic condition. The only mine left is working 1 or 2 days a week and most of the people are on relief or P. W. A. projects."

Because of good management, sound financial judgment, and a loyal membership many associations have been able to prosper in spite of adverse conditions. Thus, in one Minnesota farming district, in a community in which 13 private stores are reported to have failed since 1915, both the cooperative store and the cooperative gasoline and oil association have flourished. Another cooperative, in Michigan, celebrated its twentieth anniversary in 1937. Its hard-

won success has been achieved in the face of an unprecedented depression which kept closed for 4 years the iron mines on which the members depend for their living and which resulted in the closing of all the private stores in the town, leaving the cooperative store in 1937 the sole avenue of trade. During the depression the cooperative doubled its volume of sales.

The Bureau has record of a number of associations which were able to pay patronage refunds every year in spite of the depression. Others which could have done so used the money to strengthen the financial position of the association.

Some gains and some losses have occurred in the legislative field. The usual tendency has been toward gradual improvement of the cooperative laws, in the light of the needs of the cooperative movement, as revealed by experience. However, in two States the cooperative statutes have been wiped off the books altogether within the past few years. Thus, the Wyoming Legislature, although the State constitution provides that "the legislature shall provide by suitable legislation for the organization of mutual and cooperative associations," repealed the consumers' cooperative act in 1931, leaving prospective cooperatives no special law, either cooperative or nonprofit, under which to incorporate. In the same year the California consumers' cooperative law was repealed and the cooperative associations were specifically made subject to the terms of the general corporation act of the State. In that State, the cooperatives have resorted to various expedients in order to retain their distinctive character as cooperative associations. Some are operating as unincorporated associations (involving unlimited liability to members); others had organized under the nonprofit act, thereby having to forego return of patronage refunds not considered permissible under the act, and were therefore operating on the cost-plus basis; and at least one was known to have organized as a fraternal association and to be carrying on its business activities through two separate subsidiary organizations.

On the favorable side of the ledger must be recorded three special measures intended to further the spread of public understanding of the cooperative philosophy. In August 1935 the Wisconsin Legislature passed a measure requiring the giving of courses in agricultural and consumers' cooperation throughout the public-school system of Wisconsin, from the State University downward, and making attendance at such courses a required part of matriculation in economics, the social studies, and agriculture. In 1937 a special session of the Minnesota Legislature appropriated \$5,000 to be used in providing educational material on cooperatives for schools and other groups in the State, and in 1938 the Legislature of North Dakota passed a measure requiring high schools to offer elective courses in cooperation.

Sponsoring Groups

The groups which have formed the cooperatives now in existence are varied. Among the first organizations to become interested in cooperative purchasing was the Patrons of Husbandry, or the Grange, as it is more commonly known. During the period 1866-79 the Grange stores were found throughout the East and Middle West. Though most of these stores failed during the depression of 1874-78 some of them survived and indeed a few are alive today.

Shortly after 1900, members of the new immigrant groups undertook cooperative activities. Among these were the Lithuanians and the Finns, whose favorite forms of cooperative enterprise at that time appear to have been stores and bakeries. Although the Lithuanian enterprises are not outstanding at present, the Finnish societies form one of the strongest elements in the cooperative movement of this country today. Italian associations have been started here and there throughout the country; it must be said, however, that many of the Italian associations studied by the Bureau of Labor Statistics leave much to be desired as to cooperative philosophy and practice. Other national groups which still have cooperative associations in successful operation include the Slovenians, Czechoslovaks, and Scandinavians. Few of the associations started early in the present century in New England by English textile workers remain. These have been gradually disappearing, one by one.

During the years of the World War, when prices were rising faster than wages, organized-labor groups became interested in the cooperative movement and labor cooperatives began to be established in many places. Especially active in fostering cooperatives were the organized coal miners and railroad workers. Miners' associations were found in many localities in Illinois, Indiana, Ohio, and Pennsylvania. Most of these went down in the general crash of the National Cooperative Wholesale and the depression of 1920-21. A few of the coal miners' stores still remain, especially in Illinois and Pennsylvania, but they have suffered from the recent depression and from the bad conditions in the coal industry. However, one of the most successful associations now existing in this country is a coal miners' organization in Ohio, which has had a record of continuous expansion and growth.

Other industrial groups with cooperatives in operation include the ore miners (copper and iron) in Michigan and Minnesota; gold and silver miners in Idaho; railroad workers in Kentucky, Michigan, Minnesota, North Dakota, and South Carolina; textile workers in Connecticut, Massachusetts, and North Carolina; and professional and white-collar groups in New York, Illinois, Ohio, and elsewhere.

In the spot studies made for the Bureau of Labor Statistics in connection with the present survey, it was noted that numbers of the new urban associations are those of professional groups and of middle-

class persons. Organized labor is taking a new interest in the possibilities of cooperation and in the formation of cooperative enterprises. Church groups are also manifesting a lively and growing interest in cooperation.

Farmers, in their occupational capacity, have been interested in the cooperative method for more than half a century. Although their interest formerly was centered for the most part in the cooperative marketing of their products, they have been taking an increasing interest in the collective purchase of their farm supplies—feed, seed, fertilizer, fencing, machinery, containers, binder twine, etc. From this it has been an easy step, taken more and more generally during the past few years, to the purchase of household supplies, groceries, work clothing, fuel, etc.

In some of the subsistence-homesteads projects sponsored by the Federal Government, the homesteaders have formed cooperative associations to provide themselves with food, farm supplies, raw materials for their productive enterprises, and associations for marketing their products.

College students are turning to cooperation for the provision not only of their textbooks but also, during the past few years, for the provision of meals and lodging, laundry, and cleaning and pressing service. It must be said, however, that many of the so-called students' cooperatives are not genuinely cooperative but include supply organizations run by the school for the benefit of the students but not controlled by them; dormitories owned by the school in which needy students are enabled to work out part of their subsistence, etc. As the students' cooperatives are in operation only during the school year and as the membership changes considerably from year to year as upper classmen graduate and new students come in as freshmen, these cooperatives in many cases lapse at the end of the year, a new association being formed, if desired, the next year.

A number of consumer cooperatives have evolved from self-help associations,³ whose emphasis was on production, to full-fledged consumers' organizations in which the production is carried on as a subsidiary activity.

There are a few cooperatives whose membership is composed entirely or partly of Negroes. They vary considerably in their degree of success, but have usually resulted from the leadership of one especially gifted member or of a small group. As the colored workers are generally among the worst sufferers in time of depression and unemployment, their associations have encountered extremely hard times during the past few years. In at least one case the membership includes a large proportion either on relief or engaged on W. P. A.

³ This term is used to designate associations formed among the unemployed, for the production and barter of goods and exchange of services. Articles on these associations have appeared in many issues of the *Monthly Labor Review*; data for 1936 are shown in the July 1938 issue (pp. 1-17).

jobs, and consequently with very low purchasing power. In fact, the association grew out of a self-help organization formed among the unemployed, which was given a small grant under the Federal Relief Act of 1933.

Year of Formation

More than 1,900 associations furnished data as to the year in which they were started. Exactly one-fifth of these were started during the wave of cooperative enthusiasm that occurred in the war and post-war period of 1916 to 1920. Almost one-seventh were formed during 1926-29. Altogether nearly one-third dated from 1920 or earlier and had therefore, at the end of 1936, been in operation 16 years or more. Twenty-five associations reporting in the present study dated from 1900 or earlier. Two of these were 60 and 57 years old, respectively; one was a Grange store started in 1876 and the other a consumers' county-wide store association started in 1879. The effect of the depression in turning the minds of workers to cooperation as a means of stretching the purchasing power of the rapidly diminishing contents of the pay envelope is seen in the fact that 24.9 percent were formed in the years 1930-34. That this public interest has persisted is shown by the fact that 184 and 183, respectively, of the reporting associations (9.8 percent each) were formed in the years 1935 and 1936. Reports for 1937 indicate that an even larger number were formed in that year.

That the earliest associations were overwhelmingly store associations is also indicated in the following table, the period during and immediately following the World War being especially productive of this type of cooperative, as well as of the marketing association which had added collective purchasing to its duties. Cooperative associations handling gasoline and motor oil did not begin to make their appearance until the 1920's. Of 29 petroleum associations predating that time, all had been started for the purpose of doing a general store business; gasoline was later added and during the course of the years had gradually assumed greater and greater importance and by the end of 1936 had become the associations' major line. The development of the service associations has followed about the same line as that of petroleum associations. The buying clubs are relatively new and have become increasingly popular during the past 2 or 3 years. The oldest of those reporting were formed in the period 1921-25. It should be stated in this connection that the life of the buying club, in that form, is usually short. Being an informal organization involving no capital investment and with nothing tangible to "tie" the member to the organization, the usual course is that the club either fades out altogether in a few years or graduates into a full-fledged business enterprise operating some sort of an industrial estab-

lishment. A considerable number of the store and service associations covered in the present report started as buying clubs.

TABLE 6.—*Year or Period of Formation of Distributive Cooperatives*

Period	Total		Store associations	Buying clubs	Petroleum associations	Distributive departments of marketing associations	Other distributive associations
	Number reporting	Percent					
All periods.....	1,869	100.0	885	96	733	140	15
1880 or earlier.....	2	.1	2				
1881-85.....	5	.3	5				
1886-90.....	2	.1	1			1	
1891-95.....	9	.5	7			2	
1896-1900.....	7	.4	6			1	
1901-5.....	22	1.2	14		1	7	
1906-10.....	53	2.8	37		4	12	
1911-15.....	129	6.9	89		6	32	2
1916-20.....	379	20.3	308		18	46	7
1921-25.....	166	8.9	113	3	41	8	1
1926-29.....	263	14.1	57	1	195	9	1
1930.....	112	6.0	17		92	3	
1931.....	97	5.2	17	2	76	1	1
1932.....	44	2.4	12	1	29	2	
1933.....	73	3.9	18	3	48	3	1
1934.....	139	7.4	38	1	92	7	1
1935.....	184	9.8	61	34	83	5	1
1936.....	183	9.8	83	51	48	1	

Fields of Cooperative Activity

A wide variety of activities is being carried on by the local distributive associations. Although the store selling groceries or general merchandise is still the most prevalent type of cooperative, the associations handling petroleum products are increasing in numbers. These two groups are increasingly overlapping in their functions. The petroleum associations, in the early years of their development, handled gasoline and motor oil only. Later they began to carry automobile tires and then various accessories such as batteries, tubes, etc. Among the latest developments in this field are the addition of certain electrical appliances, such as light bulbs, washing machines, toasters, percolators, fans, and radios for cars and for homes; and now, finally, an increasing number are putting into stock small supplies of groceries. Collective purchase of groceries was reported by the Bureau's agents to be on the increase in farmers' creameries, also.

Some of the general-store associations handle a great variety of goods, including groceries, meats, clothing (work clothing for men, house dresses, limited lines of children's clothing), shoes, notions, dry goods, fuel, hardware, gasoline and motor oil, tires, farm supplies of all kinds, radios, electrical appliances, refrigerators, and washing machines. Although they do not generally carry furniture in stock, usually they will order whatever the member desires. Large numbers of these associations, in towns where there is no cooperative petroleum

association, also dispense gasoline and motor oil through curb pumps or separate service stations.

Unusual forms of cooperative effort revealed by the survey include one association which has no store but operates a trailer truck, taking the goods directly to the members; two associations which run beer taverns; and one which has a beauty parlor. One store association operates a coal mine to supply its members with fuel. Two associations handle artists' and teachers' supplies.

Associations carrying on several lines of activity have been classified, in the present study, according to the principal activity. Thus an association which reported that its main line of business was the operation of a grocery store was considered as a "store" society, even though it may also have been operating a bakery, a creamery, or a gasoline service station.

In order to avoid confusion it should be noted that the data on creameries cover only those run for the benefit of the consumers of dairy products; they do not include creameries whose function is the processing or the marketing of the farmers' milk products on the open market. Also, the water-supply associations included here are purely consumer organizations; there are hundreds of water-supply associations whose business is the supply of water for the irrigation of farm lands, but these cannot be regarded as consumer associations. It should also be emphasized that all of the farmers' associations included were handling some consumer goods.

Many cooperatives, especially the buying clubs, have arrangements with local tradesmen by which services of various kinds (such as cleaning and pressing, laundering, or automobile repair) are made available to their members at an agreed discount. Organizations with such arrangements are here classified according to the principal establishment operated by them or by their chief function (as buying club, store, etc.).

BAKERIES

As far as the knowledge of the Bureau of Labor Statistics goes there were at the end of 1936 only nine associations whose main enterprise was a bakery; all of these were in the three States of Massachusetts, New Jersey, and New York. There were, however, seven associations in other businesses which were operating a bakery as one department of their business.

The 7 bakery associations from which the Bureau received reports had a combined membership of 5,307 and sales of \$595,680.

All of these bakery associations have been in operation a long time. Not one of those reporting was started later than 1920. Two were formed in 1917, one in 1918, one in 1919, and three in 1920. The average age for the group was slightly over 18 years.

Although cooperative societies are not numerous among Jews in this country, the bakery business is one branch of cooperation that seems to have appealed to them. Several of the known bakery associations are mainly of Jewish membership and specialize in Jewish breads. In four others the predominant nationality is, respectively, Polish, Lithuanian, Italian, and Finnish.

It is customary among the bakery associations to operate a retail store in which the bakery products are sold. All of the associations reporting in this survey have such stores and one of them has two. One association also operates a dairy, with a number of milk routes throughout the city.

All of the reporting associations operate on the Rochdale basis of one vote, no proxy voting, and return of patronage refunds when earned. In one of the associations, however, membership is open only to persons of Polish descent. A considerable proportion of their business is done with nonmembers, the proportion ranging in the reporting associations from 25 percent to "nearly all." To some extent this high proportion of nonmember business is due to the fact that these organizations supply other cooperatives which have no bakery of their own.

These bakery associations are predominantly working-class associations, and their history is one of close association with labor movements and with labor's struggles to improve its condition. Their employees are, almost without exception, unionists receiving union rates or better. One association was started by bakers who were striking against conditions in the private bakeries in which they were employed.

It will be noted that, although it is generally their practice to return patronage refunds, none of them did so in 1936. This was accounted for by the fact that three of them operated at a loss that year, and three had only small net earnings. It has often been true, however, that the members have voted to use their earnings for social purposes. In fact one association was reported to be in financial difficulties because of its overgenerous assistance to workers involved in a strike. Aid to strikers by cooperative bakeries has been a common occurrence. Indeed, at the time of the visit of the Bureau's agent, the manager of one association was on the point of departure to a neighboring town, where a strike was in progress, to arrange for the distribution of free bread among the strikers; this association had also done much charitable work in assisting flood sufferers.

In general, the viewpoint of the bakery associations may be said to be that of the worker-producer rather than that of the consumer. (The same is true of one of the creamery associations.) Their worker, rather than consumer, viewpoint is also indicated by the fact that although they are all situated in a region where there is a cooperative

wholesale, all but one reported that they purchased none of their flour and other materials from cooperative sources. The one exception, a Finnish association, purchases about one-third of its supplies from cooperatives.

All but two of the associations charge current prices for their product. One association which sells below prevailing prices does so in the belief that in this way it assists in keeping down the price of bread in the locality, and thus "has helped the working people much more than patronage refunds would have done."

CREAMERIES

Associations operating creameries as their principal line of business are also few in number. Of the four associations of this group which reported, three have their own dairies and one which does none of the processing of the milk operates two milk trucks for its distribution. In addition to the consumers' creamery associations, 20 associations in other lines of business were operating a creamery department.

The reporting creamery associations range in size from 99 to 3,925 members. These are younger associations than the bakeries. Of the four included in this report, one was formed in 1921, one in 1927, one in 1934, and one in 1935.

One of these associations, a much-publicized organization, was formed by milk-wagon drivers on strike against the local milk distributors in 1921. Although organized in the form of a consumers' cooperative, it has come to be, to all intents and purposes, a workers' organization. Undoubtedly, doing as it does, a business amounting to several million dollars each year, it has exerted considerable influence on local prices and quality. It sponsors many social events, goes in for recreational and athletic events, and for a while ran a clinic for undernourished children. Its main problem is to obtain the participation of its general membership.

Two of the associations purchase none of their milk from cooperative sources, but of the other two, one purchases 99 percent and the other purchases all of its milk and most of its cream from farmers' cooperatives. Here again, a very large proportion of the business is done with nonmembers, ranging from 50 to 90 percent.

WATER-SUPPLY ASSOCIATIONS

The water-supply associations, as indicated elsewhere, are entirely consumers' organizations. Their only plant is, in each case, the water main or mains used to pipe the water to the homes of their members. All but one of the five associations are in California and Washington; the exception is in Wisconsin. One of the associations dates from 1913, one from 1915, one from 1931, and one from 1933. Their membership ranges from 12 to 350.



FIGURE 1.—GENERAL STORE OF COOPERATIVE MERCANTILE ASSOCIATION, BIWABIK, MINN.



FIGURE 2.—ELECTRICAL-APPLIANCE DEPARTMENT OF DELAWARE COUNTY FARM BUREAU COOPERATIVE ASSOCIATION, DELAWARE, OHIO.



FIGURE 3.—GASOLINE SERVICE STATION OF COOPERATIVE TRADING CO.,
WAUKEGAN, ILL.

This association also operates eight retail stores, a bakery, a dairy, and a warehouse.



FIGURE 4.—LOADING COAL AT FUEL YARD OF COOPERATIVE SERVICES,
INDIANAPOLIS, IND.

This association also operates two gasoline service stations.

Operating Facilities

Further indication of the variety of cooperative services and of the expansion of individual associations is given in table 7. Operating facilities were reported upon by 766 distributive store associations, 736 petroleum associations, and 17 "other distributive" associations. These 1,519 associations were running a total of 3,478 establishments of various kinds, including 1,007 stores and 831 gasoline service stations; as will be noticed, many of the farmers' associations carry on their distributive business through warehouses.

TABLE 7.—*Operating Facilities of Reporting Distributive Cooperatives, 1936*

Facility	Facilities of specified kind, operated as—	
	Principal enterprise	Auxiliary enterprise
Retail stores.....	863	144
Warehouses.....	143	272
Gasoline and oil—		
Service stations.....	665	166
Curb pumps.....	648	196
Bulk stations.....	821	96
Tank trucks.....	1,119	115
Fuel yards.....	56	155
Garages.....		7
Bakeries.....	7	7
Creameries.....	13	120
Restaurants and cafeterias.....		6
Rooming houses.....		1
Clubrooms.....		1
Lumber yards.....		14
Feed mills.....		8
Water mains.....	5	
Other.....	² 1	³ 17

¹ Does not include 1 association which operated milk routes but had no creamery of its own.

² Huckster truck.

³ Includes 1 cheese factory, 1 sausage factory, 2 beer taverns, 2 huckster trucks, 1 soda fountain and lunch counter, 4 bowling alleys, 1 beauty parlor, 1 stoker plant, 1 briquet plant, 1 shoe-repair shop, 1 coal mine, and 1 electricity generating plant.

Analysis of the number of establishments operated by the store and petroleum associations reveals the extent to which these two types of associations overlap. Thus, the 766 store associations, besides their 863 stores, 232 warehouses, 155 fuel yards, 7 bakeries, and 19 creameries, were also operating 191 curb pumps at the stores, 154 separate service stations, and 91 bulk stations, and had a total of 111 tank trucks. The 736 petroleum associations had in operation, in addition to their facilities for dispensing gasoline and oils, 139 stores, 183 warehouses, and 38 fuel yards.

Membership

The distributive associations which reported as to membership included on their rolls nearly half a million persons at the end of 1936. The greatest single group of cooperators was in the gasoline and oil associations; these accounted for 50.6 percent of the whole number

and the store associations followed next in order with 40.5 percent of the total.

TABLE 8.—*Membership of Distributive Cooperatives, 1936, by Major Line of Business*

Major business	Number of associations reporting	Members	Average per association	Major business	Number of associations reporting	Members	Average per association
All associations.....	1,782	458,812	257	Buying clubs.....	94	6,573	70
Store associations.....	851	185,860	219	Petroleum associations.....	693	232,417	335
Groceries ¹	256	40,757	159	Distributive departments of marketing associations.....	131	23,530	180
General merchandise.....	200	40,624	203	Bakeries.....	5	5,307	1,061
Students' supplies.....	10	18,081	1,808	Creameries.....	3	4,497	1,124
Fuel.....	57	8,923	157	Water-supply associations..	5	628	126
Farm supplies.....	313	72,249	231				
Miscellaneous ²	15	5,226	348				

¹ Includes those handling meat also.

² This group includes mail-order, artists' supplies, clothing, and "other household supplies" associations.

What may be termed the typical American consumers' cooperative, from the point of view of membership, has from 100 to 250 members; 36.9 percent of all the distributive associations reporting fell in this group. Altogether, 88.7 percent of the total reporting had fewer than 500 members. There were, however, 62 cooperatives (3.5 percent) with 1,000 or more members each.

TABLE 9.—*Distribution of Distributive Cooperatives, by Number of Members at End of 1936*

Major business	Total reporting	Number of associations with classified membership								
		Under 50	50 and under 100	100 and under 250	250 and under 500	500 and under 750	750 and under 1,000	1,000 and under 2,000	2,000 and under 3,000	3,000 and over
All associations.....	1,782	245	350	658	328	93	46	50	7	5
Store associations.....	851	146	192	321	123	33	9	16	4	2
Buying clubs.....	94	59	23	8	3	—	—	1	—	—
Petroleum associations.....	693	28	101	259	176	58	37	30	2	2
Distributive departments of marketing associations.....	131	9	33	69	16	2	—	2	—	—
Bakeries.....	5	—	—	—	3	—	—	1	—	—
Creameries.....	3	—	1	—	1	—	—	—	—	1
Water-supply associations.....	5	3	—	1	1	—	—	—	—	—

The associations handling petroleum products are found almost wholly in the Mississippi Valley States, with only a few in the Middle Atlantic and Mountain States; there are only scattered associations of this type elsewhere throughout the country. In the Mississippi Valley States the farmers (who use large quantities of gasoline in their farm work) have taken the lead in the formation of these associations. The absence of development in the Eastern States may perhaps be due to lack of nearby, available sources of supply, and the large numbers of members in the low-paid occupations (and consequently without automobiles).

Buying clubs are playing an important part in the present development of the cooperative movement, especially in urban areas. Presenting, as it does, a simple mechanism requiring almost no capital, the buying club is ideal in training persons how to work together. For small groups without sufficient funds, at the beginning, to operate a store or other enterprise requiring plant and equipment, it offers opportunities for savings without financial hazard. Most of the clubs reporting in the present survey were located in large cities. In numbers, New York, California, and Illinois led the way; most of the clubs in those States were in New York City, Los Angeles, and Chicago.

The stores are especially numerous in Minnesota, Wisconsin, and Illinois, as table 10, covering those reporting, indicates.

TABLE 10.—*Membership of Reporting Distributive Cooperatives, by Types and by States, 1936*

State	Total		Store associations		Petroleum associations		Other	
	Number reporting	Members	Number reporting	Members	Number reporting	Members	Number reporting	Members
United States.....	1,782	458,812	851	185,860	693	232,417	238	40,535
Alabama.....	3	1,235	3	1,235	—	—	—	—
Arkansas.....	2	134	2	134	—	—	—	—
California.....	45	6,518	30	4,123	1	80	14	2,315
Colorado.....	16	4,104	5	328	9	3,499	2	277
Connecticut.....	14	4,430	11	4,332	—	—	3	98
Delaware.....	1	100	—	—	—	—	1	100
District of Columbia.....	3	702	—	—	1	196	2	506
Florida.....	2	73	2	73	—	—	—	—
Idaho.....	17	7,611	5	814	12	6,797	—	—
Illinois.....	149	66,296	72	12,754	58	51,900	19	1,642
Indiana.....	75	33,838	42	18,215	29	13,330	4	2,293
Iowa.....	84	21,740	23	2,812	55	17,720	6	1,208
Kansas.....	151	21,451	57	8,291	47	6,376	47	6,784
Kentucky.....	3	388	3	388	—	—	—	—
Maine.....	9	2,046	9	2,046	—	—	—	—
Maryland.....	5	853	5	853	—	—	—	—
Massachusetts.....	33	17,445	25	16,141	—	—	8	1,304
Michigan.....	87	15,950	71	13,886	3	657	13	1,407
Minnesota.....	224	64,827	104	23,037	105	35,917	15	5,873
Missouri.....	48	8,281	33	5,454	5	1,334	10	1,493
Montana.....	49	5,632	5	1,081	40	4,091	4	460
Nebraska.....	123	25,623	50	7,467	59	16,723	14	1,433
New Hampshire.....	4	1,494	4	1,494	—	—	—	—
New Jersey.....	10	2,436	9	2,351	—	—	1	85
New Mexico.....	2	852	—	—	2	852	—	—
New York.....	65	14,953	28	6,791	4	1,921	33	6,241
North Carolina.....	1	79	1	79	—	—	—	—
North Dakota.....	63	10,141	7	530	51	8,729	5	882
Ohio.....	76	17,460	45	9,781	22	6,478	9	1,201
Oklahoma.....	13	3,044	7	2,119	5	823	1	102
Oregon.....	20	7,265	7	3,986	11	2,746	2	533
Pennsylvania.....	31	4,142	28	3,759	1	312	2	71
Rhode Island.....	1	131	1	131	—	—	—	—
South Dakota.....	34	9,498	14	1,779	16	7,237	4	482
Tennessee.....	6	2,423	4	799	—	—	2	1,624
Texas.....	32	6,926	7	625	20	5,900	5	401
Utah.....	4	250	3	185	1	65	—	—
Vermont.....	3	871	3	871	—	—	—	—
Virginia.....	4	2,799	3	2,565	1	234	—	—
Washington.....	55	11,088	27	5,703	24	4,897	4	488
West Virginia.....	8	1,502	8	1,502	—	—	—	—
Wisconsin.....	200	51,116	86	17,100	106	32,783	8	1,232
Wyoming.....	7	1,066	2	246	5	820	—	—

COMPOSITION OF MEMBERSHIP

Although the Bureau did not ask specifically for data on the occupational or other composition of the membership, such information was obtained in the spot studies made in five different localities and is at hand for a considerable number of other associations.

Among these, farmers' organizations outnumber by far the other occupational groups. Miners' associations rank next. The reporting associations include four coal miners' organizations in Illinois, one in Ohio, and three in Pennsylvania; three cooperatives of iron-ore miners in Minnesota (these also have many farmers in their membership); and two associations of copper miners in Michigan. Associations of textile workers reporting included two in Massachusetts, one in Connecticut, and one in North Carolina. The majority of the members in one association in Michigan are employees of a local power company; in another (Wisconsin), employees of a local cooperative dairy; in a third (Illinois), unskilled employees of the International Harvester Co.; and in a fourth (Wisconsin), the members are all district managers and carriers of a city newspaper. In an association situated in a suburb of Detroit the organization was started and is officered by school teachers. Associations of railroad workers include one in Minnesota, one in North Dakota, and two in Michigan. In two cooperatives in Illinois the membership consists largely of skilled laborers and unskilled laborers, respectively. Professional and white-collar people form the majority of the members in three other Illinois organizations.

One Illinois association which made an analysis of its membership from the point of view of occupation reported its make-up as follows: Teachers, students, and ministers, 164; other professions, 43; business people, 54; and unclassified, 29.

LIMITATIONS ON MEMBERSHIP

One of the tenets of Rochdale cooperation is that of open membership. Associations conforming to this principle accept any person 18 years of age or over who can make use of the services rendered by the association. Generally the only restrictive requirements are that the prospective member must not be engaged in a business competing with the cooperative or have other interests hostile to those of the association.

Of more than 1,900 distributive associations reporting in the present survey, only 326 imposed any limitation on membership. That such limitations are far more general among the farmers' than among the other consumers' associations is shown by the fact that only some 6 percent of the latter as against 24 percent of the former were in this class.

The various farm organizations ⁴ have fostered in greater or less degree the formation of all types of cooperatives for their members. However, their tendency has been to make the cooperative activity only an adjunct of the farm organization's program, and to keep the cooperative and its policies under the direction of the sponsoring organization.

Only farmers were accepted into membership in 263 associations reporting to the Bureau of Labor Statistics (48 of these also required membership in a particular farm organization) and 3 additional associations specified that the new member must have some "agricultural interest or connection." Some of these defined what they meant by "farmers." Two associations based their definition on income (i. e., as having their "main income" or at least 5 percent of their total income from the farm), and 11 others on the total acreage worked. Of the latter group, eight regarded as a farmer a person owning or farming 3 acres or more and three associations a person with 5 acres or more. In one association the applicant for membership must be a "dirt" farmer. Nineteen associations accepted either landowners or renters, but an additional association accepted owners only.

Of the farmers' associations which admitted nonfarmers, three specified that their proportion in the total membership should not exceed 10 percent, and four others did not allow them to vote. This meant, of course, that although the nonfarmer members contributed to the success of the store through their patronage and may even have shared in the patronage refund, they had no voice in determining the association's policies.

Besides restricting the field of operations of the society, the interlocking relationship between the cooperative association and the parent farm body has frequently resulted in multiplication of cooperatives, each serving its own group. Among the reports received in the present study are three from one little town of 600 population, which has two farmers' stores sponsored by competing farm organizations and a third composed of residents of the town. If people simply cannot get along together, it may be desirable to form separate associations. It is safe to say, however, that schisms are not so apt to occur over honest differences of opinion on cooperative policy as over extraneous matters not connected with cooperation at all.⁵ In the town in question, instead of three small associations struggling along with indifferent success, given the combined purchasing power of all

⁴ These include the National Grange, Farmers' Cooperative and Educational Union, National Farm Bureau, and Farmers' Equity Union.

⁵ An example in point is the division in the cooperative movement, about 1930, on the question of communism.

three memberships it should be possible to build one large, successful association.⁶

Among the other consumers' associations which restricted their membership one stated that its rolls were closed "for the present"; five others had a limit on the total number of members. Thirteen limited the membership to the students and faculty of a specified college or university, one to the residents of a single apartment house, one to the members of a specified cooperative association, three to residents of the locality where the cooperative was situated, and one to participants in a specified homestead project. Three limited their membership to persons of the white race. Eight had nationality requirements, accepting only Czechs (one association), French (one association), Italians (two associations), Lithuanians (one association), or Polish (three associations). One organization limited its membership to persons who were members of a specified fraternal association (which in turn accepted only persons coming from Lombardy, Italy).

One association barred bankers and lawyers and two excluded business men.

Amount of Business, 1936

The associations reporting to the Bureau had retail sales⁷ in 1936 aggregating \$146,309,260. In sales as well as in membership (as already seen) the petroleum associations were outstanding, doing well over one-third (34.7 percent) of the total business.

The tables here given do not present a complete picture of local distribution of petroleum products on the cooperative plan. In some States—notably in Minnesota, Michigan, and Wisconsin—there are a number of associations, intermediate in character between the retail petroleum associations and the wholesale associations dealing in petroleum products. They are owned by the local store associations throughout a certain district (but less than State-wide in scope) and distribute the gasoline and oil throughout that district. In the present study these have been regarded as federated rather than local associations and have been included with the wholesales.⁸

⁶ On the question of amalgamation of associations, it might be pointed out that there is a very definite tendency toward the formation of larger units. Not only are mergers of small associations within urban areas taking place, but in numerous instances small associations have become branches of successful organizations in some nearby town, with resultant increase of purchasing power and reduction of overhead expense.

⁷ Some of the retail associations have a small amount of wholesale sales—i. e., sales of members' produce, or wood products or handicraft articles, sales to other cooperatives or to local dealers (as of milk, bakery goods, etc.). This wholesale business is not included in these figures. There were 139 associations which reported some wholesale sales; these totaled \$8,924,536 for the year 1936. It should be emphasized that these wholesale sales do not include marketing business of farmers' marketing associations, the distributive departments of which are included in this survey; the data here given for such distributive departments are for retail sales of consumer goods and farm supplies only.

⁸ The 9 associations in this class were owned by 81 local retail associations and did a combined business in 1936 of \$958,815.

TABLE 11.—*Sales of Reporting Distributive Cooperatives, 1936, by Major Line of Business*

Major business	Number of associations reporting	Amount of sales	Average per association
All associations.....	1,805	\$146,309,260	\$81,058
Store associations.....	858	71,052,638	82,716
Groceries ¹	259	11,612,935	44,838
General merchandise.....	194	15,726,165	80,647
Students' supplies.....	12	1,884,310	157,026
Fuel.....	56	5,515,885	98,498
Farm supplies.....	322	35,441,276	110,066
Miscellaneous ²	15	872,067	58,138
Buying clubs.....	79	415,991	5,266
Petroleum associations.....	722	50,911,944	70,515
Distributive departments of marketing associations.....	132	20,360,534	154,246
Bakeries.....	6	595,680	99,280
Creameries.....	4	2,954,121	738,530
Water-supply associations.....	3	18,352	6,117

¹ Includes those handling meat, also.² This group includes mail-order, artists' supplies, clothing, and "other household supplies" associations.

Of the whole group of distributive associations, 48 percent fell in the sales range of \$25,000 to \$100,000, as the following table shows.

TABLE 12.—*Distribution of Distributive Cooperatives by Amount of Business in 1936*

Major business	Total number reporting	Number of associations doing classified amount of business in 1936							
		Under \$10,000	\$10,000 and under \$25,000	\$25,000 and under \$50,000	\$50,000 and under \$100,000	\$100,000 and under \$250,000	\$250,000 and under \$500,000	\$500,000 and under \$1,000,000	\$1,000,000 and over
All associations.....	1,805	249	279	449	422	334	55	10	7
Store associations.....	859	114	137	209	189	168	32	5	5
Buying clubs.....	79	74	3	—	—	2	—	—	—
Petroleum associations.....	722	49	117	208	198	128	19	3	—
Distributive departments of marketing associations.....	132	10	19	29	33	35	3	2	1
Bakeries.....	6	—	1	2	1	1	1	—	—
Creameries.....	4	—	1	1	1	—	—	—	1
Water-supply associations.....	3	2	1	—	—	—	—	—	—

Leading distributive associations, in point of sales in 1936 (omitting three students' associations which had sales of over a million dollars each) were: The Franklin Cooperative Creamery Association, Minneapolis, Minn., with sales of \$2,827,560; the Cloquet Cooperative Society, Cloquet, Minn., with sales of \$1,125,714; the Cooperative Trading Co., Waukegan, Ill., with sales of \$709,736; and the New Cooperative Co., Dillonvale, Ohio, with sales of \$639,476.

The greatest amount of cooperative business is still concentrated in the North Central States, more than 70 percent of the total in 1936 having been done there.

TABLE 13—Sales of Reporting Distributive Cooperatives, by Types and by States, 1936

State	Total associations		Store associations		Petroleum associations		Other associations	
	Number reporting	Sales	Number	Sales	Number	Sales	Number	Sales
United States.....	1,805	\$146,309,260	859	\$71,052,638	722	\$50,911,944	224	\$24,344,678
Alabama.....	3	92,900	3	92,900				
Arkansas.....	2	1,652,481	2	1,652,481				
California.....	61	12,046,218	28	2,057,081	21	847,264	12	9,141,873
Colorado.....	17	1,156,030	5	101,288	10	994,533	2	60,209
Connecticut.....	12	1,150,535	10	1,001,267			2	149,268
Delaware.....	1	1,829					1	1,829
District of Columbia.....	2	7,000			1	1,500	1	5,500
Florida.....	1	6,921						
Idaho.....	17	1,151,257	5	416,087	12	735,170		
Illinois.....	157	15,562,150	71	5,007,718	67	9,763,569	19	790,863
Indiana.....	81	9,925,374	45	5,818,857	31	3,640,581	5	465,936
Iowa.....	90	6,889,262	24	1,442,435	59	4,604,366	7	842,461
Kansas.....	147	8,452,962	58	2,919,109	46	1,655,399	43	3,878,454
Kentucky.....	4	182,576	3	119,298	1	63,278		
Maine.....	11	728,670	11	728,670				
Maryland.....	5	297,979	5	297,979				
Massachusetts.....	31	4,714,590	26	4,571,139			5	143,451
Michigan.....	84	5,844,885	69	5,228,857	3	315,066	12	300,932
Minnesota.....	240	19,541,440	107	7,280,147	114	7,455,135	19	4,806,158
Missouri.....	50	2,987,434	34	2,345,592	6	276,504	10	365,338
Montana.....	47	1,956,338	4	535,960	39	1,265,549	4	154,829
Nebraska.....	132	9,002,015	53	4,141,215	62	3,682,787	17	1,178,013
New Hampshire.....	2	171,693	2	171,693				
New Jersey.....	9	1,591,662	9	1,591,662				
New Mexico.....	2	913,796			2	913,796		
New York.....	61	2,986,355	28	2,132,652	4	191,565	29	662,138
North Carolina.....	2	53,500	2	53,500				
North Dakota.....	61	3,226,936	7	281,377	51	2,595,462	3	350,097
Ohio.....	84	7,807,706	50	5,265,762	25	2,348,711	9	193,233
Oklahoma.....	13	1,119,542	7	892,204	5	190,338	1	37,000
Oregon.....	20	1,177,580	8	844,782	10	251,941	2	80,857
Pennsylvania.....	29	1,532,676	27	1,507,679	1	24,402	1	595
Rhode Island.....	1	43,654	1	43,654				
South Dakota.....	35	2,154,585	15	681,576	16	1,350,215	4	122,794
Tennessee.....	4	231,218	3	228,633			1	2,585
Texas.....	30	1,274,996	7	169,902	19	1,034,495	4	70,599
Utah.....	5	18,467	3	13,650	2	4,817		
Vermont.....	1	392,640	1	392,640				
Virginia.....	5	1,355,899	4	1,271,101	1	84,798		
Washington.....	31	1,710,370	26	1,591,571	2	90,589	3	28,210
West Virginia.....	8	229,073	8	229,073				
Wisconsin.....	200	14,529,934	86	7,899,526	106	6,118,952	8	511,456
Wyoming.....	7	436,132	1	25,000	6	411,132		

BUSINESS WITH NONMEMBERS

That a considerable proportion of business is done with nonmembers is indicated by table 14. More than a quarter of the 1,729 associations reporting on this point did from 25 to 50 percent of their business with nonmembers. Less than 10 percent restricted their business dealings entirely to members.

TABLE 14.—Percent of Distributive Associations Doing Classified Proportion of Business With Nonmembers in 1936

Percent of business done with nonmembers	Total	Store associations	Buying clubs	Petroleum associations	Distributive departments of marketing associations	Other distributive associations
All associations:						
Number reporting.....	1,729	826	87	669	135	12
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0
None.....	8.7	4.8	55.2	8.0	5.2	16.7
Under 10 percent.....	12.5	8.0	14.9	18.4	11.1	-----
10 and under 15 percent.....	11.9	8.2	18.4	16.7	5.9	8.3
15 and under 20 percent.....	6.1	4.6	2.3	8.2	7.6	-----
20 and under 25 percent.....	6.4	6.3	2.3	6.7	8.9	-----
25 and under 50 percent.....	28.7	29.9	2.3	29.0	38.0	16.7
50 and under 75 percent.....	18.7	28.0	3.4	9.4	16.3	41.7
75 percent and over.....	7.0	10.2	1.2	3.6	7.0	16.7

Operating Expenses

Usable data on expenses of operation were obtained for 278 associations—43 handling general merchandise, 39 selling groceries or groceries and meats, 53 handling other commodities, and 143 handling petroleum products. The sales of these associations in 1936 aggregated \$22,403,336 and their operating expenses were \$2,771,917, or 12.37 percent of sales. Details are shown in table 15.

TABLE 15.—Operating Expenses of Retail Distributive Cooperatives, 1936

Item of expense	Percent (in terms of total sales) spent for specified items					
	All associations (278)	Store associations				Petroleum associations (143)
		Total (135)	General merchandise (43)	Groceries (39)	Other (53)	
Wages, salaries, and commissions.....	7.199	5.981	6.190	7.845	5.040	9.163
Advertising.....	.214	.232	.253	.353	.165	.186
Wrappings.....	.100	.136	.272	.228	(¹)	.041
Total sales expense.....	7.513	6.349	6.716	8.427	5.206	9.391
Miscellaneous delivery expense (except wages).....	.758	.603	.495	.551	.702	1.008
Rent.....	.264	.242	.062	.612	.210	.300
Light, heat, power, water, ice.....	.430	.470	.494	.741	.338	.366
Insurance, taxes, license, and bonds.....	.856	.804	.881	.847	.733	.938
Interest on borrowed money.....	.197	.190	.136	.231	.210	.208
Office supplies, postage.....	.194	.156	.127	.134	.186	.255
Telephone and telegraph.....	.119	.106	.096	.096	.118	.139
Repairs.....	.197	.232	.208	.360	.193	.142
Depreciation.....	.773	.656	.797	.657	.557	.962
Bad debts.....	.119	.146	.120	.141	.166	.075
Inventory, auditing, and legal expense.....	.120	.097	.136	.112	.064	.156
Warehouse and plant expenses.....	.305	.221	.117	.298	.261	.441
Traveling and fieldmen's expenses.....	.034	.034	.025	.032	.042	.034
Directors' fees and expenses.....	.134	.073	.078	.082	.065	.232
Collection expenses.....	.028	.025	.006	.034	.034	.033
Education, promotion, publication.....	.043	.046	.080	.051	.020	.037
Membership dues, meetings, and subscriptions.....	.020	.014	.021	.014	.009	.030
Miscellaneous.....	.269	.222	.257	.312	.159	.344
All expenses.....	12.373	10.687	10.854	13.732	9.273	15.091

¹Less than $\frac{1}{1000}$ of 1 percent.²Includes drum expense.

The stores handling groceries had higher expenses than either the general merchandise or miscellaneous groups, but this may have been due, in part at least, to the fact that more of the grocery stores than of the general stores were in urban areas where wages were higher. It will be noted that the larger part of the excess in their expenses was in the wage item, though their rent also was higher.

The gasoline associations' rate of overhead was considerably above the store expenses. Here again, most of the difference was in the wage item.

A substantially lower cost of operation in the cooperative than in private stores is indicated by the following comparison:

	<i>Private general stores, 1935¹</i>	<i>Cooperative general stores, 1936</i>
Wages cost.....	10.3	6.2
Rent.....	1.5	.1
Taxes.....	.7	2.9
All other items.....	3.1	3.7
Total.....	15.6	10.9

¹ Data are from Dun & Bradstreet's review for 1935.

² Includes insurance.

The main point of difference here is in the wage item, though rent also is noticeably lower in the cooperative stores. Probably the large amount of volunteer labor characteristic of cooperatives, especially in their early period of operation, is a factor to be taken into account in considering the differences in wage cost. The wage level and policies of the cooperative associations are discussed at length in a later section of this report (p. 174).

Net Earnings

A loss on the year's operations was sustained by 139 associations in the sum of \$117,597 and 1,392 associations made a saving of \$7,644,-689. For the whole group, therefore, there were net earnings of \$7,527,092.

Almost 48 percent—\$3,585,916—of the total net earnings were made by the petroleum associations. They have shown remarkable savings, as a group, since the cooperatives entered this field, although the margins have narrowed considerably in the past few years. The store associations accounted for net savings of \$2,298,336.

TABLE 16.—*Net Gains and Losses of Reporting Distributive Cooperatives, 1936*

Major business	Total associations		Associations having—			
	Num-ber re- port- ing	Amount of net earnings	Net gain		Net loss	
			Num- ber	Amount	Num- ber	Amount
All associations.....	1, 531	\$7, 527, 092	1, 392	\$7, 644, 689	139	\$117, 597
Store associations.....	712	2, 298, 336	620	2, 372, 274	92	73, 938
Groceries ¹	198	336, 981	163	358, 315	35	21, 334
General merchandise.....	175	447, 162	137	485, 533	38	38, 371
Students' supplies.....	8	103, 935	7	103, 989	1	54
Fuel.....	47	165, 916	42	167, 422	5	1, 506
Farm supplies.....	270	1, 214, 193	259	1, 221, 745	11	7, 552
Miscellaneous ²	14	30, 149	12	35, 270	2	5, 121
Buying clubs.....	55	9, 311	53	9, 575	2	264
Petroleum associations.....	634	3, 585, 916	606	3, 607, 969	28	22, 053
Distributive departments of marketing asso- ciations.....	119	1, 581, 571	106	1, 584, 265	13	2, 694
Bakeries.....	6	16, 643	3	1, 813	3	18, 456
Creameries.....	2	63, 526	1	63, 718	1	192
Water-supply associations.....	3	5, 075	3	5, 075		

¹ Includes associations handling meats.² Includes associations handling art supplies, clothing, mail-order goods, and "other household" goods.³ Loss.

Outstanding savings for their members were made in 1936 by the petroleum associations of Illinois, the "other distributive" associations in California, and both store and petroleum associations in Minnesota, as the following table indicates.

TABLE 17.—*Net Earnings of Reporting Distributive Cooperatives, by Types and by States, 1936*

State	Total associations		Store associations		Petroleum asso- ciations		Other associa- tions	
	Num- ber re- port- ing	Net earn- ings	Num- ber re- port- ing	Amount	Num- ber re- port- ing	Amount	Num- ber re- port- ing	Amount
United States.....	1, 531	\$7, 527, 092	712	\$2, 298, 336	634	\$3, 585, 916	185	\$1, 642, 840
Alabama.....	1	1, 247	1	1, 247				
Arkansas.....	1	736	1	736				
California.....	34	1, 252, 577	26	122, 854			8	1, 129, 723
Colorado.....	12	18, 839	4	753	6	16, 967	2	1, 119
Connecticut.....	11	30, 198	9	29, 682			2	516
Delaware.....	1	507					1	507
District of Columbia.....	2	581			1	250	1	331
Florida.....	1	807	1	807				
Idaho.....	15	78, 951	4	20, 223	11	58, 728		
Illinois.....	135	1, 453, 820	59	207, 297	61	1, 213, 723	15	32, 800
Indiana.....	72	545, 092	38	233, 049	30	269, 128	4	42, 915
Iowa.....	76	206, 949	20	22, 164	50	173, 523	6	11, 262
Kansas.....	122	372, 051	44	112, 293	39	87, 821	39	171, 937
Kentucky.....	4	6, 397	3	4, 956	1	1, 441		
Maine.....	7	374	7	374				
Maryland.....	4	6, 718	4	6, 718				
Massachusetts.....	22	189, 087	19	187, 742			3	1, 345
Michigan.....	79	183, 106	64	160, 493	3	6, 493	12	16, 120
Minnesota.....	211	953, 786	92	302, 936	101	506, 740	18	144, 110
Missouri.....	37	56, 129	22	28, 612	4	13, 580	11	13, 937

TABLE 17.—*Net Earnings of Reporting Distributive Cooperatives, by Types and by States, 1936—Continued*

State	Total associations		Store associations		Petroleum associations		Other associations	
	Number reporting	Net earnings	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount
Montana.....	41	\$152,415	3	\$22,240	35	\$117,910	3	\$12,265
Nebraska.....	109	413,893	40	130,877	54	247,876	15	35,140
New Hampshire.....	3	13,162	3	13,162	—	—	—	—
New Jersey.....	9	36,915	9	36,915	—	—	—	—
New Mexico.....	2	61,110	—	—	2	61,110	—	—
New York.....	51	42,244	27	48,822	2	6,504	22	² 13,082
North Carolina.....	1	62	1	62	—	—	—	—
North Dakota.....	54	171,177	6	8,561	45	144,772	3	17,844
Ohio.....	66	249,762	40	173,460	22	70,996	4	5,306
Oklahoma.....	10	30,661	5	24,589	5	6,072	—	—
Oregon.....	17	23,659	7	9,435	9	14,416	1	² 192
Pennsylvania.....	27	86,764	25	81,119	1	5,611	1	34
Rhode Island.....	1	689	1	689	—	—	—	—
South Dakota.....	28	141,956	10	9,814	16	129,002	2	3,140
Tennessee.....	3	² 5,838	3	² 5,838	—	—	—	—
Texas.....	21	51,584	3	2,614	¹ 14	48,200	4	770
Utah.....	3	140	1	200	2	² 60	—	—
Vermont.....	2	6,138	2	6,138	—	—	—	—
Virginia.....	3	4,941	2	2,182	1	2,759	—	—
Washington.....	39	89,859	19	44,810	18	41,695	2	3,354
West Virginia.....	8	7,459	8	7,459	—	—	—	—
Wisconsin.....	179	554,978	77	235,053	¹ 96	308,286	6	11,639
Wyoming.....	7	35,410	2	3,037	5	32,373	—	—

¹ Not including 1 association having a loss, amount not reported.² Loss.

Patronage Refunds

Slightly over 48 percent (940) of the whole number of distributive associations reporting in the survey returned patronage refunds for 1936. The 853 associations which reported the amount of refund returned \$4,920,880; 85 others returned dividends ranging from 1½ to 17 percent but did not state the amount so returned, and 2 others reported varying rates on different commodities.

A larger proportion of the petroleum associations than of the store associations made patronage refunds—62.6 as compared with 38.4 percent. The petroleum associations accounted for 47.8 percent of the total amount returned.

None of the water-supply associations, bakeries, or creameries made any refunds on patronage. The price level of the first group, however, is set so low as to yield no surplus.

Table 18 shows, for the various types of associations, the number of associations which returned dividends on purchases and the amount so returned on the 1936 business.

TABLE 18.—*Patronage Refunds of Reporting Distributive Cooperatives, 1936*

Major business	Number of associations reporting	Amount of patronage refund	Average per association
All distributive associations.....	853	\$4, 920, 880	\$5, 769
Store associations.....	318	1, 239, 575	3, 903
Groceries.....	93	149, 869	1, 611
General merchandise.....	62	261, 245	4, 210
Students' supplies.....	5	99, 558	19, 912
Fuel.....	12	30, 589	2, 549
Farm supplies.....	139	684, 755	4, 926
Miscellaneous ¹	7	13, 559	1, 937
Buying clubs.....	38	5, 921	156
Petroleum associations.....	442	2, 352, 290	5, 321
Distributive departments of marketing associations.....	55	1, 323, 094	24, 056

¹ Includes mail-order, artists' supplies, clothing, and "other household supplies" associations.

The rates of patronage refund for the 644 associations reporting on this point are shown in table 19. The most common rates for the store associations were from 2 to 6 percent, whereas those for the petroleum associations were 5 to 6 and 10 to 11 percent.

TABLE 19.—*Rates¹ of Patronage Refunds by Distributive Cooperatives on 1936 Business*

Percent of patronage refund ¹	Number				Percent			
	Total associations	Store associations	Buying clubs	Petroleum associations	Total associations	Store associations	Buying clubs	Petroleum associations
All rates.....	644	267	23	354	100. 0	100. 0	100. 0	100. 0
Under 1 percent.....	3	1	—	2	. 5	. 4	—	. 6
1 and under 2 percent.....	28	19	—	9	4. 5	7. 1	—	2. 5
2 and under 3 percent.....	64	47	1	16	9. 9	17. 6	4. 4	4. 5
3 and under 4 percent.....	80	43	6	31	12. 4	16. 1	26. 1	8. 8
4 and under 5 percent.....	62	33	2	27	9. 6	12. 4	8. 7	7. 6
5 and under 6 percent.....	110	42	3	65	17. 1	15. 7	13. 0	18. 4
6 and under 7 percent.....	66	19	5	42	10. 2	7. 1	21. 7	11. 9
7 and under 8 percent.....	46	17	—	29	7. 1	6. 4	—	8. 2
8 and under 9 percent.....	48	20	3	25	7. 5	7. 5	13. 0	7. 1
9 and under 10 percent.....	15	4	—	11	2. 3	1. 5	—	3. 1
10 and under 11 percent.....	61	13	1	47	9. 5	4. 9	4. 4	13. 2
11 and under 12 percent.....	6	1	1	4	. 9	. 4	4. 4	1. 1
12 and under 13 percent.....	12	—	1	11	1. 9	—	4. 4	3. 1
13 and under 14 percent.....	6	—	—	6	. 9	—	—	1. 7
14 and under 15 percent.....	6	—	—	6	. 9	—	—	1. 7
15 percent and over.....	31	8	—	23	4. 8	3. 0	—	6. 5

¹ Percentages are in terms of annual business (sales).

Taking only those associations that reported as to both patronage refunds and membership, it was found that the average saving per member for the store associations of all kinds was \$13.42, and for the petroleum associations \$13.87. The average for the various organizations was as follows:

Store associations handling—	Average patronage refund per member
Groceries.....	\$8. 94
General merchandise.....	18. 13
Students' supplies.....	6. 29
Fuel.....	12. 56
Farm supplies.....	17. 89
Miscellaneous.....	19. 71
Petroleum associations.....	13. 87

Cooperative associations are quite generally undercapitalized and in many places have voted to pay the patronage refunds either partly or wholly in shares credited to the individual member. Others are increasing the capital requirements per member. One association has raised the share requirements from one to five shares; the 4-percent patronage refund for 1936 was paid in merchandise orders to all owning the required five shares, and the others received 2 percent applied to the purchase of shares and 2 percent in merchandise orders.

Although the margins in the grocery business are small, some of these local associations have an enviable record of savings to their members. A number of those for which reports for 1936 were received had returned patronage refunds through all the years of the depression. One store association in Wisconsin returned \$15,809 in dividends for the years 1933-36; its sales in 1936 were \$116,570. One Nebraska association has returned refunds every year since its organization in 1916, amounting to \$108,398. An outstanding Ohio organization established in 1908 has had sales totaling \$7,645,224, on which patronage refunds aggregating \$259,334 have been returned; and this in spite of the fact that it is located in the coal fields where unemployment and general economic disorganization have been rife.

The records of the petroleum associations are even more striking, and the rate of refund in this line of business has been higher than in the merchandising business, as the margins are greater there.

As regards patronage refunds, the nonmembers are on the same footing as members in 393 associations. Of these, 36 specified that they paid the refund to nonmembers in cash, 270 that it was applied on the purchase of one or more shares of stock required for membership in the association, and 6 that it was paid in merchandise or shares. One farmers' association specified that the nonmember patron received the full rate of refund only if he was a producer. Refunds at half the members' rates were reported by 19 associations, payable in 3 cases in shares; 1 association paid 2 percent less than to members and 1 paid "a little less."

Replying as to patronage refunds to nonmembers, 259 associations said they make no returns whatever to them. Six associations stated that the surplus accruing from nonmembers' patronage was placed in the educational fund, nine that it was placed in the reserve fund, one that it was used as working capital, and one that "it all goes to the members." Such practices by cooperative associations are open to serious criticism and put the associations in the position of making a profit on nonmembers' trade, especially where such trade constitutes any considerable proportion of the total business.

Proportion of Goods Purchased From Cooperative Sources

The proportion of supplies purchased by local cooperative associations from cooperative sources is indicated in table 20. As it shows,

nearly one-fourth of all associations reporting purchased none of their stock of goods from other cooperatives. At the other end of the scale are nearly one-third of the associations which obtained 90 percent or more of their inventory from cooperative wholesales and other cooperatives. To some extent, of course, this table is an indication of the extent to which cooperative goods may be available. Not all parts of the United States have cooperative wholesales. Also, even in territories with such facilities, not all of the goods handled by the local cooperative associations can be obtained in this way.

TABLE 20.—*Distribution of Associations According to Proportion of Goods Purchased From Cooperative Sources*

Percent of goods purchased from cooperative sources	Percent					
	Total reporting	Store associations	Buying clubs	Petroleum associations	Distributive departments of marketing associations	Other associations
All associations:						
Number reporting	1,605	716	85	662	129	13
Percent	100.0	100.0	100.0	100.0	100.0	100.0
None	23.2	27.8	22.4	16.3	29.4	61.5
Under 10 percent	6.0	7.8	2.4	3.5	10.1	15.4
10 and under 25 percent	9.7	13.0	14.1	5.1	12.4	-----
25 and under 50 percent	8.2	11.9	11.8	3.5	9.3	7.7
50 and under 75 percent	10.8	14.8	7.0	5.9	17.0	-----
75 and under 90 percent	9.7	11.2	5.9	8.5	10.1	7.7
90 and under 100 percent	18.3	9.8	9.4	30.7	8.5	7.7
100 percent	14.4	3.8	27.0	26.6	3.1	-----

Annual Stock Turn-Over

The associations which reported as to number of times the merchandise is turned over in the course of a year are shown in table 21.

TABLE 21.—*Annual Stock Turn-Over in Specified Types of Distributive Cooperatives, 1936*

Number of stock turn-overs	Percent of associations with specified number of stock turn-overs					
	All types of associations	Store associations handling—				
		Groceries	General merchandise	Students' supplies	Fuel	Farm supplies
Less than 3	4.3	2.2	3.2	16.7	6.7	6.0
3 and under 4	2.7	3.0	4.3	33.3	6.7	1.5
4 and under 5	6.6	6.0	14.0	16.7	6.7	6.7
5 and under 6	4.6	6.0	10.8	16.7	6.7	1.5
6 and under 7	8.0	6.0	15.1	-----	13.3	6.0
7 and under 8	3.6	4.5	7.5	16.7	10.0	1.5
8 and under 9	7.2	9.7	5.4	-----	10.0	4.5
9 and under 10	3.0	3.7	6.5	-----	6.7	2.2
10 and under 11	13.0	9.0	9.6	-----	13.3	17.9
11 and under 12	1.7	-----	1.0	-----	-----	2.2
12 and under 13	13.4	14.9	10.8	-----	13.3	13.4
13 and under 14	1.9	1.5	2.2	-----	-----	.7
14 and under 15	3.7	.7	2.2	-----	3.3	3.0
15 and under 16	4.6	6.0	1.0	-----	-----	3.7
16 and under 17	1.9	1.5	-----	-----	-----	1.5
17 and under 18	1.4	1.5	1.0	-----	-----	3.7
18 and under 19	2.2	3.7	-----	-----	-----	2.2
19 and under 20 .....	.7	1.5	1.0	-----	-----	.7
20 and over	15.7	18.7	4.3	-----	3.3	20.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Production by Local Cooperatives

Generally cooperative associations carry on most of their productive activities through federations owned by the local associations. This combination of effort permits manufacture or performance of service on a scale larger than the average local association can finance and also avoids duplication of productive plant. Cooperative production is still in its infancy in this country, but promising beginnings have been made by some of the wholesales and by separate productive federations formed for the purpose.⁹

A few of the local associations have also undertaken certain productive activities—generally of commodities (such as bakery goods) requiring immediate sale or suitable for local distribution or consumption. Quite a wide variety of goods was manufactured by the associations in 1936, as is evident from the following table.

Altogether, 74 local associations carried on some productive activity in 1936. The 45 associations which reported the value of their product had an output in that year valued at \$1,192,997.

It should be emphasized that the figures for bakery products shown in this table do not include the value of bakery goods produced by the bakery associations (which have already been included in the sales figures for those associations). They cover only the output of bakeries carried on as auxiliary departments of distributive or service associations.

TABLE 22.—*Value of Goods Manufactured by Reporting Distributive Associations, 1936*

Commodity produced	Number of associations reporting	Value of products
All products.....	45	\$1, 192, 997
Bakery products.....	¹ 4	201, 858
Dairy products (butter, ice cream, cottage cheese, etc.).....	² 2	144, 121
Jams, jellies, and cosmetics.....	1	1, 500
Canned goods.....	1	100
Syrups.....	¹ 1	734
Meat products:		
Sausage.....	³ 7	50, 549
Smoked meat.....	(¹)	(¹)
Meat slaughtered and processed.....	1	35, 495
Clothing, custom.....	1	24, 000
Fuel: Briquets and fuel stokers.....	1	500
Lumber.....	1	12, 000
Electric power (generated).....	1	22, 753
Flour.....	¹ 2	9, 853
Grinding of corn, etc., for meal.....	2	100, 000
Feed.....	⁴ 20	589, 534

¹ Not including 1 association which did not report value of goods produced.

² Not including 3 associations which did not report value of goods produced.

³ Not including 2 associations which did not report value of goods produced.

⁴ Not including 20 associations which did not report value of goods produced.

⁹ The federations and their productive activities are covered in chapter 7.

Financial Data

SHARE CAPITAL

Share capital aggregating \$23,669,613 was reported by 1,603 associations—an average of \$14,766 per association. Details for the various types of associations are shown in table 23.

TABLE 23.—*Share Capital of Reporting Distributive Cooperatives at End of 1936*

Major business	Number of associations reporting	Amount of share capital	Average per association
All associations.....	¹ 1,603	\$23,669,613	\$14,766
Stores.....	752	9,634,138	12,811
Groceries.....	218	1,593,540	7,310
General merchandise.....	190	2,679,494	14,103
Students' supplies.....	4	13,589	3,397
Fuel.....	54	882,074	16,335
Farm supplies.....	275	4,389,467	15,962
Miscellaneous ²	11	75,974	6,907
Buying clubs.....	44	19,854	451
Petroleum associations.....	668	4,992,205	7,473
Distributive departments of marketing associations.....	126	8,059,027	63,960
Bakeries.....	6	77,195	12,866
Creameries.....	4	839,486	209,872
Water-supply associations.....	3	47,708	15,903

¹ Not including 32 nonstock associations distributed as to type as follows: 18 store associations, 7 buying clubs, 5 petroleum associations, and 2 distributive departments of marketing associations.

² This group includes mail-order associations, clothing associations, "other household supplies" associations, and art-supply associations.

TABLE 24.—*Share Capital of Reporting Distributive Cooperatives, by Types and by States, 1936*

State	Total associations		Store associations		Petroleum associations		Other	
	Number reporting	Share capital	Number reporting	Share capital	Number reporting	Share capital	Number reporting	Share capital
United States.....	1,603	\$23,669,613	¹ 752	\$9,634,138	² 668	\$4,992,205	³ 183	\$9,043,270
Arkansas.....	2	515,910	2	515,910	—	—	—	—
California.....	31	6,159,507	22	146,645	—	—	9	6,012,862
Colorado.....	13	69,136	4	18,560	7	38,197	2	12,379
Connecticut.....	10	67,755	8	66,648	—	—	2	1,107
Delaware.....	1	109	—	—	—	—	1	109
District of Columbia.....	2	1,640	—	—	1	1,390	1	250
Florida.....	1	800	1	800	—	—	—	—
Idaho.....	16	94,052	3	56,382	13	37,670	—	—
Illinois.....	135	2,145,714	62	908,971	60	1,084,114	13	152,629
Indiana.....	62	933,035	34	533,297	25	291,673	3	108,065
Iowa.....	81	704,280	20	295,594	54	301,531	7	107,155
Kansas.....	143	1,515,119	51	492,770	47	268,958	45	753,391
Kentucky.....	3	14,379	3	14,379	—	—	—	—
Maine.....	7	53,154	7	53,154	—	—	—	—
Maryland.....	5	23,598	5	23,598	—	—	—	—
Massachusetts.....	25	162,870	21	136,496	—	—	4	26,379
Michigan.....	81	986,809	66	848,909	3	16,663	12	121,237
Minnesota.....	222	2,977,228	97	1,061,364	108	887,490	17	1,028,374
Missouri.....	42	282,318	28	198,200	5	37,325	9	46,793
Montana.....	46	331,118	4	120,640	39	185,678	3	24,800

¹ Not including 24 nonstock associations.

² Not including 10 nonstock associations.

³ Not including 8 nonstock associations.

TABLE 24.—*Share Capital of Reporting Distributive Cooperatives, by Types and by States, 1936—Continued*

State	Total associations		Store associations		Petroleum associations		Other	
	Number reporting	Share capital	Number reporting	Share capital	Number reporting	Share capital	Number reporting	Share capital
Nebraska.....	122	\$1,810,368	50	\$1,132,052	58	\$376,694	14	\$301,622
New Hampshire.....	2	252,370	2	252,350	—	—	—	—
New Jersey.....	7	254,104	7	254,104	—	—	—	—
New Mexico.....	2	73,628	—	—	2	73,628	—	—
New York.....	39	297,039	25	227,749	2	9,570	12	59,720
North Carolina.....	2	28,181	2	28,181	—	—	—	—
North Dakota.....	61	522,601	7	96,625	50	343,013	4	82,963
Ohio.....	72	515,675	44	421,502	21	69,739	7	24,434
Oklahoma.....	12	80,340	5	38,660	6	37,905	1	3,775
Oregon.....	17	85,144	4	35,604	11	30,720	2	18,820
Pennsylvania.....	28	185,046	26	179,356	1	5,540	1	150
Rhode Island.....	1	6,800	1	6,800	—	—	—	—
South Dakota.....	35	375,399	14	172,079	18	169,985	3	33,335
Tennessee.....	4	18,648	3	17,650	—	—	1	998
Texas.....	21	141,086	6	51,798	15	89,288	—	—
Utah.....	4	3,489	3	2,706	1	783	—	—
Vermont.....	2	5,530	2	5,530	—	—	—	—
Virginia.....	2	6,129	1	2,325	1	3,804	—	—
Washington.....	41	257,803	22	179,095	16	31,902	3	46,806
West Virginia.....	8	89,990	8	89,990	—	—	—	—
Wisconsin.....	189	1,601,795	81	938,663	101	588,015	7	75,117
Wyoming.....	4	19,932	1	9,002	3	10,930	—	—

TOTAL ASSETS

Assets aggregating nearly 46 million dollars were reported, of which the store associations alone had more than 20 million, but nearly 13 million were attributable to the petroleum associations. Regarding the distributive departments of the marketing associations it should be pointed out that their assets represent mainly the resources accumulated in the course of a marketing business.

TABLE 25.—*Assets of Reporting Distributive Cooperatives at End of 1936*

Major business	Number of associations reporting	Amount of assets	Average per association
All associations.....	1,534	\$45,752,538	\$29,826
Store associations.....	723	20,077,206	27,769
Groceries ¹	269	3,102,083	14,842
General merchandise.....	178	5,894,325	33,114
Students' supplies.....	10	902,932	90,293
Fuel.....	37	904,758	24,453
Farm supplies.....	276	9,052,090	32,797
Miscellaneous ²	13	221,018	17,001
Buying clubs.....	47	35,043	746
Petroleum associations.....	636	12,937,282	20,342
Distributive departments of marketing associations.....	116	11,016,487	94,970
Bakeries.....	6	322,769	53,795
Creameries.....	3	1,287,338	429,113
Water-supply associations.....	3	76,413	25,471

¹ Includes also those handling meats.

² This group includes clothing, art supplies, mail-order goods, and "other household" goods.

The amount of assets, on a geographic basis, is shown in table 26.

TABLE 26.—*Distribution of Assets of Consumer Cooperatives, by Types and by States, 1936*

State	Total associations		Store associations		Petroleum associations		Other associations	
	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount
United States.....	1,534	\$45,752,538	723	\$20,077,206	636	\$12,937,282	175	\$12,738,050
Alabama.....	2	6,806	2	6,806	—	—	—	—
Arkansas.....	2	712,992	2	712,992	—	—	—	—
California.....	38	7,868,526	29	672,824	—	—	9	7,195,702
Colorado.....	11	133,916	3	10,881	7	99,290	1	23,745
Connecticut.....	10	217,115	8	214,661	—	—	2	2,454
Delaware.....	1	780	—	—	—	—	1	780
District of Columbia.....	2	1,823	—	—	1	1,688	1	135
Florida.....	1	1,577	1	1,577	—	—	—	—
Idaho.....	14	286,557	2	66,752	12	219,805	—	—
Illinois.....	100	3,554,779	42	904,579	46	2,478,987	12	171,213
Indiana.....	71	2,252,025	37	1,183,630	31	916,694	3	151,701
Iowa.....	76	1,609,896	19	347,815	52	1,144,081	5	118,500
Kansas.....	132	2,644,667	44	597,634	45	543,583	43	1,503,450
Kentucky.....	4	53,297	3	41,693	1	11,604	—	—
Maine.....	9	255,924	9	255,924	—	—	—	—
Maryland.....	5	102,626	5	102,626	—	—	—	—
Massachusetts.....	25	1,419,430	22	1,322,159	—	—	3	97,271
Michigan.....	73	1,944,034	61	1,665,997	3	79,659	9	198,378
Minnesota.....	210	6,730,177	90	2,448,319	104	2,504,649	16	1,777,209
Missouri.....	37	472,261	25	322,452	3	43,347	9	106,462
Montana.....	45	547,609	4	142,471	38	304,736	3	100,402
Nebraska.....	110	2,978,702	47	1,681,649	50	905,718	13	391,335
New Hampshire.....	3	474,741	3	474,741	—	—	—	—
New Jersey.....	8	442,050	8	442,050	—	—	—	—
New Mexico.....	2	184,731	—	—	2	184,731	—	—
New York.....	45	862,121	27	579,240	3	40,344	15	242,537
North Carolina.....	1	26,385	1	26,385	—	—	—	—
North Dakota.....	58	1,046,656	5	150,195	49	717,464	4	178,997
Ohio.....	72	1,538,611	46	1,164,552	20	310,156	6	63,903
Oklahoma.....	12	181,938	5	82,752	6	84,867	1	14,319
Oregon.....	21	317,904	7	199,215	12	75,013	2	43,676
Pennsylvania.....	24	440,481	23	417,479	1	23,002	—	—
Rhode Island.....	1	15,749	1	15,749	—	—	—	—
South Dakota.....	30	677,272	14	303,055	14	347,975	2	26,242
Tennessee.....	4	594,863	3	592,660	—	—	1	2,203
Texas.....	29	575,194	6	116,248	18	425,800	5	33,146
Utah.....	3	5,848	1	1,400	2	4,448	—	—
Vermont.....	1	47,045	1	47,045	—	—	—	—
Virginia.....	4	36,748	3	26,244	1	10,504	—	—
Washington.....	46	869,951	26	660,620	18	135,633	2	73,698
West Virginia.....	7	118,918	7	118,918	—	—	—	—
Wisconsin.....	181	3,413,595	80	1,940,449	94	1,252,554	7	220,692
Wyoming.....	4	86,218	1	15,268	3	70,950	—	—

NET WORTH

A net worth of nearly 37 million dollars was reported, of which somewhat under one-half was that of the store associations.

TABLE 27.—*Net Worth of Reporting Distributive Cooperatives at End of 1936*

Major business	Number of associations reporting	Amount of net worth	Average per association
All associations.....	1, 529	\$36, 893, 273	\$24, 129
Store associations.....	726	16, 127, 283	22, 214
Groceries ¹	² 208	2, 329, 921	11, 202
General merchandise.....	³ 173	4, 569, 420	26, 413
Students' supplies.....	10	760, 304	76, 030
Fuel.....	46	1, 296, 427	28, 183
Farm supplies.....	277	6, 989, 519	25, 233
Miscellaneous ⁴	12	181, 692	15, 141
Buying clubs.....	51	26, 362	517
Petroleum associations.....	⁵ 628	10, 026, 823	15, 966
Distributive departments of marketing associations.....	⁶ 115	9, 479, 461	82, 430
Bakeries.....	⁷ 4	107, 067	26, 767
Creameries.....	⁸ 2	1, 049, 864	524, 932
Water-supply associations.....	3	76, 413	25, 471

¹ Includes associations handling meat.² Not including 5 associations with combined deficit of \$6,787.³ Not including 5 associations with combined deficit of \$26,777.⁴ Includes associations handling art supplies, clothing, mail-order goods, and "other household" goods.⁵ Not including 5 associations with combined deficit of \$3,956.⁶ Not including 1 association with deficit of \$14,687.⁷ Not including 2 associations with combined deficit of \$25,741.⁸ Not including 1 association with deficit of \$7,235.

That the majority of the cooperative associations are still small, from the point of view of net worth, is shown in table 28. Just 45 percent had a net worth of less than \$10,000, and another 30.2 percent had a net worth of from \$10,000 to \$25,000. Altogether 93.1 percent had a valuation of less than \$50,000. At the other end of the scale were six associations worth half a million or more. There were 19 associations which had lost all of their capital and were "in the red," but in the case of 8 of these the deficit was less than \$1,000 each.

TABLE 28.—*Distribution of Distributive Cooperatives by Net Worth at End of 1936*

Type of association	Total associations reporting	Net worth of—							
		Under \$10,000	\$10,000 and under \$25,000	\$25,000 and under \$50,000	\$50,000 and under \$100,000	\$100,000 and under \$250,000	\$250,000 and under \$500,000	\$500,000 and under \$1,000,000	\$1,000,000 and over
All associations.....	1, 529	690	462	272	83	14	2	3	3
Store associations ¹	726	319	202	149	44	7	2	3	.....
Buying clubs.....	51	51	.....	.....	.....	.....	.....	.....	.....
Petroleum associations ²	628	296	216	83	30	3	.....	.....	.....
Distributive departments of marketing associations ³	115	22	40	39	8	4	.....	.....	2
Bakeries ⁴	4	.....	3	1	.....	.....	.....	.....	.....
Creameries ³	2	.....	1	.....	.....	.....	.....	.....	1
Water-supply associations.....	3	2	.....	.....	1	.....	.....	.....	.....

¹ Not including 10 associations with deficits, as follows: 4 with deficit of less than \$1,000; 4 with deficit of \$1,000 and under \$5,000; and 2 with deficit of \$5,000 or over.² Not including 5 associations with deficits as follows: 4 of less than \$1,000 and 1 of \$1,000 and under \$5,000.³ Not including 1 association with deficit of \$5,000 or over.⁴ Not including 2 associations with deficits of \$5,000 or over.

The geographic distribution of consumer cooperatives reporting as to their net worth is given in table 29.

TABLE 29.—*Net Worth of Reporting Distributive Cooperatives, by Types and by States, 1936*

State	Total associations		Store associations		Petroleum associations		Other associations ¹	
	Number reporting	Net worth	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount
United States.....	1,529	\$36,893,273	726	\$16,127,283	628	\$10,026,823	175	\$10,739,167
Alabama.....	2	8,651	2	8,651	—	—	—	—
Arkansas.....	2	516,414	2	516,414	—	—	—	—
California.....	37	6,871,298	28	442,109	—	—	9	6,429,189
Colorado.....	11	81,284	3	7,734	6	59,652	2	13,898
Connecticut.....	11	188,028	9	185,585	—	—	2	2,443
Delaware.....	1	804	—	—	—	—	1	804
District of Columbia.....	1	1,688	—	—	1	1,688	—	—
Florida.....	1	1,245	1	1,245	—	—	—	—
Idaho.....	14	278,842	4	149,971	10	128,871	—	—
Illinois.....	134	3,910,473	61	1,368,313	60	2,332,086	13	210,074
Indiana.....	69	1,794,266	² 36	993,257	³ 30	650,344	3	150,665
Iowa.....	71	1,153,541	⁴ 17	346,590	⁵ 50	704,889	4	102,062
Kansas.....	125	2,079,535	⁶ 42	545,250	43	420,209	⁷ 40	1,114,076
Kentucky.....	4	38,033	3	32,048	1	5,985	—	—
Maine.....	7	159,901	⁸ 7	159,901	—	—	—	—
Maryland.....	5	63,976	5	63,976	—	—	—	—
Massachusetts.....	22	991,930	⁹ 20	949,355	—	—	¹⁰ 2	42,575
Michigan.....	71	1,370,068	¹¹ 58	1,136,598	3	73,575	10	159,895
Minnesota.....	211	5,128,819	91	1,913,249	102	1,789,808	18	1,445,762
Missouri.....	40	414,426	27	271,171	4	61,437	9	81,818
Montana.....	40	406,978	3	34,472	34	304,039	3	68,467
Nebraska.....	102	2,387,559	44	1,343,253	¹² 47	738,174	11	306,132
New Hampshire.....	3	368,087	3	368,087	—	—	—	—
New Jersey.....	9	208,801	9	208,801	—	—	—	—
New Mexico.....	2	152,028	—	—	2	152,028	—	—
New York.....	44	440,186	24	353,325	3	11,771	¹³ 17	75,090
North Carolina.....	2	10,496	2	10,496	—	—	—	—
North Dakota.....	58	934,168	6	147,463	48	620,928	4	163,777
Ohio.....	76	1,023,523	47	815,919	21	167,378	8	40,226
Oklahoma.....	13	169,592	7	119,769	5	43,591	1	6,232
Oregon.....	21	215,846	7	133,986	12	62,921	2	18,939
Pennsylvania.....	24	365,640	23	353,361	1	12,279	—	—
Rhode Island.....	1	15,565	1	15,565	—	—	—	—
South Dakota.....	31	653,767	13	262,060	15	341,754	3	49,953
Tennessee.....	3	572,835	¹⁴ 2	571,837	—	—	1	998
Texas.....	24	373,230	¹⁵ 4	49,938	16	305,895	4	17,397
Utah.....	3	1,883	¹⁶ 1	800	2	1,083	—	—
Vermont.....	2	42,549	2	42,549	—	—	—	—
Virginia.....	3	15,274	2	4,770	1	10,504	—	—
Washington.....	46	615,604	26	455,907	18	85,999	2	73,698
West Virginia.....	7	113,465	7	113,465	—	—	—	—
Wisconsin.....	175	2,748,975	77	1,630,043	¹⁷ 92	953,935	¹⁸ 6	164,997
Wyoming.....	1	6,000	(¹⁹)	—	1	6,000	—	—

¹ Buying clubs, distributive departments of marketing associations, and miscellaneous.² Not including 1 association with a deficit of \$10.³ Not including 1 association with a deficit of \$713.⁴ Not including 1 association with a deficit of \$15,349.⁵ Not including 1 association with a deficit of \$1,138.⁶ Not including 1 association with a deficit of \$106.⁷ Not including 1 association with a deficit of \$14,687.⁸ Not including 1 association with a deficit of \$7,211.⁹ Not including 1 association with a deficit of \$810.¹⁰ Not including 1 association with a deficit of \$6,171.¹¹ Not including 1 association with a deficit of \$2,197.¹² Not including 1 association with a deficit of \$476.¹³ Not including 1 association with a deficit of \$19,570.¹⁴ Not including 1 association with a deficit of \$4,861.¹⁵ Not including 1 association with a deficit of \$1,464.¹⁶ Not including 1 association with a deficit of \$1,000.¹⁷ Not including 2 associations with a deficit of \$1,629.¹⁸ Not including 1 association with a deficit of \$7,235.¹⁹ Not including 1 association with a deficit of \$556.

Cooperatives in Relation to Population

A tabulation of some 1,900 distributive cooperative associations reporting to the Bureau for 1936 is given, in relation to the population, in table 30.

Although based upon only about 60 percent of the number of such associations known to have been in operation in that year, it is believed to be representative of the general cooperative picture.

In making this table many adjustments were necessary. For instance, many associations have branches in various towns, in addition to the headquarters establishment. In such cases, a proportionate part of the total membership and of the sales of the association was assigned to each of the towns in which a branch was located. An association with three branches in separate towns would therefore appear in the data in four places, although in the majority of cases the data cover organizations all of whose activities are in a single locality.

As regards the membership figures shown in the table, two things which tend to offset each other should be borne in mind: (1) The data represent only persons who are paid-up members of reporting cooperative associations, and take no account either of the members of their families or of persons with membership partially paid; were these included, the proportion of population would, of course, be greater than the table indicates; (2) in the smaller places, many of the members may live outside the town in which the store is located, and if the association's whole trading area is considered, the population would be considerably greater than that of the headquarters town which was here taken as the basis for comparison.

Some of the associations operate on a county-wide basis. This is true of the Farm Bureau cooperative associations and of a number of petroleum associations. The 315 such associations reporting to the Bureau of Labor Statistics have been here treated in a separate group, and to have compared their membership with the population of the headquarters town would obviously have been extremely misleading. For such associations, therefore, the population of the entire county was used; in the case of the farmers' associations, however, the population of the cities of 25,000 or over was subtracted, because they do little or no business in the cities.

TABLE 30.—*Membership, Sales, and Net Earnings of Distributive Cooperatives in Relation to Population*

Population class	Distributive associations		Population, 1930	Members, 1936		Sales, 1936		Net earnings, 1936	
	Number	Percent		Number	Percent of population	Amount	Percent of total	Amount	Percent of total
All population classes.....	1, 668	100.0	32, 984, 657	304, 258	0.92	\$94, 232, 349	100.0	\$4, 125, 058	100.0
Under 500.....	547	32.8	138, 586	60, 866	47.40	22, 272, 728	23.6	889, 382	21.6
500 and under 1,000.....	311	18.7	209, 678	47, 900	23.85	17, 743, 598	18.8	725, 110	17.6
1,000 and under 5,000.....	431	25.8	850, 319	89, 346	11.16	28, 384, 659	30.1	1, 437, 167	34.8
5,000 and under 10,000.....	99	5.9	613, 409	30, 803	5.42	11, 297, 163	12.0	505, 492	12.3
10,000 and under 25,000.....	68	4.1	937, 367	17, 180	1.92	4, 400, 606	4.7	124, 563	3.0
25,000 and under 50,000.....	42	2.5	1, 229, 719	10, 906	.94	2, 873, 616	3.0	133, 441	3.2
50,000 and under 100,000.....	31	1.9	1, 861, 582	6, 766	.36	975, 074	1.0	31, 177	.8
100,000 and under 500,000.....	59	3.5	7, 851, 751	30, 294	.40	5, 206, 926	5.5	260, 973	6.3
500,000 and under 1,000,000.....	19	1.1	4, 386, 037	2, 604	.06	332, 760	.4	3, 441	.1
1,000,000 and over.....	61	3.7	14, 906, 209	7, 593	.05	745, 219	.8	14, 312	.3
<i>County-wide associations</i>									
All population classes.....	315	100.0	9, 975, 660	137, 700	1.53	36, 000, 587	100.0	1, 961, 148	100.0
Under 10,000.....	26	8.3	207, 002	6, 992	3.60	1, 345, 331	3.7	90, 004	4.6
10,000 and under 25,000.....	141	44.8	2, 440, 038	55, 851	2.53	12, 558, 504	34.9	614, 614	31.3
25,000 and under 50,000.....	108	34.3	3, 620, 903	52, 656	1.58	15, 382, 117	42.7	910, 675	46.4
50,000 and under 100,000.....	34	10.8	2, 251, 810	20, 789	1.04	5, 047, 420	14.0	326, 360	16.6
100,000 and over.....	6	1.9	1, 455, 907	1, 412	.11	1, 667, 215	4.6	19, 495	1.0

It will be noted that more than three-fourths of the 1,668 cooperative establishments included in the first group in the table were in places of less than 5,000, and that from that point they declined abruptly both absolutely and in relation to population. These associations had a combined membership of 304,258. Although ranging, in the various population groups, from only 0.05 percent of the population in places of 1 million or over to over 47 percent of population in places of less than 500, for the whole number of associations the membership formed less than 1 percent of the combined population of the places in which they were located.

Some 72 percent of the total cooperative business was done, and 74 percent of the total net earnings were made, by associations located in places of less than 5,000. The data for the population class of 100,000–500,000 are distorted by one unusually large association.

Much less variation in development is shown in the county-wide associations. Altogether their members formed 1.53 percent of the population in the localities where they were operating.

Farmers in the Consumers' Cooperative Movement

The consumer activities of farmers' associations vary widely in different associations in their importance in relation to the total business. As shown in table 32, 73 farmers' associations reporting were entirely consumer organizations; they performed no farm marketing or processing functions and handled no producer supplies of any

kind. The majority of the farmers' associations included in this report, however, were those handling mainly supplies used in the business of the farm, but also handling sizable proportions of consumer goods. One group included associations whose major business was the marketing of farm products, but which had also set up departments for the collective purchase of farm products and household supplies. In this connection it is interesting to note that there was a small number of associations which had been organized for the purpose of marketing or processing farm products and whose names still indicated that this was their function (elevator, livestock association, creamery, etc.); in the course of time, however, their character had gradually changed and in 1936 they reported that their chief business was the purchase of supplies, not the marketing of farm crops or livestock.

The farmers' associations, classified by major line of business, are shown in table 31.

TABLE 31.—*Operations, in 1936, of Reporting Farmers' Cooperative Associations Handling Consumer Goods, by Major Line of Business*

Major business	Membership		Sales		Net earnings		Net worth	
	Number of associations reporting	Members	Number of associations reporting	Amount	Number of associations reporting	Amount	Number of associations reporting	Amount
All associations.....	1, 173	303, 899	1, 215	\$111, 998, 641	1, 043	\$6, 040, 433	1, 039	\$28, 427, 078
Store associations.....	567	117, 340	584	54, 613, 053	482	1, 712, 872	495	11, 652, 779
Groceries.....	83	16, 635	92	5, 164, 062	64	128, 286	73	1, 039, 088
General merchandise.....	113	18, 435	114	8, 072, 048	101	178, 376	98	2, 206, 579
Fuel.....	52	8, 382	49	5, 303, 272	42	164, 533	41	1, 753, 387
Farm supplies.....	313	72, 249	322	35, 441, 276	270	1, 214, 193	277	6, 989, 519
Miscellaneous.....	6	1, 639	7	632, 395	5	27, 484	6	164, 206
Buying clubs.....	1	80	1	3, 000	1	90	—	—
Petroleum associations.....	474	162, 949	498	37, 022, 054	441	2, 745, 900	429	7, 294, 838
Distributive departments of marketing associations.....	131	23, 530	132	20, 360, 534	119	1, 581, 571	115	9, 479, 461

The farmers' store associations had an average volume of business generally considerably exceeding that of the other consumers' associations. Probably this was due in substantial degree to the much more extensive lines of commodities dealt in. Whereas in the other consumers' associations the largest group (29.8 percent) had sales of less than \$10,000 per year and about 70 percent of the total did a business of less than \$50,000 annually, among the farmers' associations about equal proportions fell in the groups doing an annual business of \$25,000–\$50,000 (24.5 percent), \$50,000–\$100,000 (25.7 percent), and \$100,000–\$250,000 (23.3 percent). Somewhat the same situation was shown among the associations handling petroleum products. There the largest group of the other consumers' associations was that doing

an annual business of \$25,000–\$50,000, as compared with \$50,000–\$100,000 among the farmers' organizations.

Comparative average sales of the farmers' and the other consumers' associations in 1936 are shown in the following statement:

	Farmers' associations	Other consumers' associations
Store associations (all types)-----	\$93, 510	\$59, 907
Buying clubs-----	3, 000	5, 295
Petroleum associations-----	74, 342	61, 978
Associations providing meals only-----	2, 474	75, 226
Laundries-----	23, 150	10, 000
Printing and publishing-----	13, 121	10, 756
Burial-----	938	66, 568

There were 73 associations, with a combined membership of 8,520 and an annual business of \$2,578,271, which were handling only consumers' goods in 1936. Data for these associations, by States, are shown in table 32.

TABLE 32.—Operations of Reporting Farmers' Cooperative Associations Doing Consumer Business Only, 1936, by States

State	Number of associations	Number of members	Amount of business	Amount of—			Patronage refunds	Share capital	Assets	Net worth
				Gains	Losses	Total net earnings				
All States-----	73	8, 520	\$2, 578, 271	\$42, 663	\$19, 558	\$23, 105	\$13, 292	\$569, 534	\$352, 297	\$690, 096
Colorado-----	3	272	29, 351	² 1, 104	² 261	³ 843	² 1, 104	² 3, 280	³ 10, 701	³ 7, 554
Illinois-----	2	210	29, 700	-----	-----	160	-----	25, 000	-----	² 9, 500
Indiana-----	1	64	22, 164	-----	-----	978	-----	1, 925	-----	5, 541
Iowa-----	5	627	⁴ 122, 611	⁵ 1, 645	⁶ 6, 328	⁶ 4, 683	-----	⁴ 78, 600	⁴ 61, 461	⁷ 67, 982
Kansas-----	21	⁸ 3, 144	⁸ 574, 069	⁹ 5, 087	¹⁰ 7, 391	¹¹ 2, 304	-----	¹² 119, 096	¹³ 129, 102	¹² 69, 556
Maine-----	2	² 30	230, 294	-----	-----	-----	-----	² 7, 180	² 6, 680	² 171
Maryland-----	1	67	15, 539	-----	299	-----	-----	1, 740	7, 670	5, 170
Minnesota-----	11	1, 163	365, 477	¹⁴ 10, 029	² 1, 743	¹⁵ 8, 286	² 5, 100	¹⁶ 69, 308	¹⁶ 117, 579	98, 579
Missouri-----	1	87	15, 943	-----	-----	-----	-----	8, 700	-----	-----
Montana-----	1	75	26, 934	-----	-----	474	-----	10, 800	17, 807	13, 518
Nebraska-----	5	478	182, 531	⁶ 7, 416	-----	² 2, 131	² 2, 149	45, 795	68, 767	64, 135
New York-----	1	110	20, 000	-----	500	¹⁷ 500	-----	8, 000	10, 400	10, 240
North Dakota-----	5	465	216, 427	⁵ 7, 546	-----	7, 061	² 1, 568	63, 625	150, 195	129, 313
Oklahoma-----	3	241	197, 597	² 4, 430	-----	² 4, 430	² 1, 829	² 11, 850	² 19, 527	17, 936
Pennsylvania-----	1	112	19, 249	-----	216	-----	-----	-----	1, 274	3, 656
South Dakota-----	4	560	273, 392	⁵ 1, 524	² 69	1, 455	² 800	46, 020	75, 561	55, 483
Washington-----	4	695	147, 741	⁵ 3, 646	-----	⁵ 3, 646	² 364	53, 665	108, 566	70, 442
Wisconsin-----	2	122	89, 252	² 583	² 176	407	² 229	14, 950	61, 020	61, 020

¹ Not including 1 society which reported a deficit of \$15,349.

² 1 association.

³ 2 associations.

⁴ 4 associations.

⁵ 3 associations.

⁶ Loss; 4 associations.

⁷ 3 associations; not including 1 reporting deficit of \$15,349.

⁸ 20 associations.

⁹ 7 associations.

¹⁰ 12 associations.

¹¹ Loss; 19 associations.

¹² 19 associations.

¹³ 18 associations.

¹⁴ 6 associations.

¹⁵ 8 associations; not including 1 which reported loss but did not state amount.

¹⁶ 10 associations.

¹⁷ Loss.

The farmers' associations accounted for \$818,279 of the total value of goods produced (shown in table 22). Their manufactures were in a much more restricted field than were those of the other consumers' associations. One association manufactured dairy products (to the value of \$113,543), 1 manufactured sausage (\$5,349), 1 manufactured flour (\$9,853), 2 ground corn for meal (\$100,000), and 20 made feed (\$589,534).

Chapter 3.—LOCAL SERVICE ASSOCIATIONS

Summary

The service associations present as varied a field of activities as do the distributive associations. They provide such services as housing (in the form of apartments or furnished rooms), electricity, meals, laundry work, automobile repair, recreational facilities, burial, lawn-mowing, and cold-storage facilities. They present also a most varied aspect from the point of view of financial success, as this group contains some of the most rapidly expanding as well as the most laggard types of associations.

As regards money value of business, they range from the million-dollar operations of the housing associations to the very small turnover of the recreation and publishing associations which perform services that are important but which do not bulk large in terms of dollars and cents.

At the end of 1936 the service associations were operating as principal enterprises 31 rooming houses, 31 restaurants, cafeterias, and dining rooms, 7 printing plants, 5 clubhouses or clubrooms, 4 laundries, 2 halls, 2 cooperative parks, 2 garages, a hospital, and a cold-storage plant. Auxiliary enterprises operated by this group included 5 retail stores, 2 bakeries, a warehouse, a laundry, a shoe-repair shop, a gasoline service station, an automobile sales agency, a restaurant, and a rooming house. Data were not available for the electricity associations.

Business Operations

Summary data on the operations of the various service associations in 1936 and their financial status at the end of the year are given in table 33.

TABLE 33.—*Summary of Operations of Local Service Cooperatives, 1936*

Type of association	Membership		Business done		Net earnings	
	Associations reporting	Members	Associations reporting	Amount	Associations reporting	Amount
All types.....	111	41, 641	86	\$2, 498, 889	70	\$40, 261
Associations providing—						
Meals only.....	15	6, 809	11	754, 738	12	14, 388
Rooms only.....	3	576	3	9, 552	2	234
Meals and rooms.....	12	2, 766	10	225, 016	5	1 402
Laundries and cleaning establishments.....	3	875	2	33, 150	2	549
Medical-care associations.....	4	5, 143	2	1, 950	2	77
Garages.....	2	96	2	53, 229	2	1 1, 718
Printing and publishing associations.....	7	4, 916	6	69, 264	6	1 2, 347
Burial associations.....	17	15, 006	12	63, 189	10	4, 432
Recreation associations.....	9	914	2	6, 498	1	200
Housing associations.....	34	2, 323	33	² 1, 281, 641	28	24, 848
Electricity associations.....	(³)	(³)	(³)	(³)	(³)	(³)
Miscellaneous ⁴	5	2, 217	3	662		

Type of association	Patronage refunds		Share capital		Total assets		Net worth	
	Associations reporting	Amount	Associations reporting	Amount	Associations reporting	Amount	Associations reporting	Amount
All types.....	8	\$5, 497	81	\$4, 438, 324	54	\$1, 057, 819	42	\$770, 828
Associations providing—								
Meals only.....	5	3, 425	11	125, 559	13	441, 597	9	358, 921
Rooms only.....			2	3, 680	2	7, 714	1	4, 048
Meals and rooms.....			8	22, 995	7	42, 531	6	14, 735
Laundries and cleaning establishments.....	1	650	1	8, 777	2	14, 574	2	9, 331
Medical-care associations.....			1	109, 900	2	112, 689	1	109, 900
Garages.....			2	13, 022	2	143, 645	1	6, 250
Printing and publishing associations.....	2	1, 422	6	19, 398	6	47, 572	6	36, 878
Burial associations.....			12	31, 724	12	62, 915	11	50, 109
Recreation associations.....			4	6, 550	7	184, 432	4	180, 506
Housing associations.....			32	4, 086, 569	(³)	(³)	(³)	(³)
Electricity associations.....			(³)	(³)	(³)	(³)	(³)	(³)
Miscellaneous ⁴			2	10, 150	1	150	1	150

¹ Loss.² Gross revenue.³ No data.⁴ This group includes local educational, lawn-mowing, and cold-storage associations.

Combined data, by States, for the service associations (except the housing associations) are shown in table 34.

TABLE 34.—Operating Statistics of Local Service Cooperatives, 1936

[Data do not include housing associations, for which see p. 80]

State	Member-ship		Business		Net earnings		Share capital		Assets		Net worth	
	Asso- cia- tions re- port- ing	Mem- bers	Asso- cia- tions re- port- ing	Total	Asso- cia- tions re- port- ing	Total	Asso- cia- tions re- port- ing	Total	Asso- cia- tions re- port- ing	Total	Asso- cia- tions re- port- ing	Total
Total.....	73	37,106	51	\$1,216,722	42	\$15,413	49	\$351,710	54	\$1,057,819	42	\$770,828
California.....	2	2,958	1	69,487	1	² 663	1	560	1	14,433	1	961
Connecticut.....	1	5	1	136	—	—	1	150	1	150	1	150
Florida.....	1	44	1	9,500	—	—	—	(³)	1	2,000	1	2,000
Illinois.....	6	4,488	3	171,159	4	4,464	4	13,881	4	5,746	⁴ 2	770
Indiana.....	2	103	2	37,662	2	616	1	5,000	1	5,000	1	5,000
Iowa.....	5	2,075	1	4,170	1	73	2	8,634	2	14,674	2	12,705
Michigan.....	7	826	7	111,789	5	5,430	7	7,400	7	52,855	5	25,727
Minnesota.....	19	7,265	16	117,660	13	712	15	41,816	14	69,588	⁵ 11	47,481
Missouri.....	1	90	1	1,223	1	61	—	(³)	1	200	—	(³)
Nebraska.....	1	60	1	928	1	1,023	1	1,055	1	1,145	1	1,055
New Jersey.....	1	499	1	12,807	1	² 64	1	21,264	1	32,564	1	21,378
New York.....	8	9,368	5	489,175	6	747	5	109,107	7	670,462	6	494,479
N. Dakota.....	1	380	—	(³)	(⁵)	(⁵)	1	3,800	1	15,000	1	15,945
Ohio.....	2	760	1	10,000	—	—	—	(³)	1	380	1	271
Oklahoma.....	1	2,485	—	(³)	—	—	1	109,900	1	112,439	1	109,900
Oregon.....	1	35	—	(³)	—	—	1	750	1	1,200	—	(³)
Pennsylvania.....	2	23	2	14,891	2	561	2	1,329	2	6,657	2	4,354
S. Dakota.....	1	3,530	1	3,920	1	196	1	3,530	1	5,440	1	5,440
Texas.....	1	700	1	40,000	—	—	—	(³)	—	(³)	—	(³)
Washington.....	2	340	1	56,215	1	193	1	7,490	1	20,538	1	7,314
Wisconsin.....	8	1,072	5	66,000	3	2,064	4	16,044	5	27,248	3	15,898

¹ 2 associations had losses aggregating \$727 and 40 associations gains aggregating \$16,140; does not include 1 association with a loss, whose amount was not reported.

² Loss.

³ No data.

⁴ Not including 1 association which had a deficit of \$848.

⁵ Not including 1 association which had a deficit of \$1,797.

⁶ 1 association had a loss, amount not reported.

BUSINESS WITH NONMEMBERS

No information was available as to the proportion of nonmember patronage in the electricity associations. The income of the housing associations was from their own members. For the other service cooperatives the proportion of nonmember business reported was as follows:

	Number of asso- ciations
None.....	7
Less than 10 percent.....	4
10 and under 15 percent.....	4
15 and under 20 percent.....	1
20 and under 25 percent.....	2
25 and under 50 percent.....	1
50 and under 75 percent.....	7
75 and under 90 percent.....	7
90 percent and over.....	2

INTEREST ON SHARE CAPITAL

Very few of the service associations paid interest on share capital. In the housing associations the share capital paid in represented the member-tenant's equity in his apartment. Of the rates paid by the 54 other service associations reporting, only 5 paid interest on share capital—2 at 5 percent, 1 at 6 percent, and 2 at 8 percent.

SUPPLIES FROM COOPERATIVE SOURCES

Of 33 service cooperatives reporting as to the proportion of all supplies that was purchased from cooperative sources, the distribution was as follows:

	<i>Number of associations</i>
None.....	17
Less than 10 percent.....	4
10 and under 25 percent.....	5
25 and under 50 percent.....	2
50 and under 75 percent.....	1
75 and under 90 percent.....	2
90 and under 100 percent.....	1
100 percent.....	1

Fields of Activity

ASSOCIATIONS SUPPLYING MEALS AND LODGING

At the end of 1936 there were known to be in operation some 41 associations or groups supplying meals, lodgings, or both. Data were obtained for 31 associations in this class, of which 16 furnished meals only, 3 rooms only, and 12 both meals and rooms.

Although definite restrictions on membership were not common, almost all of these represented homogeneous memberships, bound by ties of occupation or race. Thus, 14 were associations of students or faculty members of specified colleges or universities, 10 were associations whose membership was overwhelmingly of a specific nationality (i. e., 7 Finnish, 1 Russian, 1 Scandinavian, and 1 Ukranian), 3 catered to a definitely working-class membership (steel workers, automobile workers, etc.) and another to office and white-collar workers, 1 was restricted to the employees of a particular company, and 1 to office employees of a farm organization.

A large proportion of these associations have been in operation a long time. Of the 30 whose year of establishment is known, 2 date from 1912, 2 were started in 1913, 2 in 1917, 1 in 1918, 3 in 1919, 1 each in 1920, 1922, 1923, 1924, 1926, 1931, 5 in 1932, 3 in 1933, 2 in 1935, and 4 in 1936. Their average age was 11 years.

At the end of 1936 these associations were operating 16 restaurants, 13 cafeterias, 4 rooming houses, 28 boarding houses, 4 stores, a meat market, a warehouse, a bakery, a laundry, and a central kitchen

serving a number of boarding houses. In addition, two eating clubs occupied donated quarters and another association provided laundry service for its members through a contract with a local laundry.

A combined membership of 10,151 was reported, and an annual business of \$989,306. Although the students' organizations do most of their business with their members, a very high proportion of non-member business was reported by the others, being as high as 90 percent in one association and upward of 66% percent in seven others. In some of the older associations this was due to the moving away of the original members, though still retaining their shares, and to a lack of zeal in interesting patrons in joining.

Besides the associations described above, whose main business is that of furnishing meals and lodging, five associations in other lines of activity were also operating restaurants and cafeterias, and one was running a clubhouse and one a rooming house.

LAUNDRY AND DRY-CLEANING ESTABLISHMENTS

The Bureau of Labor Statistics had record of the existence of only seven associations operating laundries or dry-cleaning plants as their main activity at the end of 1936. Four of these furnished reports of their operations in that year. One reporting society was in New York, one was in Ohio, and two were in Wisconsin. Three were urban consumers' associations and the fourth a farmers' association, which, however, was doing most of its business with residents in town. The farmers' association dated from 1914, but all of the others were started in 1935.

Three of the associations operated one laundry each, the fourth having a dry-cleaning business. One also had a store in which clothing was sold and another had a shoe-repair department.

A large proportion of nonmember patronage was reported. One association did only 10 percent of its business with nonmembers in 1936. The other three, however, reported 50, 70, and 80 percent, respectively. It would appear that if the customers in the community liked the cooperative service well enough to give the organization a large part of their patronage, here would be a good potential field of expansion, by direct persuasion or by crediting of patronage refunds. Only one association made sufficient net earnings in 1936 to be able to return a patronage dividend, and this was the association only 10 percent of whose business was with nonmembers; it returned patronage refunds to members only.

MEDICAL-CARE COOPERATIVES

Cooperative medical care is a type of service in which there is great public interest. This has grown out of the present system of the provision of medical attention. In spite of the enormous sums spent

annually in this country for physician's services and hospitalization, yet a large group of our population cannot afford adequate medical care.

Cooperators declare that this situation can be remedied, for individual groups, by adoption of the cooperative plan of medical care. This cooperative plan is characterized by payment for medical services on a periodic prepayment basis (via membership dues in the association); furnishing of the services of physicians who are closely associated in what is known as "group practice," and are under contract to render specified medical services to members of the association for a consideration (usually annual) from the association; democratic control of the association on a nonprofit, one-vote basis.

Such a plan, its supporters declare, (1) relieves the burdensome and sometimes catastrophic costs of unforeseen illnesses, by enabling the patient to budget the costs in advance, in the form of small periodic payments; (2) makes possible the sharing, among the physicians in the group, of the high cost of equipment, thus enabling them to offer service at a lower cost to the patient; (3) gives the physicians more time for actual practice by liberating them from the mechanics of "building up" a practice and from the worries of financial and administrative details; and (4) gives the physicians, including the specialists, more time to continue research and keep up with the continuing advances in medical science.

A number of "group medicine" plans were in effect or in the planning stage at the end of 1936, but the Bureau of Labor Statistics has knowledge of only four such plans which were entirely cooperative—initiated and operated by the members (prospective patients) themselves. Reports were received from all of these—one in California, one in Indiana, one in Missouri, and one in Oklahoma.

The Oklahoma association was the oldest cooperative medical organization in the United States, having been started in 1929. It was also the only farmers' organization of the group, the members of the others being mainly town or city dwellers. One of the town associations was formed in 1933 and the other two in 1936.

The farmers' organization started with the idea of making hospitalization its primary service. The others began with general medical care, with hospitalization secondary. In all except the farmers' organization, the cooperative association furnished the services through a contract arrangement with local physicians and hospitals, using their facilities. The farmers' association had its own hospital and equipment and full-time medical staff.

Each of the four associations, and the basis on which it operates, is described in the following pages. Generally the data are as of the end of 1936, but important developments in 1937 are also noted.

During 1937 the subject of cooperative medical care received much publicity and many groups declared their favorable interest in the subject. The establishment of medical plans is known to be under consideration in various sections of the country. Early in 1937 groups in northern Wisconsin, already operating cooperative business enterprises, formed a health association to provide medical care by contract with local physicians and hospitals. Farm groups in western Wisconsin held several meetings, with a view to establishing their own hospital. In a number of the Farm Security projects the settlers have started health associations with the assistance of the Federal Farm Security Administration. Among these are two known to have been formed in the San Gabriel and San Fernando Valley projects in California; others are reported to have been started in eastern Idaho and in New Mexico. The residents of Greenbelt, Md., a low-cost housing project just outside of Washington, D. C., formed such an organization early in 1938.

The Home Owners' Loan Corporation, in order to reduce the time lost through sickness by its employees in Washington, D. C., took the initiative in the formation of the Group Health Association, a medical-care association on a cooperative basis. For this purpose it advanced \$40,000. Although started primarily to care for employees of the H. O. L. C., the organization later opened its membership to employees of other Government departments and a number of them affiliated with it. It began operations November 1, 1937, and by February 1, 1938, had a membership of about 2,300. This organization provides general and specialized medical and hospital care, charging \$2.20 per month for individuals and rates ranging from \$4 upward (according to number of dependents) for families.

These cooperative medical associations have been under fire, since their inception, by local and national doctors' organizations. In Oklahoma, in the fall of 1937 an initiative petition, seeking a State-wide vote on a measure which would definitely legalize cooperative medicine, was filed by the Farmers' Union with the secretary of state of Oklahoma. That official, after hearings, overruled petitions attacking the sufficiency of the petition and declared it sufficient. From this ruling appeal was taken to the State supreme court which, in December 1938, had not rendered a decision. In the meantime a branch of another farm organization, the Farmers' Equity Union, in another part of the State was reported to be taking steps to establish a cooperative hospital for its members.

A bill to legalize consumers' and producers' cooperative medical groups and exempt them from the provisions of the State insurance laws was introduced in the 1937 session of the Wisconsin Assembly but was defeated.¹

¹ For a discussion of the legal status of cooperative medicine, see p. 189.

Farmers' Union Cooperative Hospital Association

The farmers' association—The Farmers' Union Cooperative Hospital Association, at Elk City, Okla. (see fig. 5, facing p. 80)—was the only one of the medical group operating its own hospital. In the others, hospital care was arranged for on contract.

As of December 31, 1936, it had 2,485 members, an increase of 285 over the same date of the previous year. Because of limited facilities membership was restricted to 2,500 members. Up to this limit membership was open to anyone living in the district served by the association, upon subscription for one or more \$50 shares. This constituted a family membership covering all members of the family living in the immediate household.

The medical and hospital service was provided on the basis of annual dues ranging from \$12 for one person to \$18 for two persons, \$22 for three persons, and \$25² per family of four or more; these dues were payable quarterly or semiannually. This fee entitled every member of the family to the following services: Consultations, prescriptions, physical examinations (including laboratory analyses of blood, urine, sputum, etc.), and necessary medical treatment. For cases requiring hospitalization, the association furnished room, board, general nursing service, and the services of a special nurse, without additional charge; a charge of \$1 per day was made to cover cost of laundry, medicine, serums, etc. Surgical operations were without additional charge, the only charge being for the cost of the anesthetics and other surgical supplies used in the operating room; this charge averaged from about \$3.50 for minor operations to some \$18 for major operations. Every mother, in addition to prenatal and postnatal care, was entitled to hospitalization during confinement, upon payment of the regular laundry, etc., fee of \$1 per day.

Limited dental care, including examination, X-rays, and extractions, was also being provided for the membership.

For medical attention at the members' home a flat charge of \$1.50 was made, plus 25 cents per mile of travel one way. For ambulance service the charge was \$1, plus 10 cents per mile one way. Extra charges ranging from 50 cents to \$3 were made for special services such as electric baths, violet-ray treatments, medical X-rays, etc.

In 1937 the hospital added a special plan for members living in outlying sections who will receive treatment only when they require hospital care. Dues under this plan range from \$6 per year for one person to \$12 per year for families of four or more.

In all of its work stress has been laid upon preventive measures, such as a periodical physical examination. It is felt that in this way serious illnesses have been prevented and the general level of health among the members has been raised.

² Reduced in 1937 to \$24.

The organization grew out of the efforts of a single physician who conceived the idea of a medical cooperative and was successful in enlisting the interest of some local cooperators. The organization was formed in 1929 and the first unit of the hospital was built in 1930. Later he interested the officials of the Oklahoma Farmers' Union, whose members were already carrying on various cooperative business enterprises, and the farm organization became the official sponsor for the cooperative hospital.

Additions have been made to the original building and facilities, from time to time. At the end of 1936 the association owned a 3-story hospital building with 75 beds; it provided facilities for X-rays and physiotherapy, an analytical laboratory, a general clinic, and special clinics for dental, surgical, eye and ear, nose and throat, and gynecological service. It had on its staff three full-time physicians and one full-time dentist.

The staff performed 141 surgical operations in 1932, 286 in 1933, 458 in 1934, 741 in 1935, and some 1,200 in the first 9 months of 1936.

Because of the fact that the membership was scattered throughout a region of some 40 miles' radius from Elk City, the bylaws provided for regional members' meetings and for regional representation on the board of directors. The board consisted of five persons elected annually by the members. A business manager, hired by the directors, attended to the business affairs, and a medical director (the physician who was prime mover in the association) had supervision over the professional matters.

Although the bylaws of the association provide that patronage refunds shall be made, if earned, this has not as yet been put into practice. The charges have been so low that there is little surplus, and that which has accrued has been used to provide more service or better hospital facilities.

San Diego Beneficial Society

The next of the four reporting organizations to be formed was the Beneficial Society, San Diego, Calif. Because of statutory restrictions, this organization was incorporated as a fraternal organization, operating two auxiliary enterprises—a benefit association (for rendering of hospital benefits) and a medical cooperative association (for purchasing medical services).

Formed in 1933, its membership rose from about 2,000 at the end of 1935 to 2,500 at the close of 1936, and about 2,800 in June 1937.

The beneficial society was a nonstock association, having a representative form of government, and was governed by a board of directors of nine. There was no proxy voting and each member was allowed one vote. This association held regular meetings of its members for social and educational purposes. The membership was

divided into local councils of not more than 500 members in each; these councils also held regular monthly meetings.

A mutual benefit association was formed, composed exclusively of members of the fraternal order, for the purpose of rendering disability benefits (hospital benefits). Under the plan the association paid not to exceed \$7 a day while the member was confined to any hospital in the United States. In order to obtain the hospital benefits the member paid monthly dues of \$1 for the first member of the family, \$1 for the second member, and 50 cents for each additional member. The hospital association was governed by a board of trustees of three, elected by the members once each year.

In addition to the above hospital benefits, the member was entitled to the medical services offered by the medical association (a cooperative purchasing association), at a cost of \$1 per month per person. However, one membership in a family entitled the rest of the family to a low schedule of fees, some of which were as follows:

Office consultation and treatments.....	\$0. 75
Residence or hospital calls, day.....	1. 50
Residence or hospital calls, night.....	2. 50
Minor surgical operations, including local anesthetic, not to exceed.....	12. 50
Major surgical operations.....	25. 00
Delivery in confinement cases.....	20. 00

Services for the member included complete medical and X-ray examinations, laboratory tests, dressings, splints, and supplies; and a preventive medical service of two complete physical examinations, including laboratory tests, each year. Services were rendered at the physician's office, the hospital, or at the residence of the member, within 10 miles of the medical doctor's office. All of the above were covered by the monthly or annual fees. Additional charges were made for such special services as ambulance service, dental care, dental X-ray, X-ray therapy, special nursing, and general anesthetic.

All medical services were supplied through a contract by the association with a copartnership of four physicians, who in turn employed other physicians, surgeons, and specialists. The cooperative association had no hospital of its own, but permitted the member to choose any hospital in the United States, the association paying the bill, not to exceed \$7 per day.

The medical cooperative association was governed by a board of trustees of three, who were elected at the annual membership meeting, at which each member had one vote only and no proxy voting was allowed. There was an entrance fee of \$3.

The representative of the Bureau of Labor Statistics who visited this association found that one of the association's problems was to induce the members to attend the monthly social and educational meetings. Also, the organization was handicapped in that it could

not solicit for members because of the ethics of the medical profession. Therefore, its growth had only been through the recommendation of its members to their friends. Every applicant must ask to become a member and no paid employee was allowed to solicit for memberships.

The members were largely office workers of the local telephone, gas, and light companies, the board of education, and the Y. M. C. A.; city employees; State college faculty; and the small storekeepers.

Economy Mutual Health Association

The Economy Mutual Health Association was an organization serving the village of Economy, Ind., and the surrounding farming community. According to the prime mover of the plan, this community of some 300 families had been without physician's services, because "the depressed conditions of agriculture after the war caused the doctors to move to larger towns and cities" and those who did start to practice in the locality stayed only a short time. "During the last 10 years we have had at least four different doctors in Economy."

In August 1935 an interested group drew up a notice outlining a cooperative health plan, and circulated 200 copies throughout the community. Because the idea was new, sentiment developed slowly and it was not until the winter of that year that the plan took shape. The organization was formed early in 1936 and went into operation in March, with 69 members signed up. There has been little variation in the membership since organization.

This was an unincorporated, nonstock association, membership in which was open to residents of the village and its vicinity within a 7-mile radius. Individuals were admitted to membership, but in general the memberships were on a family basis. Dues were \$3.90 per quarter, in advance, and covered all dependent members of the cooperator's immediate family. Individuals paid at the rate of \$1.85 per quarter.

These dues entitled the members to medical treatment at home and at the doctor's office, to physical examinations, and to ordinary drugs and medicines. Unusual or expensive medicine must be paid for by the patient, at actual cost. Obstetrical service was charged for at the rate of \$10 per case. Hospitalization was not covered by the plan.

Of the dues, all but 5 cents (used for administrative expenses) was paid over to the physician. The report for 1936 showed receipts of \$727.36, of which \$666.21 was paid to the physician.

Because this plan insured a certain yearly income, besides leaving the physician free to practice outside the cooperative membership, it had resulted in attracting to residence in the community a quali-

fied doctor, and thus had benefited not only the cooperative membership but the nonmembers who lived in and around the village.

Wage Earners' Health Association

This nonstock organization, located in St. Louis, Mo., was formed in April 1936, by a group of social workers. Starting with 30 members, it had increased to 90 at the end of the year, to 280 by June 1937, and to 379 on February 1, 1938.

Membership was open only to employed persons (either singly or in groups) earning not more than \$300 per month. Each new member paid an initial fee of \$1. Memberships were of three classes, with varying rates of dues, as follows: (1) Single memberships, fees for which were \$1.25 per month; (2) group memberships—i. e., 15 or more persons (members of an organization, church, or club, employees of a single employer, etc.) who joined in a body, paying dues of \$1 per person per month; and (3) family memberships, open to dependent members of the cooperator's family (wife and minor children) at the same rate paid by him, subject to the provision that the combined rate should not exceed \$5 per month per family whose head had an individual membership and \$3 per month per family whose head was a member of a group holding group membership. Members holding class 1 memberships automatically transferred to class 2 (with lower dues) when the number in their organization group exceeded 15; and those in class 2 transferred into class 1 when their organization number fell below 15.

These dues entitled the members to a complete physical examination when they joined and regular examinations annually thereafter or whenever deemed necessary by the medical staff. These examinations included urinalysis, blood count, Wassermann test, examination of heart, lungs, blood pressure, etc. Other services included medical service at home when necessary, at the doctor's office, or in a hospital whenever needed, as well as the services of specialists; all routine laboratory examinations; complete annual dental diagnosis; complete obstetrical care, provided the member had been enrolled for 12 months or more prior to the confinement.

They did not include: (1) Services in accidents covered by the workmen's compensation law; (2) services in accidents covered by policies and paid by a third party—not by the member; (3) institutional care for mental diseases after diagnosis; (4) institutional care for tuberculosis after diagnosis; (5) institutional care for alcoholism and drug addiction; (6) examination of eyes for glasses; (7) X-ray diagnosis or treatment; (8) physiotherapy treatment (quartz lamp, diathermy, infrared rays, etc.); (9) basal metabolism test; (10) electrocardiogram; or (11) drugs, surgical, and medical appliances (material for surgical dressings, etc.) not supplied at present.

An unusual feature of the plan was that it covered chronic diseases. In such cases the member was entitled to continuous medical care as long as he was employed, and for varying periods when unemployed because of disability. These periods varied according to the time during which the member had paid dues, as follows: 1 year, care for 3 months; 2 years, care for 6 months; 3 years, care for 9 months; 4 years, care for 1 year; and 5 years, care for 2 years. In each case the period of care was computed from the time the employment terminated.

During the year ending in March 1937 the association rendered the following services: 172 physical examinations, 967 office visits, 14 home visits, 36 hospital cases. These services included 142 confinement cases, 253 ear, nose, and throat cases, and 46 surgical operations.

This association, like the others described, aimed at prevention of disease, and to further this purpose on January 1, 1937, began the publication of a regular monthly bulletin distributed to the members.

The organization had no hospital or medical facilities of its own. All of the services mentioned above were furnished on contract with physicians carefully selected who devoted only part of their time to the work of the association. They were paid directly by the association, except for special care not covered by the regular dues, in which case the member was responsible directly to the attending physician. The staff included specialists in internal medicine, surgery, diseases of the ears, nose, and throat, gynecology and obstetrics, genitourinary diseases, and pediatrics.

An advisory committee of leading St. Louis physicians and surgeons was being assembled, in order that the association might have the benefit of their advice regarding ethics and the physician-patient relationship.

An analysis made by the association of its activities during the period from April 1, 1936, to December 31, 1937, revealed that in that time 500 persons had been examined for membership. The medical department had handled 6,423 calls—an average of 12.8 per member—half of which were for preventive medicine. In addition, 36 operations had been performed.

GARAGES

There were in 1936 only two associations known to the Bureau whose principal activity was the storage and repair of automobiles; one of these was in Minnesota and one was in New York.

One was started in 1928 and the other in 1935. The older association increased its volume of business by 12 percent from 1934 to 1936, and in the latter year made a small net saving. The new association sustained a loss.

One of these associations also had the agency for a well-known make of automobile in the middle-price class and the other ran a gasoline service station in connection with the automobile-repair business. There were also seven local associations which operated a garage as one department of a general mercantile or petroleum business.³ The undertaking of repair service showed further gains in 1937. At the end of the year such service was being offered by at least three additional store associations,⁴ but in all cases as a subsidiary service only. A number of the buying clubs, which, of course, did not operate garages themselves, had contracted for auto-repair service from local repair companies, at an agreed discount.

PRINTING AND PUBLISHING ASSOCIATIONS

The Bureau's list included 14 local associations in the printing and publishing field at the end of 1936. Data were obtained for 7, of which 4 were consumer groups and 3 were farmer groups. They were located as follows: 2 in Minnesota, 2 in New York, 1 in North Dakota, 1 in Pennsylvania, and 1 in Wisconsin. One of them dated from 1901, and 1 each from 1916, 1917, 1918, 1931, 1933, and 1936.

These were individual-membership associations having in their ranks a total of 4,916 persons, but in one a labor organization was also a shareholder and another had as members 9 consumers' cooperative associations as well as 310 individuals. Although these associations had an unusually large average membership—some 700—and for the most part reported that they did business at prevailing prices, all but three operated at a loss in 1936.

One association published a daily paper, 6 issued weeklies, and 2 monthlies. Two also did book work and 6 did job work.

BURIAL ASSOCIATIONS

The provision of burial service on a cooperative basis is comparatively new and has as yet been little developed. Hard times and the high cost of living cause the formation of cooperative associations whose main purpose is the supply of food and other household supplies without profit. The high cost of dying and what seemed exorbitant charges for funeral service were the motives for the formation of the cooperative burial associations now in existence.

Coal mining is a hazardous occupation and funeral expenses form an item of considerable importance in mining regions. It is not surprising, therefore, that the first burial association of which the Bureau of Labor Statistics has record was started in 1915 by a group of coal

³ The store associations with auto-repair departments were at Fitchburg, Mass., Cloquet and Floodwood, Minn., and Maple, Wis. The petroleum associations were at Charleston, Ill., Blue Earth, Minn., and Williston, N. Dak.

⁴ Rock, Mich., Menahga, Minn., and Superior, Wis.

miners organized in a local union in Illinois. At least four other labor groups—composed largely of coal miners—formed similar associations in the same State within the next few years. These organizations, though cooperative in the sense of being nonprofit, have in other respects more of the character of union than of cooperative enterprises.

In the late 1920's the farmers in Iowa and Minnesota became interested in the provision of funerals at more moderate prices and, with local townspeople, established burial associations at a number of places. Recently some of the farm journals have expressed their favorable interest in the formation of these associations, and in Nebraska local Farmers' Union groups started two associations, each of which was county-wide in scope.⁵

The early organizations usually confined their activities to a single town and its immediate vicinity. Most of the later associations have been authorized to do business over one or several counties. For obvious reasons, a large membership is desirable in a burial association if it is to be successful.⁶ This is one line of activity entirely dependent upon conditions outside the control of the organization. The volume of business being dependent upon the death rate, no amount of advertising or sales campaigns will increase it. Only a large membership will insure a sufficiently large number of funerals to make operation worth while. The tendency, therefore, has been toward a greater and greater coverage of membership and territory served.

Organized cooperators entered this field several years ago, when a group of cooperative associations operating stores and creameries throughout the Mesabi Range district in Minnesota obtained a charter for the Range Cooperative Burial Association. Shortly afterwards another group of associations in Aitkin, Carlton, Pine, and St. Louis Counties applied for a charter for the Northland Cooperative Burial Association. Opposition to the formation of this association was manifested by the private undertakers' association in the State, which brought suit questioning whether such a cooperative association was legal under the Minnesota law, on the ground that cooperative associations which were members of the burial association were not the "ultimate consumers" of the service. After a long period of controversy the case was decided in favor of the cooperatives. A charter was granted and the Northland Cooperative Burial Association began operations January 1, 1937. Pending settlement of this case, no attempt had been made to go ahead with the plans for the Range Association. In July 1937, it amalgamated with the Range Cooperative Federation,

⁵ One of these discontinued operations in 1938, because of an insufficient volume of business.

⁶ It was estimated, on the basis of the Iowa associations' experience, that a burial association, to be successful from the beginning, should start with at least 500 members and capital of at least \$5,000 (Consumers' Guide, Washington, July 26, 1937).

becoming a department of that federation. Burial service was inaugurated on September 1, 1937.

This federated type of association makes burial service available over a wide territory. For the local associations reporting in the Bureau's survey, the average membership in 1936 was 883, whereas the two federated associations each represented a combined individual membership of from 5,500 to 6,000.

In the local type of association, the individual becomes a member through the payment of a membership fee. This fee represents a nontransferable family membership and is valid even after the death of the parents, as long as there are minor children. As each child becomes of age, his right to service under the family membership lapses.

In the federated associations the individual members of the local associations which own the burial association are entitled to utilize the burial services of the association by virtue of their affiliation with the local cooperative association, upon payment of a small fee. In the Northland Association this fee is 50 cents per year.

The local associations in Iowa and Minnesota both have a central federation—the Iowa State Federation of Burial Associations and the Northwestern Cooperative Burial Association. The former was reported to have in membership all 10 Iowa local associations, and the latter had 8 member associations. These federations carry on no business activities. Their duties are to protect the interests of the local associations, be on the watch for legislation detrimental to cooperatives, provide speakers, do organizational and educational work, and serve as a clearing house of experience among the members.

On the basis of reports to the Bureau of Labor Statistics it is calculated that the 42 associations known to have been in existence at the end of 1936 had an estimated membership of about 27,000 and did a business in that year estimated to have been about \$170,000. These associations were all in the North Central States—Illinois, Iowa, Minnesota, Nebraska, and South Dakota.

As already noted, the first association of record was started in 1915. Of 33 other associations for which the date of organization is known, 1 was started in 1915, 3 in 1921, 2 in 1924, 2 in 1927, 3 in 1928, 5 in 1929, 4 in 1930, 4 in 1931, 5 in 1932, 3 in 1934, and 1 in 1935. Their average age was slightly over 8 years.

Cooperative Practice

The reporting associations, without exception, operated on the basis of one vote per member. Generally there was no limitation on membership, any family in the vicinity being eligible for membership on payment of the required fee. One association, however, reported that it desired no new members at present because of its limited operating

facilities. Two others limited their total membership to 1,000 and 2,000 respectively, but this limit was far from having been reached in either association.

These associations depart from the Rochdale practice of "business at prevailing prices." All of those furnishing returns made charges below those current in the community. For that reason, the "net earnings" reported were lower than would have been the case had they followed Rochdale practice.

Only one association reported returning a patronage refund. The amount so returned was not stated, but the rate of return was 10 percent. Mainly because the margin between actual cost and the charge to the patron is small, the practice of return of patronage refunds is not common among the burial associations; the member has already had the equivalent of the refund, in the form of lower prices.

Membership

Of 42 associations known to have been in existence at the end of 1936, usable reports were received for 19.

A combined membership of 15,006 was reported, an average of 883 per association. The individual associations ranged in size from 50 to 4,000 members; they were distributed as follows:

	<i>Number of associations</i>
Less than 100 members.....	2
100 and under 250 members.....	1
250 and under 500 members.....	5
500 and under 750 members.....	5
750 and under 1,000 members.....	2
1,000 and under 2,000 members.....	1
2,000 and under 3,000 members.....	0
3,000 members and over.....	2

The associations for which membership data were available for a period of years showed an almost unbroken record of expansion. One association which started with 10 members in 1930 had increased to 800 by the next year, to 1,030 in 1933, to 1,050 in 1935, and to 1,260 in 1936. Another rose from 400 members in 1931 to 3,530 in 1936. The associations reporting for both 1935 and 1936 had an increase of 672 members, or 5.7 percent; not one had had a loss in membership.

Statistics of Operation

The reporting associations conducted 595 funerals during the year, or an average of 35 each. Two of the smaller associations handled only 6 funerals each. The largest number (91) was handled by a 6-year-old association with some 1,200 members.

An aggregate income of \$63,189 was reported by 12 associations, of which \$4,432 represented net savings.

The following table summarizes, by States, the 1936 operations of the associations reporting. Bills and accounts payable, not shown in the table, aggregated \$5,455—reported by 12 associations. Six associations reported that they had no outstanding obligations.

Most of these were nonstock associations operating on a membership basis. The cost of membership was generally \$5 or \$10, but in two associations reporting the membership fee was only \$1. Generally this was the only regular charge, but one organization (with a \$10 membership fee) also charged dues of 25 cents per month; it stated, however, that these dues were "not compulsory."

A number of the associations provide that upon the lapsing of a family membership, the membership fee shall be transferred to the "free burial fund." This fund is commonly maintained by members' annual contributions of 25 cents each, and is used to assist in paying burial expenses for needy members.

TABLE 35.—*Statistics of 1936 Operations of Cooperative Burial Associations, by States*

Item	All States	Illinois	Iowa	Minnesota	Nebraska	South Dakota
Total known associations.....	42	4	10	20	2	6
Total number of reporting associations.....	19	1	3	12	2	1
Membership:						
Number of associations reporting.....	17	1	3	11	1	1
Number of members.....	15,006	4,000	1,935	5,481	60	3,530
Average per association.....	883	4,000	645	498	60	3,530
Number of funerals:						
Number of associations reporting.....	17	1	2	11	2	1
Total funerals.....	595	75	41	427	22	30
Business done:						
Number of associations reporting.....	12		1	9	1	1
Amount.....	\$63,189		\$4,170	\$54,171	\$928	\$3,920
Net earnings:						
Number of associations reporting.....	10		1	7	1	1
Amount.....	\$4,432		\$73	\$3,140	\$1,023	\$196
Share capital: ¹						
Number of associations reporting.....	12		2	8	1	1
Amount.....	\$31,724		\$8,634	\$18,505	\$1,055	\$3,530
Total resources:						
Number of associations reporting.....	12		2	8	1	1
Amount.....	\$62,915		\$14,674	\$41,656	\$1,145	\$5,440
Net worth:						
Number of associations reporting.....	11		2	7	1	1
Amount.....	\$50,109		\$12,705	\$30,909	\$1,055	\$5,440

¹ Includes paid memberships, in nonstock associations, where amount was known.

Services, Operating Facilities, and Charges

The provision of caskets and hearse service is practically universal among these associations, and undertaking service is also common. Other, less usual, services are the furnishing of tombstones, cemetery plots, burial vaults, and ambulance. Of 16 associations reporting, all provided caskets, 14 provided hearse, and 12 embalming, 4 dealt in tombstones, 3 in burial vaults, 3 had an ambulance, and 1 owned a cemetery.

Of 14 associations reporting as to operating facilities, 13 operated a funeral parlor and the same number had their own hearse; 1 asso-

ciation rented the hearse each time it was needed. (For illustration of funeral establishment, see fig. 6, facing p. 80.)

It is a common provision in the bylaws of the burial associations that business shall be done "at the lowest practicable cost" consistent with the safety of the business. One organization set the cost of funerals thus: "The cost of the funeral shall consist of the cost of casket and other supplies, plus the funeral director's charges and use of hearse, plus a surcharge sufficient to meet the current operating expenses of the association and other essential costs including the reserves required by law."

Charges.—For the associations reporting, the average cost per funeral to the patron was \$175. Classified by average cost the distribution was as follows:

	<i>Number of associations</i>
Less than \$100.....	3
\$100 and under \$150.....	3
\$150 and under \$200.....	5
\$200 and under \$250.....	3
Over \$250.....	1

The foregoing were the prices charged to members. The practice as regards nonmembers varied. Three associations stated that they did no business with nonmembers. Two allowed nonmembers to utilize their services but required from them at the time of the burial the regular membership fee, thus admitting them to membership. One association extended its facilities to nonmembers at the same prices as charged to members. The remaining associations, however, charged higher rates—10 percent higher in one case and 20 percent in another.

Each association was asked to estimate the amount the patron saved per funeral, by utilizing the services of the cooperative. The replies ranged from \$15 to \$400; the average was \$160. One association pointed out that its estimate of saving was based upon prices prevailing before the establishment of the cooperative association.

The 14 associations reporting employed in 1936 some 25 persons, and expended \$15,472 in wages. All of these employed an undertaker but only 2 were on a full-time basis; in 12 cases the undertaker was employed on contract. In 7 cases he also acted as manager of the association; in 6 associations a manager was employed in addition.

Sources of supply.—The early associations experienced some difficulty in obtaining supplies—embalming fluid, caskets, etc. This was known, in a few cases, to be due to pressure from private undertakers. Several years ago arrangements were made with a small independent casket factory, and many of the burial associations, notably in Minnesota, now obtain their supplies through that company.

Of the associations reporting, seven said that none of their supplies were obtained from cooperative sources. Seven purchased at least part of their supplies from cooperatives; of these one purchased in this way 75 percent, one 80 percent, one 90 percent, and two 100 percent.

HOUSING ASSOCIATIONS

The development of cooperative housing in the United States has been thus far almost entirely in the apartment-house field in greater New York and has been restricted by the large amount of capital necessary. In the opinion of one housing expert, a project cannot be made successful in New York City unless it covers at least a city block.⁷ With the very large sums involved in such projects and total investments per member ranging up to \$700 or more per room, it is evident that comparatively few wage-earner groups would be able to finance such enterprises unaided. Nevertheless several housing associations have been started and have provided accommodations for more than 2,200 families.

It was found that since the Bureau's last previous survey of cooperative housing, in 1933, six associations had lost their properties and had gone out of existence, one had lost its cooperative features, and in two instances two associations had consolidated into one. Six additional associations were reported to the Bureau of Labor Statistics, but it was not possible to check as to the cooperative features of these.

Of 48 known housing associations, data were obtained for 39, of which 35 were actually operating housing properties, and in 4 others the organization had been formed and plans were well advanced. Of the 35 completed projects, 12 were in Manhattan and the Bronx and the remaining 23 were in Brooklyn. Of the four projects still under way, two were in New York and the other two were in Wisconsin.

The earliest of the groups (2) for which the Bureau has information dates from 1916. In the following 2 years no new projects were started among the groups that responded to the Bureau's request for information, but beginning in 1919 two projects were undertaken, in 1920 there were six more, four each in 1921, 1922, and 1923, one in 1924, three in 1925, two in 1926, three in 1927, one in 1928, and two in 1930. Thereafter, cooperative activity in the line of new cooperative housing ceased until 1936 when the four new groups were formed.

A number of the early cooperative housing associations drew their membership largely from the building-trades workers. A series of several apartment buildings has been built by needle-trades workers, with the financial assistance of their labor organization. (See figs. 7 and 8, facing p. 81.) In several other groups the members were "white-collar" or professional people, and in still another the members

⁷ A. E. Kazan's address at 1936 Congress of the Cooperative League.

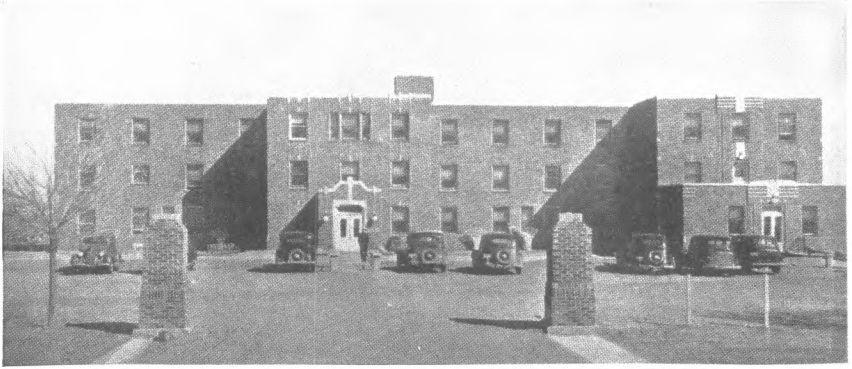


FIGURE 5.—FARMERS' UNION COOPERATIVE HOSPITAL, ELK CITY, OKLA.



FIGURE 6.—FUNERAL ESTABLISHMENT OF ROCK COUNTY COOPERATIVE BURIAL ASSOCIATION, LUVERNE, MINN.



FIGURE 7.—AMALGAMATED COOPERATIVE APARTMENTS, NEW YORK CITY.
Only 47 percent of the ground is occupied by the buildings; the remainder is in garden and playgrounds.

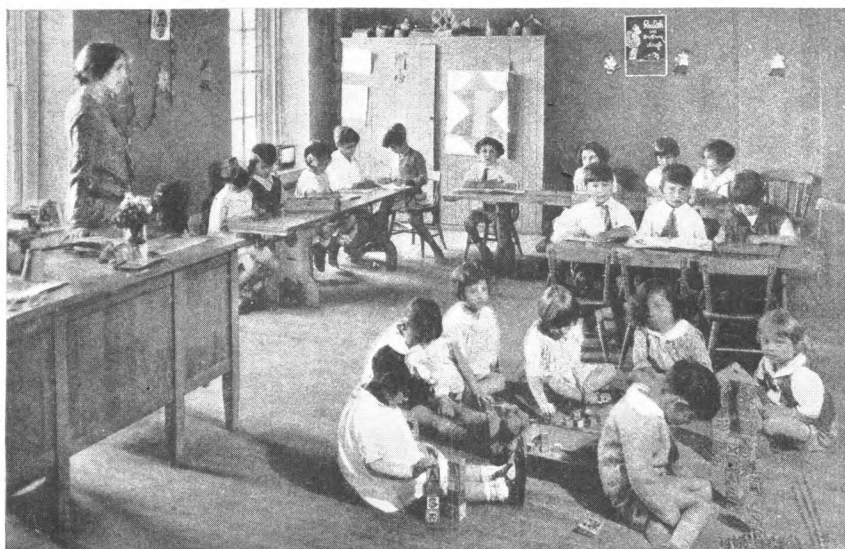


FIGURE 8.—KINDERGARTEN AT AMALGAMATED COOPERATIVE APARTMENTS,
NEW YORK CITY.

were drawn from the membership of a cooperative association which operates a chain of cafeterias.

Of the projects still in the planning stage at the time of the Bureau's survey, one will limit its membership to civil-service employees earning less than \$4,000 a year and persons recommended by them who are in the same salary class. Another will be composed of professional persons and State employees.

Cooperative Practice and Control

The genuinely cooperative housing enterprise is characterized by the following:

(a) Each member has one vote, regardless of the number of shares held.

(b) The building is either erected or bought already constructed, by the association (i. e., by the members as a whole), not by individuals who later form an association. This excludes so-called cooperative apartment buildings built by private contractors on a profit basis, the apartments in which are sold outright to individual purchasers.

(c) The member does not receive title to any individual apartment or dwelling. He merely owns shares in the association to the value of the dwelling he occupies. His evidence of ownership consists of a certificate of shares and a permanent lease on his dwelling. Legal ownership is held by the association as a whole.

It was found in the present study that all but 3 of the 35 associations, which were actually operating properties, followed accepted cooperative practice whereby each member was allowed only 1 vote on administrative decisions. One of the associations in which voting was based on stock ownership was in Manhattan and the remaining two were in Brooklyn. Twenty of the 33 cooperatives which furnished information on proxies stated that such voting is permissible; in the remaining 13 associations—4 in Manhattan and Bronx and 9 in Brooklyn—members must vote in person. Voting membership in 11 of the 12 groups in Manhattan and Bronx totaled 1,746 in 1936. For Brooklyn the voting membership of the 23 groups was 577.

All of the 12 Manhattan and Bronx associations and the 23 Brooklyn projects retain title to the cooperative apartments. As an evidence of ownership, purchasers of dwelling units are furnished with various kinds of papers, such as a contract, membership or stock certificate, pass or rent book, or lease.

In 10 cases in Manhattan and Bronx and 22 in Brooklyn subletting by owners was permitted, but the remaining 3 associations forbade this practice. Where subletting is allowed the association usually specifies that approval of the entire group or the board of directors must first be obtained. In some associations the member may set his own rate,

but in the majority the board fixes the amount of rental, or places restrictions on the rates at which the apartment may be sublet.

Similarly, while members are permitted to sell apartments under the original contracts of purchase, the associations exercise control over the terms of sale by requiring that the group or the board shall approve sales, that the price shall not include a profit, or that the apartment must be offered to the association first. In Manhattan three groups provided for the repurchase of the equity of an individual apartment owner and in Brooklyn seven follow this practice if permission to sell is refused. Six groups in Manhattan and Bronx and 12 in Brooklyn stated that the associations do not obligate themselves to take apartments back and reimburse the owners.

The importance attached to choice of resident managers in the associations' houses is evidenced by the careful methods by which such employees are selected. In Manhattan and Bronx the board makes the choice in 8 cases, the members in 2, and both in 2; in Brooklyn the board chooses managers for 4 projects and the total membership for 19.

Types of Buildings Provided

Altogether the 30 housing associations for which information was obtained on this point provided quarters for 2,248 families. The apartment projects ranged in size from a single building with 8 apartments to a group of several buildings containing 724 dwelling units. The size of the housing properties owned by the various cooperative groups is indicated in the following statement:

Buildings with—	Number of associations	Buildings with—	Number of associations
8 apartments.....	2	35 apartments.....	1
12 apartments.....	2	40 apartments.....	4
16 apartments.....	8	44 apartments.....	1
19 apartments.....	1	67 apartments.....	1
20 apartments.....	1	121 apartments.....	1
24 apartments.....	3	724 apartments.....	1
32 apartments.....	4		

Buildings of four stories predominated. In Brooklyn 22 associations out of 23 reported buildings of this height. Of the 12 associations in Manhattan and the Bronx supplying data on this point 1 had a 3-story building, 4 had 5-story buildings, another 5- and 6-story buildings, 4 were of the 6-story type, 1 was 6½ stories, and another had a building of 12 stories and penthouse. In Manhattan and the Bronx 6 of the 12 apartments in the buildings of 6 or more stories had elevators. All 23 apartments in Brooklyn were of the walk-up type.

The buildings for which information was supplied concerning number and size of suites had more three- and four-room units than any other size. Of the 1,709 separate apartments furnished in Manhattan and the Bronx 56 were of 1 room, 223 were of 2 rooms, 786 were of 3

rooms, 488 were of 4 rooms, and 156 had more than 4 rooms. Brooklyn had 539 units ranging in size from 6 two-room suites, to 118 of 3 rooms, 235 of 4 rooms, and 180 of over 4 rooms. Thus in Brooklyn, where only one-third as many units were being occupied cooperatively as in Manhattan and the Bronx, there were 10 percent more large apartments (of over four rooms) than in New York City.

In only one case was a bathroom rated as a room in establishing apartment size, but it was fairly common to include a kitchen as a room. In 9 apartments in Manhattan and the Bronx and 20 in Brooklyn this practice was followed. In two additional cases in Manhattan a kitchenette figured as a half room and in another as a full room. In two Brooklyn associations the number of rooms was calculated on a space basis, regardless of the use to which the room might be put.

One association in New York City had houses in addition to apartments. The report of its activities showed that the property included a garden house and three other separate dwellings. Otherwise the dwellings were of the multiple-dwelling type in every instance.

Of the two new Wisconsin groups—neither of which had progressed to the point of actual provision of living quarters for its members—one was in Madison and the other in Milwaukee.

The Madison association was organized in September 1936, and by the spring of 1937 had over a hundred members, composed almost entirely of university people and State employees. It owned 75 acres of land, with an option on an additional 75 acres, about 5 miles from the capitol. Its plans were drawn and it was expected that ground would be broken during 1937. Only about half of the land was to be used for building, the rest being left as communal wooded ground. Both apartments and individual houses were planned. The four-family apartments were expected to cost approximately \$3,000 per family and the houses about \$10,000 each.

It was the announced purpose of the Milwaukee group to establish, not only one cooperative enterprise, but a complete cooperative community. This might be termed a combination housing and self-help group. It began during the depression under the leadership of a professor of economics who gathered together a number of workers of different skills, most of whom were unemployed at the time. They worked together with the idea of building themselves a cooperative community, whose members would, however, hold jobs in Milwaukee, except for such persons as the gas-station attendant, the gardener, etc., who would be needed to maintain the community services. This group had completed the building of a house in the suburbs which is worth about \$10,000. It was to be traded for land on which the village could be built. Pending the construction of the village, this self-help group exchanged services among its members. Instead of money it

used a system of credits, an hour's work being exchanged for an hour's work. Any credits earned but not spent were counted toward ownership in the house which had been constructed.

Value of Properties

The paid-in share capital for 32 of the 35 projects amounted to over 4 million dollars at the end of 1936, or approximately one-third of the original cost of land and buildings. The appraised value of the properties was slightly over 10 million dollars. The ratio of paid-in share capital to original cost was higher for Brooklyn than for Manhattan and the Bronx. The cost of the Brooklyn apartments was considerably lower than of those in Manhattan and the Bronx, ranging from \$23,000 to \$230,000 as compared with a range of \$49,500 to \$3,682,750. In Brooklyn most of the apartment buildings were small, as shown in the membership statistics already given, while in Manhattan and the Bronx the individual buildings housed larger numbers of families, thus accounting to a large extent for the higher cost of buildings and land.

Financial statistics covering the value of share capital, original cost of land and buildings, and the appraised value of the properties are shown in table 36.

TABLE 36.—*Investment in Cooperative Housing Associations, 1936*

Location of housing project	Paid-in share capital		Original cost (land and buildings)		Present appraised value (land and buildings)	
	Number of associations	Amount	Number of associations	Amount	Number of associations	Amount
Manhattan and the Bronx.....	11	\$2, 875, 063	12	\$10, 062, 317	11	\$8, 386, 287
Brooklyn.....	21	1, 211, 506	23	2, 905, 759	23	1, 907, 500
Total.....	32	4, 086, 569	35	12, 968, 076	34	10, 293, 787

Operating Statistics

The gross income for 10 apartment houses in Manhattan and the Bronx amounted to \$1,035,500 in 1936,⁸ and for the 23 Brooklyn projects, \$246,141. All but two of the reporting associations in Manhattan and the Bronx either made a profit or broke even after deducting expenses from gross income in that year. In Brooklyn seven associations showed neither profit nor loss, six had a profit, and five reported a loss on the year's operations. Table 37 shows the surplus or deficit resulting from operations of the cooperative housing associations in 1934, 1935, and 1936.

⁸ Most of the associations operate on a calendar-year basis, but in some cases fiscal years have been adopted ending in different months. This must be considered in using the financial statistics furnished.

TABLE 37.—Surplus or Deficit in Operations of Cooperative Housing Associations, 1934 to 1936

Year and location	Associations having net gain		Associations having net loss		Associations with neither gain nor loss	All associations reporting	
	Number	Amount of gain	Number	Amount of loss		Number	Amount of net gain
1934							
Manhattan and the Bronx.....	4	\$21,056	2	\$7,779	3	9	\$13,277
Brooklyn.....	4	999	7	9,866	6	17	18,867
Total.....	8	22,055	9	17,645	9	26	4,410
1935							
Manhattan and the Bronx.....	5	21,285	3	5,931	2	10	15,354
Brooklyn.....	6	3,751	6	7,286	7	19	18,535
Total.....	11	25,036	9	13,217	9	29	11,819
1936							
Manhattan and the Bronx.....	6	28,360	2	3,338	2	10	25,022
Brooklyn.....	6	4,801	5	4,975	7	18	1174
Total.....	12	33,161	7	8,313	9	28	24,848

¹ Loss.

One association which was organized shortly after the onset of the depression went along with its project in spite of the growing hard times. Notwithstanding the peculiarly difficult situation it had achieved a remarkable record. In 1931 it rebated to the members on their rentals the sum of \$3,234. In 1933 and again in 1937 it made a general reduction in monthly rental rates. In only 1 year was a loss sustained on the operations.

The financial position of the housing associations in Manhattan and the Bronx was relatively more favorable in all 3 years covered by table 2 than was that of the organizations in Brooklyn. Only two projects showed a loss in each of the 3 years 1934 to 1936, in Manhattan and the Bronx, and the balance for all reporting projects was favorable. In contrast, more associations in Brooklyn showed a loss than a profit at the end of 1934. A substantial group operated without a loss or profit in all 3 years. For all reporting associations as a group in Brooklyn the total losses exceeded profits in the 3 years covered, but the annual loss decreased considerably in each successive year and was only \$174 at the close of 1936.

Cost to Tenant Member

When the individual becomes a member of a housing society he subscribes for a certain amount of capital stock in the association estimated as covering the cost of the apartment or dwelling he will occupy. This total cost is arrived at after consideration of a number of factors; the total cost of land, building, and other expenses there-

with are taken as a basis, and the cost of each dwelling is determined according to the number of rooms, floor space, location, and other points of advantage or disadvantage. The cost figure so arrived at for each individual apartment is the price which the prospective tenant must pay and the amount for which he must subscribe stock in the association. This stock must be paid for either as a whole or in installments, according to the requirements of the bylaws.

The following tabular statement shows the average total cost per room to members in the societies that reported on this point:

	<i>Number of societies</i>		<i>Number of societies</i>
\$75 and under \$100.....	3	\$350 and under \$400.....	4
\$100 and under \$125.....	1	\$400 and under \$500.....	3
\$125 and under \$150.....	3	\$500 and under \$600.....	3
\$150 and under \$200.....	1	\$700 and over.....	1
\$200 and under \$250.....	4		
\$250 and under \$300.....	2	Total.....	31
\$300 and under \$350.....	6		

Over half the groups showed per-room costs of \$200 to \$400. Of the eight apartments with lower charges, two were in Manhattan and the Bronx and six in Brooklyn. Of the higher-priced apartments, one between \$400 and \$500 and three at \$500 per room were in Manhattan and the Bronx, and the remaining three were in Brooklyn and ranged in cost from \$400 to \$787 per room.

Of the 10 Manhattan and Bronx associations that furnished information on the maximum term allowed for full payment of the sales price of apartments, 5 specified cash, 1 allowed 8 years, and 2 each provided terms of 10 and 12 years, respectively. In Brooklyn, for 17 associations, immediate payment in full was required in 12 apartments, the term was 1 year in 3, 2 years in 1, and 10 years in 1 project. The initial payments are shown in the following statement:

	<i>Number of associations</i>		<i>Number of associations</i>
\$50.06 per share.....	1	\$900.....	2
\$100.....	3	\$900 to \$1,500.....	1
\$250.....	3	\$1,000.....	3
\$300.....	1	\$1,000 to \$1,200.....	1
\$300 and up.....	1	\$1,100.....	1
\$300 per room.....	1	\$1,200.....	1
\$375.....	1	\$1,200 to \$1,600.....	1
\$400 per room.....	1	\$1,200 to \$2,000.....	1
\$500.....	2	\$1,250 to \$2,000.....	1
\$600.....	1	\$1,300 to \$2,200.....	1
\$600 to \$1,000.....	1	\$2,000.....	1
\$636.....	1		

Monthly payments.—After the member takes possession of his dwelling he pays as “rent” each month a certain amount which is calculated to cover his proportionate share of such items as taxes,

insurance, the general upkeep of the building (repairs, improvements, janitor service), fuel, payments on the mortgage or mortgages, etc. In some cases the members adopt the policy of making these monthly payments large enough to cover unexpected expenses, building up a little surplus for this and other purposes. In others such expenses are met as they arise, through a pro rata assessment on all the tenant members.

Average monthly rental rates per room range, in the associations studied, from \$4 to \$22.12, as shown in table 38. As the rentals were in most cases lower in Brooklyn than in Manhattan and the Bronx, the figures are given separately for the two localities.

TABLE 38.—Average Monthly Rental per Room to Members of Cooperative Housing Associations

Monthly rental per room	Number of associations			Monthly rental per room	Number of associations		
	Manhattan and the Bronx	Brooklyn	Total		Manhattan and the Bronx	Brooklyn	Total
\$4.....		3	3	\$8.....		1	1
\$5.....	1	1	1	\$9.....		1	1
\$6.....		3	3	\$10.....	1	3	4
\$6.18.....		1	1	\$10.50.....	1	1	2
\$6.30.....		1	1	\$11.....	2	1	3
\$6.50.....		3	3	\$12.....	3	2	5
\$6.80.....	1		1	\$22.12.....	1		1
\$7.00.....		1	1				
\$7.15.....		1	1	Total.....	10	22	32

For the group as a whole 41 percent of the projects had a rent scale of under \$7 per room per month; 44 percent had rents of \$10 to \$12; and 12 percent from \$7 to \$9. In Manhattan and the Bronx 80 percent were in the class charging \$10 per room per month and over, as compared with 32 percent of the total in Brooklyn. Half of the Brooklyn apartments rented for less than \$7 per room per month.

Supplementary Activities

The concentration of families entailed by the very nature of life in a modern apartment building makes possible cooperative activities along other lines as well. Thus, the residents may form their own credit union, undertake the collective purchase of such commodities as ice, milk, electric power, and staple groceries, and the provision of such services as lectures, class-room instruction, cleaning and pressing, etc.⁹ Of the cooperative housing associations from which data were obtained, seven associations—six in Manhattan and the Bronx and one in Brooklyn—had other features and activities in addition to

⁹ For a description of the cooperative activities of a group of apartment-house dwellers, see *Monthly Labor Review*, August 1937 (p. 312).

providing housing. Thus one cooperative provided assembly rooms and playrooms for the children; it also had classes on various subjects. Another had an auditorium, playroom, a kindergarten, library, and sports club, conducted classes in English, and had social functions. A gymnasium, auditorium, classrooms, social rooms, and a library were features of another organization. One project provided an assembly room, another a garden, and a third a cafeteria and roof garden.

Communal facilities in another apartment project included an assembly room, playrooms, and classes. There were also cooperative grocery, fruit, and meat stores, organized as a separate association. Dental and medical service was available at low cost. Further savings were made from the joint purchase of milk, ice, electricity, and laundry service. During the depression each tenant contributed \$1 a month toward a relief fund from which needy members could be supplied medical care. Prior to the depression this group of some 600 families spent about \$10,000 a year for community activities alone.

ELECTRICITY ASSOCIATIONS ¹⁰

At the end of June 1937 there were in existence at least 259 cooperative associations for the supply of electric current to the homes of consumers. Of these, 214 had been formed since the inauguration of the Federal Government's rural-electrification program and had received loans under it, and 45 were in existence before the program was started. While the R. E. A. associations date only from 1935 or later, some of the early associations were started as far back as 1914, and practically all before 1930.

The membership of the early associations for which there is information ranged from 8 to nearly 1,000 persons. Membership data for the R. E. A. cooperative associations are not available, but the number of customers served ranged from 53 to 5,500; in fact 8 associations had more than 2,000 patrons each.

The early associations were mainly in the States of Idaho, Iowa, Minnesota, Washington, and Wisconsin, with one or two in each of the States of Illinois, Indiana, Missouri, North Carolina, Virginia, and Wyoming. The formation of the associations in these States was undoubtedly furthered by the existence of State cooperative or non-profit statutes and also (especially in Washington State) by the proximity of municipal power plants from which current could be obtained at favorable rates. The swift march of the rural-electric movement under the impetus of Federal assistance, on the other hand, is shown by the fact that by June 30, 1937 (only 2 years after the

¹⁰ All data in this section relating to R. E. A. cooperatives were obtained directly from the Rural Electrification Administration or from its publications.

inauguration of the program), cooperative associations which had had allotments of Federal funds were found in 28 States.¹¹

These associations have been formed among the prospective users of electric power in rural districts. These people cooperate in the erection of the poles, the stretching of the wires, the bargaining for and purchase of current, and the maintenance and repair of lines. The current is obtained from a municipally owned power plant, if there is one nearby, or from a private power company. Several associations, unable to obtain current from either of these sources have, with Federal aid, constructed their own generating plants.

The association that is the largest of the pre-R. E. A. organizations is an excellent example of cooperation unaided by financial assistance from outside the cooperative group. Started in 1925, and serving members only, in 1936 it had 950 members, operated some 225 miles of line, and had built up total assets (after depreciation) of more than \$100,000. Current was obtained from a municipally owned electric plant in a neighboring city.

It is interesting to note that one organization which benefited by a loan under the Federal program was that formed to serve the Amana Community. This community was a religious cooperative colony which was started in Germany as early as 1714, but because of religious persecution came to this country in 1842, establishing itself first in New York and then removing to Iowa in 1854. Until 1932 the colony was run on strictly communal principles, all possessions being held by the community as a whole and all members working for the community. In that year the principle of individual ownership of personal property was adopted and the industrial enterprises run by the community were reorganized on a stock-company basis. Modern electric appliances and labor-saving machinery are now made available to the homes in the community through the new electricity-supply organization.

*Cooperative Practice **

The electricity-supply associations have been formed under various types of laws—cooperative, nonprofit, rural electrification, and general corporation acts. For the most part, however, they operate on cooperative principles. Open membership and one vote per member are quite general, regardless of the legal basis of the organization.

A number of the early organizations operate as mutual associations and practically all of the R. E. A. associations are nonstock.

¹¹ The 20 States not at that time represented in the R. E. A. program by loans made or earmarked for cooperative associations were Arizona, California, Connecticut, Delaware, Florida, Maine, Massachusetts, Nebraska, Nevada, New Hampshire, New Jersey, New York, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Washington, West Virginia, and Wyoming. In the interval between July 1 and November 10, 1937, loans were approved for cooperative associations in California and Washington (R. E. A. News, December 1937).

* See also section on legal status of electricity associations (p. 195).

One of the Rochdale principles is sale at the current retail price and the return of the overcharge, above cost, to the member on the basis of his patronage. How general the return of such patronage refunds will be, in the electricity field, it is too early to judge. The theory underlying the "current price" procedure of the cooperative grocery associations is that by charging the current price the association avoids price cutting against the private dealer and the consequent arousing of his enmity; it ensures a margin wide enough for safe operation of the business and for expansion into new lines; and it makes possible the return of patronage refunds which are the tangible evidence of the advantage of cooperative activity. In the field served by the electricity-supply associations, however, there has generally been no prior service available, no competitors, and therefore no current price. It has thus far been their general policy to set rates high enough only to cover expenses of operation plus such necessary charges as depreciation, reserves, amortization of loans, etc. In this way the same principle attained by the patronage refund is also achieved—that of service without profit. The bylaws, however, generally provide for the return of patronage refunds, should a surplus remain after making provision for the items mentioned above.

Cooperatives Under Rural Electrification Program

Because of the overwhelming preponderance of R. E. A.-assisted associations, any report on the electricity-supply cooperatives must largely deal with that group.

This program is being carried out by the Rural Electrification Administration created by Executive order on May 11, 1935, but not established by law until May 20, 1936 (Public, No. 605, 74th Cong.).

In November 1935 it was announced that 11 loan contracts aggregating \$2,399,612 had been signed, for the construction of a total of 1,940 miles of line which would carry electricity to 8,286 rural homes.

The current was turned on in the first R. E. A.-financed project (in Iowa) on December 15, 1935.

During 1936, according to the first annual report of the R. E. A., more than 25,000 miles of line were erected and "over 110,000 farms received electric service for the first time." As of the end of the year, 218 allotments had been approved, 109 loan contracts had been executed (on 94 projects, plans for which had been approved), construction was under way or had been completed, and 28 projects had been energized in whole or in part. These involved Federal loans to a total of \$43,737,779. In addition two loan contracts for a total of \$55,000 had been executed to finance the wiring of rural premises.

Loans to cooperative associations.—It has been the practice of the R. E. A. from the first to give preference to public, cooperative, and nonprofit organizations. This policy was continued by the act of

1936, which authorized the Administrator "to make loans to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, people's utility districts, and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central-station service," and directed him to give preference to public, cooperative, nonprofit, and similar bodies in the granting of loans.

This preference has stimulated greatly the growth of cooperative action in the electrical field and many new societies have been organized for the purpose of obtaining R. E. A. loans. Of the first 11 projects authorized, 5 were obtained by county electric cooperatives and 1 other, although organized under corporation law, was in effect a cooperative.

As table 39 shows, 76.8 percent of the total projects for which loans had been made or funds earmarked (up to June 30, 1937) had been for cooperative associations.

TABLE 39.—*R. E. A. Projects Approved up to June 30, 1937, by Type of Organization*

Type of borrowing organization	Number of projects		Loans granted		Customers		Miles of line	
	Number	Per cent	Amount	Per cent	Number	Per cent	Number	Per cent
Cooperative projects.....	1 239	76.8	\$47,856,968	78.3	161,037	80.1	44,950.4	79.3
Private nonprofit corporations.....	33	10.6	5,670,200	9.3	16,901	8.4	4,741.2	8.4
State corporations.....	1	.3	542,328	.9	2,128	1.1	511.0	.9
Municipal corporations.....	5	1.6	546,058	.9	2,073	1.0	520.2	.9
Power and irrigation districts.....	17	5.5	5,244,750	8.6	13,228	6.6	4,689.7	8.3
Private utility companies.....	16	5.2	1,251,767	2.0	5,564	2.8	1,280.7	2.2
Total.....	311	100.0	61,112,071	100.0	200,931	100.0	56,693.2	100.0

¹ 214 associations with 239 projects.

Table 40 shows the geographical distribution of the R. E. A. cooperatives and loans, by States, as of June 30, 1937.

TABLE 40.—*Federal Loans, Length of Line, Customers of Electricity Associations, June 30, 1937, by State*

State	Number of associations	Amount of Federal loans	Miles of line	Number of customers	State	Number of associations	Amount of Federal loans	Miles of line	Number of customers
Alabama.....	5	\$1,053,000	1,063.0	4,102	Missouri.....	9	\$1,605,000	² 1,560.0	² 5,225
Arkansas.....	4	617,000	575.0	2,512	Montana.....	7	715,600	674.8	2,381
Colorado.....	2	390,000	387.0	1,282	New Mexico....	1	164,000	60.0	100
Georgia.....	16	2,294,375	2,263.4	10,839	North Carolina..	7	1,044,000	908.9	4,664
Idaho.....	2	383,750	478.5	1,665	North Dakota....	2	500,000	456.5	1,545
Illinois.....	3	574,000	531.0	2,030	Ohio.....	18	5,756,200	5,371.5	19,430
Indiana.....	15	4,644,926	4,469.2	15,716	Oklahoma.....	7	1,701,000	1,784.0	5,348
Iowa.....	24	3,751,712	¹ 3,060.5	¹ 9,648	Oregon.....	3	302,000	261.0	1,273
Kansas.....	4	614,651	573.0	1,716	Pennsylvania....	6	1,950,000	1,808.0	6,146
Kentucky.....	8	1,120,000	1,083.0	4,008	Tennessee.....	6	1,363,200	1,316.0	6,011
Louisiana.....	3	905,000	961.0	3,639	Texas.....	7	1,955,000	2,015.0	7,190
Maryland.....	1	165,000	165.0	600	Virginia.....	5	1,427,800	1,290.0	5,341
Michigan.....	5	2,845,000	2,432.1	8,717	Wisconsin.....	15	4,440,600	³ 4,212.0	³ 13,399
Minnesota.....	23	4,515,954	4,435.5	13,198					
Mississippi.....	6	758,200	755.5	3,312	Total.....	214	47,856,968	44,950.4	161,037

¹ 22 associations.

² 8 associations.

³ 14 associations.

⁴ 210 associations.

Most of these loans were for the purpose of financing the construction of power lines. However, 11 projects in 8 States,¹² where power either could not be procured at all or could not be obtained at a reasonable price, were allotted funds for the construction of plants in which to generate their own current. Loans for wiring purposes were extended to 8 projects in 7 States.¹³

Conditions for receipt and repayment of Federal loans.—The controlling objective of the R. E. A. has been "to take electricity to as many farms as possible in the shortest possible time, and to have it used in quantities sufficient to affect rural life." To this end it has granted loans for self-liquidating projects for the extension of distribution lines into rural areas to carry light and power to farm homes and other farm buildings, and also for the wiring of such homes and buildings. The Rural Electrification Act of 1936 also authorized loans for the purchase and installation of electrical and plumbing appliances and equipment.¹⁴ If necessary to protect the loans, the Administrator was authorized, in the event of foreclosure, to bid for and purchase property pledged or mortgaged as security, and to operate or lease such property for not over 5 years, or to sell it.

Under the procedure as first established, loans could be made for the entire cost of the project; they were normally for 20 years, with interest usually at 3 percent, and were secured by mortgages on the property. An Executive order of August 7, 1935, provided that not less than 25 percent of the loan was to be spent for labor, and at least 90 percent of all persons working on the project should be taken from the public relief rolls. The act of 1936 provided that loans were to be self-liquidating within a period of not over 25 years and were to bear interest at a rate equal to the average rate of interest on United States obligations (with a maturity of 10 years or over) issued during the preceding fiscal year.

In order to obtain a loan for a rural electrification project a cooperative association must represent a sufficient number of homes in the area to make the project economically feasible, must have acquired all possible easements,¹⁵ and have a contracted source of wholesale power.

¹² Idaho, Iowa, Michigan, New Mexico, Oregon, Pennsylvania, Virginia, and Wisconsin.

¹³ Georgia, Illinois, Iowa, Minnesota, Missouri, Montana, and Wisconsin.

¹⁴ Prior to that act funds for installation of electric pumps and the purchase of electric appliances and equipment were obtainable from the Electric Home and Farm Authority, and loans for pressure water systems, including modern kitchens and inside bathrooms, could be secured from the Federal Housing Administration.

¹⁵ An "easement" is a grant of right to construct, maintain, and operate electric transmission lines across or alongside any specified property.

Chapter 4.—TELEPHONE ASSOCIATIONS

Cooperative telephone associations represent one of the older forms of cooperative enterprise. It was found that for the group as a whole the average age was more than a quarter of a century. The oldest association reporting dated from 1893. The period from 1900 to 1919 was the most fruitful; nearly 88 percent of those making returns were formed in this 20-year interval.

It appears, however, that almost no new associations are being formed in this field. This is probably due to conditions in this branch of business. Today the entire country is fairly well covered by the telephone network and there appears to be comparatively little territory into which to expand.

At the time the early associations were formed, there were few telephones in the rural districts. The telephone had been known only for about two decades and had not yet spread much beyond the cities and towns. In the country the sparse, widely scattered population made the installation of service by private companies unprofitable, and the farmers in many localities were entirely isolated and cut off from communication not only with each other but with the outside world. It was to remedy this situation that the telephone associations began to be started.

These early associations were generally the product of mutual effort. The poles were cut from nearby timberland or purchased collectively, and were erected by the members all working together. Sometimes the wires were even strung along the fences. Wire, insulators, batteries, and instruments were bought collectively and the cost was apportioned among the members. If there was a switchboard in a nearby village, the association would bargain for connection and service there; if not, a small switchboard of their own would be installed, perhaps in some conveniently located farmhouse. The costs of operation were very small, as any repairs necessary were generally made by the cooperators themselves.

The service in these early organizations usually afforded communication either within the cooperative group only or within the immediate locality. The next step would be to obtain connection with nearby towns and villages and then with long distance. As this extension took place and as new lines came into existence, some overlapping of territory and service became inevitable. This led to mutual agreements between lines and eventually to consolidation of several lines within given territories, to form larger associations. This process of consolidation was undoubtedly hastened by the gradual spread of State regulation of telephone companies of all types.

Whereas the original organizations were largely informal, unincorporated associations, as they grew larger and extended their field of operations, more and more of them took corporate form. Some of the local associations which had no switchboard of their own formed federated associations for the purchase and operation of a switchboard which would handle the calls of all of them.

All of these stages of development were represented in the associations which reported to the Bureau of Labor Statistics. With some minor variation they fell into three main classes, as follows:

(1) The so-called "service line"—the local association, formed among the subscribers on one or more party lines, which has no switchboard of its own but connects with other local lines and the outside world through the switchboard of another company, either cooperative or private. In these associations the cooperative enterprise is one of common ownership and maintenance of the telephone facilities and of bargaining for switchboard service.

(2) The local association, also composed of individual telephone users, having its own switchboard.

(3) The switchboard association of the federated type, whose membership is composed of local service-line associations.

Extreme variation was found in size of societies. Those reporting varied from the associations which consisted of only one party line and some half dozen members to a large organization with a membership of 4,025, serving 6,606 families throughout a whole county. Most of them, however, were small organizations operating in small towns or rural districts. Nearly 68 percent of those reporting had fewer than 50 members each, and of the whole number only 19 associations had 500 members or more.

On the basis of the findings in the Bureau's study it may be said that the typical telephone association is a small organization of 60 to 70 members, serving on an average about 90 subscribers (including members). The association is more likely than not to be incorporated, and quite likely to be operating its own switchboard. Generally the association owns the poles and wire along the right-of-way, but the wire and poles necessary to carry the service to the member's home must usually be furnished by the member. It is also common to find that the member must furnish his telephone instrument in the smaller associations, though in the larger organizations these are generally owned by the company.

The construction may be either of the single-wire (grounded) type or double-wire (metallic) type; in the former the ground completes the circuit, whereas in the latter the entire circuit is carried by wire. The grounded type is less expensive to maintain but is also said to be

less satisfactory as to clearness of reception and general service. The existing associations appear to be about evenly divided between the grounded and metallic types.

Local service for 24 hours a day is quite general and toll connection is also usually available.

The typical association operates on an assessment basis; about twice as many associations make assessments as charge flat rates. The cost of service to the member is very moderate, averaging \$7.77 a year in the assessment associations, and in those charging flat rates 87 cents a month for rural service and 92 cents a month for service within the village or town limits.

The financial data obtained in the survey were not entirely satisfactory, owing to lost records, inadequate records, and lack of knowledge of business methods on the part of a considerable number of the reporting associations. On the basis of the returns, however, it appears that the average gross revenue per association in 1936 was only \$968. This average probably understates the actual amount. Many of the service-line associations handle almost no cash in the course of the year. Even the fee paid per telephone to the switchboard company for making switchboard connections may not pass through the local association but may be paid by the individual members directly to that company; in such cases, however, where the amount of the switching fee could be obtained the total amount paid in such fees was credited as income to the service-line association. Many of the associations have no employees and make little or no cash expenditures. If repairs are needed, the members as a whole either make them themselves (purchasing only the necessary materials) or hire from a local company the services of a lineman at a fixed hourly rate.

Taking into consideration the fact that many of the associations were formed before the passage of cooperative laws, that they are operating under corporation acts whose requirements are in many cases in direct contravention of cooperative practice, and that as public utilities they are in a number of States subject to public regulation by State utility commissions, a surprisingly high degree of conformity with cooperative principle was found among them. It may be said, however, that few of them have any conception of themselves as a part of a general cooperative movement. They have been content with their avowed purpose of furnishing telephone service in territories which would ordinarily be without such service if they did not exist. This service they are furnishing through democratic channels and at extremely low cost.

Scope and Method of Study

From various sources the Bureau assembled a list including not only associations operating as cooperatives but also those operating as mutuals. One or more associations of these types were found in 44 States. All of these were circularized one or more times.

Examination of the replies showed that a substantial number of the so-called "cooperative associations," while they may have been cooperative in their early years, were no longer so. A very large proportion of the "mutuals," however, although making no pretensions to being cooperative, nevertheless were conforming to all of the cooperative principles except possibly that of return of patronage dividends; and in most instances the same purpose—service without profit—was being achieved through the medium of rates only high enough to cover expenses.

In order to be included in the Bureau's tabulation an association had to be at least semicooperative. For purposes of this study an association was regarded as entirely cooperative which conformed to the principles of open membership, a single vote per member, no proxy voting, limited return on share capital, and service at cost (either through the patronage refund or through service rates so low as to yield no profit). An association was regarded as semicooperative which allowed voting by shares but limited to a small number the shares held by any one person, or which allowed proxy voting but only one vote per member; no association was included in the tabulations in which both voting by proxy and voting by shares was allowed or in which the nonmember subscribers outnumbered the members, unless the organization was clearly a nonprofit association. In evaluating the cooperative features, consideration was given to requirements of State cooperative and other laws and to public-utility regulations.

Altogether there were 1,614 associations which furnished usable reports and which were cooperative on a sufficient number of points to warrant their inclusion.

The geographic distribution of the known and reporting associations is given in table 41. As is there shown, more than 80 percent of all the known associations are in the North Central States.

TABLE 41.—*Number of Known and Reporting Cooperative Telephone Associations, by Geographic Division and State*

Geographic division and State	Total known associations		Number furnishing usable reports	Geographic division and State	Total known associations		Number furnishing usable reports
	Number	Percent			Number	Percent	
United States.....	3,728	100.00	1,614	South Atlantic—Con.			
New England.....	34	.91	15	North Carolina.....	18	0.48	7
Maine.....	19	.51	7	South Carolina.....	13	.35	—
New Hampshire.....	5	.13	2	Georgia.....	19	.51	2
Vermont.....	9	.24	6	Florida.....	3	.10	—
Massachusetts.....	1	.03	—	East South Central.....	44	1.18	8
Middle Atlantic.....	70	1.88	36	Kentucky.....	17	.46	4
New York.....	22	.59	18	Tennessee.....	16	.43	3
New Jersey.....	1	.03	—	Alabama.....	9	.24	1
Pennsylvania.....	47	1.26	18	Mississippi.....	2	.05	—
East North Central.....	493	13.23	223	West South Central.....	149	4.00	20
Ohio.....	70	1.88	46	Arkansas.....	21	.56	2
Indiana.....	135	3.62	52	Louisiana.....	4	.11	—
Illinois.....	170	4.56	69	Oklahoma.....	56	1.50	8
Michigan.....	53	1.42	24	Texas.....	68	1.82	10
Wisconsin.....	65	1.74	32	Mountain.....	96	2.58	32
West North Central.....	2,535	68.00	1,178	Montana.....	39	1.05	14
Minnesota.....	1,653	44.34	765	Idaho.....	11	.30	4
Iowa.....	272	7.30	137	Wyoming.....	16	.43	6
Missouri.....	90	2.41	30	Colorado.....	20	.54	7
North Dakota.....	162	4.35	81	New Mexico.....	4	.11	—
South Dakota.....	143	3.83	65	Utah.....	4	.11	—
Nebraska.....	38	1.02	15	Nevada.....	2	.05	1
Kansas.....	177	4.75	85	Pacific.....	155	4.16	61
South Atlantic.....	152	4.08	41	Washington.....	31	.83	20
Maryland.....	8	.22	3	Oregon.....	114	3.06	40
Virginia.....	64	1.72	24	California.....	10	.27	1
West Virginia.....	27	.70	5				

Extent of Cooperative Telephone Movement

The Bureau of the Census every 5 years makes a count of the number of telephone companies and telephones in use in the United States. Its reports classify the companies into two groups—those with annual gross incomes of \$10,000 and over and those whose income is less than that amount.

Its latest report covered the year 1932. In that year it found that there were 44,828 telephone systems in the United States, of which 918 (or less than 2½ percent) had incomes of \$10,000 or over. But the network of that 2½ percent was serving about 93½ percent of the nearly 17½ million telephones in use that year. This was an average of slightly more than 17,700 telephones for each of the larger systems, whereas the small companies were averaging only about 26 telephones each.

TABLE 42.—*Development of Large and Small Telephone Companies Since 1922*¹

Year	Companies with annual gross incomes of—				Number of telephones per 10,000 population
	\$10,000 or over		Under \$10,000		
	Number of telephones in use	Average number per company	Number of telephones in use	Average number per company	
1922.....	12, 295, 234	9, 293	2, 052, 161	37	130
1927.....	16, 712, 495	12, 217	1, 810, 272	31	155
1932.....	16, 284, 231	17, 739	1, 140, 175	26	139

¹ Source: U. S. Bureau of the Census. Census of Electrical Industries, 1932—Telephones and Telegraphs. Washington, 1934.

The returns in the Bureau of Labor Statistics study indicate that most of the mutual and cooperative companies would fall within the small-company classification,¹ but it cannot be assumed that all of the small systems are either mutual or cooperative. The reports to the Bureau show that a substantial proportion of these smaller systems are owned either by single individuals or by stock companies operating for profit. A further percentage, although calling themselves mutual or cooperative, are actually not now operating along mutual or cooperative lines, whatever they may have done in the beginning.

It is not known how many telephone systems there are in the United States which are functioning cooperatively. A Federal law makes the individual returns and the mailing lists of the Bureau of the Census confidential even as regards other Federal offices, and it is therefore not possible to examine the census files in order to obtain a complete list of companies which might be cooperative.

In the absence of these data the Bureau of Labor Statistics was able to build up a list of some 4,400 associations, but nearly 400 of these proved to have gone out of business and over 300 had to be discarded because they could not qualify under the Bureau's definition of cooperative or semicooperative. That left some 3,700, of which nearly 45 percent were in Minnesota alone.

It is known that, with two exceptions, this is not a complete list of associations. The exceptions are Minnesota and North Dakota, where State-wide cooperative censuses, made as "white-collar" projects under the W. P. A., resulted in finding almost all if not quite all of the associations. It is believed, however, that the list does cover at least 70 percent of the total number of the really cooperative or mutual-cooperative associations in telephone operation in the United States. The list is weak mainly in its coverage of the unincorporated service lines, but many of these are included in the returns from the federated switchboard associations.

¹ Only 5 of the associations included in the present study had gross incomes of \$10,000 or over in 1936.

Assuming a total of 5,000 associations functioning either entirely cooperatively or semicooperatively, then on the basis of returns to the Bureau of Labor Statistics it may be estimated that their total membership in 1936 was in the neighborhood of 330,000 and that some 460,000 persons were served by them in that year.

Types of Associations

Of 1,614 reporting associations, over three-fifths were of the service-line type, about a third were local associations with their own switchboard service, and less than 4 percent were federations of local associations. In the States from which 25 or more associations reported, service lines were in the majority in Minnesota, North Dakota, Oregon, South Dakota, and Wisconsin, whereas in Illinois, Indiana, Iowa, Kansas, Missouri, and Ohio it was more common for the telephone associations to own their own switchboards.

The distribution of the associations by type and by State is shown in table 43.

TABLE 43.—*Geographic Distribution of Reporting Cooperative Telephone Associations, by Type, 1936*

Geographic division and State	Number				Percent			
	Total	Locals		Federation with switch-board	Total	Locals		Federation with switch-board
		With switch-board	Without switch-board			With switch-board	Without switch-board	
United States.....	1,614	554	999	61	100.0	34.3	61.9	3.8
New England.....	15	4	11	-----	100.0	26.7	73.3	-----
Maine.....	7	3	4	-----	100.0	42.9	57.1	-----
New Hampshire.....	2	-----	2	-----	100.0	-----	100.0	-----
Vermont.....	6	1	5	-----	100.0	16.7	83.3	-----
Middle Atlantic.....	36	10	26	-----	100.0	27.8	72.2	-----
New York.....	18	5	13	-----	100.0	27.8	72.2	-----
Pennsylvania.....	18	5	13	-----	100.0	27.8	72.2	-----
East North Central.....	223	154	55	14	100.0	69.0	24.7	6.3
Ohio.....	46	42	4	-----	100.0	91.3	8.7	-----
Indiana.....	52	42	7	3	100.0	80.8	13.5	5.7
Illinois.....	69	45	15	9	100.0	65.2	21.7	13.0
Michigan.....	24	13	9	2	100.0	54.2	37.5	8.3
Wisconsin.....	32	12	20	-----	100.0	37.5	62.5	-----
West North Central.....	1,178	307	831	40	100.0	26.1	70.5	3.4
Minnesota.....	765	78	681	6	100.0	10.2	89.0	.8
Iowa.....	137	91	27	19	100.0	66.4	19.7	13.9
Missouri.....	30	25	2	3	100.0	83.3	6.7	10.0
North Dakota.....	81	26	55	-----	100.0	32.1	67.9	-----
South Dakota.....	65	11	52	2	100.0	16.9	80.0	3.1
Nebraska.....	15	9	5	1	100.0	60.0	33.3	6.7
Kansas.....	85	67	9	9	100.0	78.8	10.6	10.6
South Atlantic.....	41	22	18	1	100.0	53.7	43.9	2.4
Maryland.....	3	1	2	-----	100.0	33.3	66.7	-----
Virginia.....	24	17	6	1	100.0	70.8	25.0	4.2
West Virginia.....	5	3	2	-----	100.0	60.0	40.0	-----
North Carolina.....	7	-----	7	-----	100.0	-----	100.0	-----
Georgia.....	2	1	1	-----	100.0	50.0	50.0	-----

TABLE 43.—*Geographic Distribution of Reporting Cooperative Telephone Associations, by Type, 1936—Continued*

Geographic division and State	Number				Percent			
	Total	Locals		Federation with switch-board	Total	Locals		Federation with switch-board
		With switch-board	Without switch-board			With switch-board	Without switch-board	
East South Central.....	8	7	1	-----	100.0	87.5	12.5	-----
Kentucky.....	4	3	1	-----	100.0	75.0	25.0	-----
Tennessee.....	3	3	-----	-----	100.0	100.0	-----	-----
Alabama.....	1	1	-----	-----	100.0	100.0	-----	-----
West South Central.....	20	15	2	3	100.0	75.0	10.0	15.0
Arkansas.....	2	1	1	-----	100.0	50.0	50.0	-----
Oklahoma.....	8	5	1	2	100.0	62.5	12.5	25.0
Texas.....	10	9	-----	1	100.0	90.0	-----	10.0
Mountain.....	32	12	20	-----	100.0	37.5	62.5	-----
Montana.....	14	5	9	-----	100.0	35.7	64.3	-----
Idaho.....	4	3	1	-----	100.0	75.0	25.0	-----
Wyoming.....	6	-----	6	-----	100.0	-----	100.0	-----
Colorado.....	7	4	3	-----	100.0	57.1	42.9	-----
Nevada.....	1	-----	1	-----	100.0	-----	100.0	-----
Pacific.....	61	23	35	3	100.0	37.7	57.4	4.9
California.....	1	1	-----	-----	100.0	100.0	-----	-----
Washington.....	20	10	9	1	100.0	50.0	45.0	5.0
Oregon.....	40	12	26	2	100.0	30.0	65.0	5.0

Age of Associations

The reports received from the telephone associations show that these associations are one of the older forms of cooperative effort in the United States. The average age for all associations reporting on this point was 26 years. The following statement shows the distribution of associations, by length of time in operation:

	Number of associations
Less than 1 year.....	2
1 and under 3 years.....	10
3 and under 5 years.....	9
5 and under 10 years.....	48
10 and under 15 years.....	45
15 and under 20 years.....	147
20 and under 25 years.....	321
25 and under 30 years.....	400
30 years and over.....	492
Total.....	1,474

The largest groups had been formed in the periods 1900 to 1909 (49.5 percent) and 1910 to 1919 (38.0 percent), but 1.3 percent had been in operation since before 1900. The oldest association reporting was started in 1893. Table 44 shows, by States, the distribution of the associations according to the year in which they were formed.

TABLE 44.—*Distribution of Cooperative Telephone Associations, by Period in Which Established*

State	Total number of associations reporting	Number of associations organized in specified period											
		1890 to 1899	1900 to 1909	1910 to 1919	1920 to 1924	1925 to 1929	1930	1931	1932	1933	1934	1935	1936
All associations..	1,474	19	730	560	78	50	10	6	7	2	7	3	2
Alabama.....	1			1									
Arkansas.....	1				1								
California.....	1			1									
Colorado.....	7		2	5									
Georgia.....	2			1	1								
Idaho.....	4		2	2									
Illinois.....	61	3	44	9	3	1		1					
Indiana.....	46	1	37	7	1								
Iowa.....	122		76	22	7	8	3	1	2		1	2	1
Kansas.....	81		59	15	3		1			1	2		
Kentucky.....	4			1	2	1							
Maine.....	7		5	2									
Maryland.....	2	1	1										
Michigan.....	18		14	3		1							
Minnesota.....	700	11	309	² 326	32	14	1	2	1	1	1	2	
Missouri.....	25	1	18	5		1							
Montana.....	14		2	9	2	1							
Nebraska.....	14		9	4	1								
Nevada.....	1			1									
New Hampshire.....	2		1	1									
New York.....	18		12	3	3								
North Carolina.....	6		1	3		1					1		
North Dakota.....	78		16	50	4	6	1		1				
Ohio.....	44		34	6			2					1	1
Oklahoma.....	7		4	3									
Oregon.....	37	1	9	11	3	7	2	1	2		1		
Pennsylvania.....	17		12	4	1								
South Dakota.....	58		22	31	3	1			1				
Tennessee.....	3			2		1							
Texas.....	9		3	3	2	1							
Vermont.....	4		4										
Virginia.....	22	1	9	10	2								
Washington.....	18		6	8		4							
West Virginia.....	5		1	2	2								
Wisconsin.....	30		17	6	4	2		1					
Wyoming.....	5		1	3	1								

¹ 1 reorganized; no information on date first established.² 1 established in 1911; reorganized in 1936.

Membership and Subscribers Served

The telephone associations ranged in size up to 4,025 but were generally small. Of the whole group, 48.5 percent had fewer than 25 members each and 67.8 percent had fewer than 50 members each. Less than one-fifth had more than 100 members and only 1.2 percent had 500 members or more. (Table 45.)

TABLE 45.—*Distribution of Cooperative Telephone Associations by Number of Members, 1936*

Classified membership	Operating switchboards		Not operating switchboards		Both types of associations	
	Number	Percent	Number	Percent	Number	Percent
Fewer than 10 members.....	7	1.5	166	16.8	173	11.4
10 and under 25 members.....	35	6.6	530	53.5	565	37.1
25 and under 50 members.....	92	17.3	201	20.3	293	19.3
50 and under 100 members.....	123	23.2	64	6.5	187	12.3
100 and under 250 members.....	201	37.9	26	2.6	227	14.9
250 and under 500 members.....	55	10.4	3	.3	58	3.8
500 and under 1,000 members.....	10	1.9	1	.1	11	.7
1,000 members and over.....	8	1.5	-----	-----	8	.5
Total.....	531	100.0	991	100.0	1,522	100.0

As would be expected, the service-line associations were the smaller of the two types of associations shown in table 45. Seventy percent of these had fewer than 25 members and 90 percent fewer than 50 members. As table 46 indicates, they averaged only 27 members each, as compared with 161 members in the associations having their own switchboards. The central, or federated associations, had in membership an average of 24 local associations each.

The 1,522 local associations reporting as to membership had a combined total of 110,981 members at the end of 1936, or an average of 66 persons each. More than three-fourths of these were members of local associations operating their own switchboards.

Not all of these members were also subscribers at the end of the year. In some cases shareholders had moved out of the territory served by the association, and though retaining their stock in the organization were no longer using its facilities. Reports from other associations indicated that, low as the rates or assessments were, there nevertheless were members whose financial condition was such that they could no longer afford the service. The number of inactive members was more than counterbalanced by the nonmember patrons, however, so that the number of active subscribers of the local associations at the end of 1936 exceeded the number of shareholders by 25,185.

TABLE 46.—*Membership and Subscribers of Cooperative Telephone Associations, 1936, by Type of Association*

Type of association	Membership			Subscribers		
	Number of associations reporting	Members	Average	Number of associations reporting	Members	Average
Local associations.....	1,522	110,981	66	1,542	136,166	88
Operating switchboards.....	529	85,041	161	549	109,274	199
Not operating switchboards.....	993	25,940	27	993	26,892	27
Federated or central associations operating switchboards.....	50	1 1,198	1 24	56	11,641	208

¹ Number of member associations.

Fifty-six associations, composed of 1,198 member associations of the service-line type, reported a total of 11,641 subscribers. Although there was a small amount of duplication, in number of subscribers reported, as between the local service-line associations and the federated central associations, it is safe to say that the reporting associations were serving over 147,000 families at the end of 1936.

The total and average membership and subscribers are shown, by geographic divisions and States, in table 47. It is evident from this table that 87 percent of the local associations reporting and 81 percent of the membership were in the North Central States. The largest associations were in the State of Washington where the average membership was 339, followed by Idaho with 296. In Minnesota, which had the largest number of associations, the average membership was only 37 but this was because of the unusually large proportion of the small service lines.

A considerable margin between average membership and average number of subscribers was shown in some States, notably Iowa, Nebraska, Oklahoma, and Washington. Undoubtedly this was due to some extent to requirements by State commissions making it compulsory upon the associations to serve all applicants (whether members or not) in the area in which they have license to operate.

TABLE 47.—*Membership and Subscribers, 1936, by Division and State*

Geographic division and State	Type of association	Membership			Subscribers		
		Associations reporting	Members	Average per association	Associations reporting	Members	Average per association
United States.....	Local.....	1,522	110,981	66	1,542	136,166	88
	Central.....	50	¹ 1,198	¹ 24	56	11,641	208
New England.....	Local.....	14	1,774	127	14	1,534	110
Maine.....	do.....	7	1,554	222	7	1,316	188
New Hampshire.....	do.....	2	58	29	2	56	28
Vermont.....	do.....	5	162	32	5	162	32
Middle Atlantic.....	do.....	36	1,298	36	36	1,683	47
New York.....	do.....	18	747	42	18	1,062	59
Pennsylvania.....	do.....	18	551	31	18	621	35
East North Central.....	do.....	204	22,011	108	207	26,365	127
Ohio.....	Central.....	13	¹ 282	¹ 22	13	2,803	216
Indiana.....	Local.....	45	5,542	123	46	6,482	141
Illinois.....	do.....	49	5,151	105	49	6,251	128
Michigan.....	Central.....	2	¹ 37	¹ 19	3	364	121
Wisconsin.....	Local.....	59	7,152	121	59	9,050	153
West North Central.....	Central.....	9	¹ 208	¹ 23	8	1,889	236
Minnesota.....	Local.....	19	1,976	104	21	2,040	97
Iowa.....	Central.....	2	¹ 37	¹ 19	2	550	275
Missouri.....	Local.....	32	2,190	68	32	2,542	79
North Dakota.....	do.....	1,115	67,416	60	1,131	82,399	75
South Dakota.....	Central.....	32	¹ 801	¹ 25	36	7,845	218
Nebraska.....	Local.....	743	27,744	37	756	32,753	43
Kansas.....	Central.....	5	¹ 120	¹ 24	5	594	119
Oklahoma.....	Local.....	114	16,674	146	115	21,803	190
Texas.....	Central.....	14	¹ 438	¹ 31	18	4,358	242
Arkansas.....	Local.....	26	3,608	139	27	4,376	162
Louisiana.....	Central.....	3	¹ 71	¹ 24	3	760	253
Mississippi.....	Local.....	80	3,839	48	81	3,854	48
Alabama.....	do.....	63	1,938	31	63	2,386	38
Georgia.....	Central.....	2	¹ 16	¹ 8	1	70	70
Florida.....	Local.....	14	2,530	181	14	3,734	267
South Carolina.....	Central.....	1	¹ 6	¹ 6	1	275	275
North Carolina.....	Local.....	75	11,083	148	75	13,493	180
Virginia.....	Central.....	7	¹ 150	¹ 21	8	1,788	224

¹ Number of member associations.

TABLE 47.—*Membership and Subscribers, 1936, by Division and State—Continued*

Geographic division and State	Type of association	Membership			Subscribers		
		Associations reporting	Members	Average per association	Associations reporting	Members	Average per association
South Atlantic.....	Local.....	40	5,725	143	40	5,934	148
	Central.....	1	¹ 30	¹ 30	1	210	210
Maryland.....	Local.....	3	277	92	3	352	117
Virginia.....	do.....	23	4,952	215	23	5,003	218
	Central.....	1	¹ 30	¹ 30	1	210	210
West Virginia.....	Local.....	5	312	62	5	385	77
North Carolina.....	do.....	7	149	21	7	154	22
Georgia.....	do.....	2	35	18	2	40	20
East South Central.....	do.....	8	689	86	8	726	91
Kentucky.....	do.....	4	185	46	4	209	52
Tennessee.....	do.....	3	490	163	3	498	166
Alabama.....	do.....	1	14	14	1	19	19
West South Central.....	do.....	16	1,605	100	16	2,448	153
	Central.....	3	¹ 81	¹ 27	3	195	65
Arkansas.....	Local.....	2	43	22	2	43	22
Oklahoma.....	do.....	6	722	120	6	1,592	265
	Central.....	2	¹ 74	¹ 37	2	155	78
Texas.....	Local.....	8	840	105	8	813	102
	Central.....	1	¹ 7	¹ 7	1	40	40
Mountain.....	Local.....	32	2,215	69	32	2,136	67
Montana.....	do.....	14	635	45	14	464	33
Idaho.....	do.....	4	1,182	296	4	1,195	299
Wyoming.....	do.....	6	100	17	6	84	14
Colorado.....	do.....	7	288	41	7	383	55
Nevada.....	do.....	1	10	10	1	10	10
Pacific.....	do.....	57	8,248	145	58	12,941	223
	Central.....	1	¹ 4	¹ 4	3	588	196
California.....	Local.....	1	33	33	1	33	33
Washington.....	do.....	18	6,110	339	19	10,643	560
	Central.....	1	¹ 4	¹ 4	1	20	20
Oregon.....	Local.....	38	2,105	55	38	2,265	60
	Central.....	-----	-----	-----	2	568	284

¹ Number of member associations.

The associations appear to have been losing ground as regards membership. Of 1,305 societies which reported number of members for both 1935 and 1936, the membership in the latter year showed an increase in 184, a decrease in 218, and remained unchanged in 903.

Some relation between period of operation and membership was indicated, in the reporting associations. Thus, of 62 associations which had been in existence for less than 10 years, all but 17 had fewer than 50 members. On the other hand, no associations less than 15 years of age had attained a membership of 500 or more, and the only associations with 1,000 or more members were 5 which had all been operating for 20 years or longer (3 of these, for 30 years or longer).

*Cooperative Practice*²

In general the practice of open membership is followed by the telephone associations. Limitation, where found, was generally that imposed by the capacity of the facilities owned. Thus several associations reported that membership was limited to 15, 18, or 20—the load limit of the party line owned by the association. A few associations required that the prospective member must live in the territory

² See also section on legal status (p. 197) for legislative provisions affecting operating practice.

served by the association and thus be in a position to utilize the telephone facilities. Only four associations were found which imposed any other restriction. In two of these, membership was open only to farmers, and in one farmers were specifically excluded. The fourth association (located in Texas) barred Negroes from membership.

Voting.—Roughly, 80 percent of the reporting associations allowed only one vote per member, and about 75 percent prohibited voting by proxy. In the federations, member associations had one vote each. In one case, however, a number of party lines, all in rural districts, had federated and bought their own switchboard which was set up in a village centrally located. At the same time, service was extended to villagers. The rural service was still operated on the assessment basis, and the members continued to provide and maintain their own telephones and lines, but the village subscribers were renters and were charged a flat rate. In this association each of the local member associations (i. e., the party lines) had one vote in the affairs of the association and the villagers were given one vote for every 10 subscribers.

Share capital.—In the associations with capital stock one of the conditions of membership was the purchase of at least one share. The pure mutuals and some of the cooperative associations were membership organizations without capital stock. In the pure mutuals the usual practice, at the time the lines were built, had been for the members to divide the total cost equally among themselves, the pro rata share being regarded as the cost of "membership." In at least one case, the association later issued shares, the par value of which was based upon the amount of contribution of the original members.

Generally when a member wishes to withdraw from the organization, he must find a purchaser for his share, but some associations purchase his share at par value or net worth, whichever is lower.

Analysis of the policies of the associations indicates that less than 5 percent make a practice of paying interest on share capital. In these associations, therefore, although they are organized as capital-stock associations, the share may be regarded as only a membership certificate. Of 33 associations which make a practice of paying interest on share capital, 14 limit the rate of return—one to 4 percent, five to 5 percent, three to 6 percent, one to 7 percent, three to 8 percent, and one to 10 percent. Only 23 made any return on shares in 1936, the rates ranging from 2 to 8 percent.

Patronage refunds.—The return of surpluses earned on the year's operations, in proportion to patronage, is not common among the telephone associations. The main reason for this is that there is generally no surplus to return. About three-fourths of the associations operate on the assessment basis. The assessment may be levied upon all

members alike, or may be in proportion either to the amount of shares held or to the telephones in use. Whatever the basis, the total amount is set only high enough to cover operating expenses. Those associations which do operate on a predetermined monthly rate usually aim to fix that rate only high enough to cover the actual cost of service. In the grocery trade and retail gasoline business there is a "current price" which is easily known, and which provides for a margin sufficient to cover operating expenses plus a profit to the dealer. In other words, the member of a grocery cooperative voluntarily advances to his association this difference between actual cost and the current price. It is from this "overcharge" that he receives his patronage refund at the end of the operating period. Most of the telephone associations, however, are operating in a business field and in districts where there has been no current rate, and their low rates afford little or no surplus.

Among the associations covered by the present study only 29 reported that they had returned a patronage refund for 1936. They had rebated the sum of \$7,168, which was an average of \$3.23 for each of their members. The practice of one additional association was to divide any surplus equally among the members—a purely mutual procedure—and it was the custom of another to give free service until the surplus was exhausted.

Operative and Administrative Procedure

The larger switchboard associations operate like any other telephone company, with directors, officers, manager, linemen, and operators. The directors, however, are generally either unpaid or receive only a small fee for attendance at meetings. Full-time officers and all employees are on a salary status.

There is little formal procedure in the operation of the service lines. Generally most of the actual work is carried on by a secretary, elected from the membership, who may contribute his services or may receive a small annual amount for his work. In some of the very small associations the secretary is the only officer and there are no paid employees.

The associations which have no switchboard of their own naturally need no operators. In the smaller associations which give switchboard service, it was found that service may be provided for in one of several different ways: (1) One or more operators may be hired at a flat monthly or yearly rate, the association being responsible for the payment of the salary; (2) the operator may be guaranteed a certain sum per year, each member being directly responsible to the operator for his share; (3) the operator may be hired on a contingent or commission basis, receiving either a specified commission on the total business (calls made) or a flat rate per call; (4) the switchboard may be placed in the home of one of the members and operated by the

family, either gratuitously or for a small yearly amount. A fifth method had been resorted to in a few instances, mainly in territories where the economic situation of the association and its members was desperate; there the procedure was to turn over the switchboard (though still retaining ownership) to some person or family willing to take over its operation for the small amounts receivable in annual switchboard fees or for a small amount per call; generally such arrangements were undertaken by a local family simply to obtain some small supplementary income.

PROPERTIES AND EQUIPMENT

Data as to miles of lines owned by the associations were available for only 239 organizations. These had a total of 7,139.8 miles, an average of 29.9 miles each. If this average can be regarded as representative of the whole group, then the associations covered in this report own and operate about 45,000 miles of line.

As already indicated, the associations usually own the poles and wire along the main right of way. The wire and poles necessary to carry the service from the highway to the members' homes, however, must be furnished by the member in over three-fifths of the service lines, and in nearly two-fifths of the local associations operating their own switchboards. In over three-fourths of the service lines, and three-fifths of the local switchboard associations, the member must also supply his own telephone instrument. Many of the associations furnish service only to members; if nonmember subscribers are served, instruments are furnished by the association, either (1) at a specified monthly rental for the instrument but with switching service at the same rate as for members, or (2) at a higher flat service rate than for members, the difference being in consideration of furnishing instrument and maintenance of line.

The larger companies, particularly those which charge a stipulated monthly rate, utilize part of their revenues for the maintenance and repair of lines and equipment. In the smaller companies it is the general practice that a considerable amount of the repair and maintenance work on the association's lines is done by the members themselves. Of the 1,224 companies reporting on this point, in 692 (57 percent) the members are responsible for the repair of their instruments, the replacement of batteries, and the upkeep of their wire as far as the main line.

In some associations, when repairs on the main lines are needed, either the members all contribute the necessary services or a lineman (who may be a professional from one of the private companies or simply one of the cooperative members) is hired. Some associations permit certain members to pay all or part of their assessment in services. In at least one association one member is elected as lineman each year and receives a small sum for his services.

Sometimes the association holds a "bee." Thus one society reports: "Every fall the members go out 1 day, in a body, all over the line, reset poles and insulators and do everything possible to keep expenses down to a minimum."

COST OF SERVICE

Service charges.—It was found that about three times as many associations were operating on the assessment basis as were charging flat monthly rates. Of those in the former class many were service lines paying a specified annual switching fee per phone to some private company. In such cases the procedure varied. In some the total expenses—switching fees plus cost of repairs, replacements, etc.—were divided equally by the number of active members, and the resultant sum was levied as an assessment, for each quarter, half year, or year. In others, the switching fee was paid separately; either the individual subscriber paid his fee directly to the company or the secretary of the association collected the fees and paid them to the company in a lump sum.

The associations which had their own switchboards usually charged flat monthly rates, but even in this class some made flat rates only to renters (nonmember subscribers); members bore their pro rata share (in the form of assessments) of the total expenses of the association.

Of those charging flat rates, the average charge for a rural telephone was 87 cents a month, and for a residence telephone in town 92 cents a month. Yearly assessments of service-line associations averaged \$7.77 per member; the yearly rate charged to nonmembers in these associations averaged \$11.79.

Although nonmembers were usually charged a higher rate than the members, in a few cases the cost to the member in 1936 was higher than to nonmembers. This could generally be attributed to unusually large repair expenditures necessitated by storms, etc.

Several of the associations in a section swept by a forest fire many years ago reported that they made unusually small assessments in 1936 because, having just received part of the indemnity from the Federal Government,³ that sum took care of the expenses. Another association had returned to the members the first half of the Federal indemnity; this was later found to have been a mistake, for later losses which could have been met comfortably from this sum had to be covered by individual assessments. The second half of the indemnity, received during 1936, was used for line improvements and repairs on the building housing the telephone exchange.

The average cost per subscriber per month, for the 1,150 associations reporting the amount of their charges, is shown in table 48.

³ The fire was attributed to a spark from a railroad locomotive. This was during the period of Federal control of railroads.

TABLE 48.—*Cost per Subscriber per Month, in Telephone Associations*

Item	Number of associations reporting	Rate per month		
		Average	Median	Range of charges of associations reporting
Associations with switchboard, operating on—				
Monthly rate:				
Residence service.....	415	\$0.92	\$1.00	\$0.04–\$3.06
Commercial service.....	360	1.19	1.00	.08– 4.58
Rural service.....	414	.87	.83	.08– 3.75
Yearly assessment:				
Members.....	54	.67	.58	.17– 2.00
Nonmembers.....	6	1.19	1.04	.75– 2.00
Service lines having no switchboard:				
Members.....	681	.64	.58	.06– 2.25
Nonmembers.....	67	.98	.89	.17– 2.00

Switching fees.—For switching service purchased by service lines from private companies, the most common yearly switching fees per telephone were \$4.20 (35 cents per month) and \$6 (50 cents per month). Of 808 service-line associations for which the amount of the switching fee was reported, 521 paid yearly rates of less than \$5 (234 of these paid \$4.20), 33 paid \$5, 225 paid \$6, and the remainder paid more than \$6. The statement following shows the distribution by amount of switching fee per telephone per year:

	Number of associations reporting		Number of associations reporting
\$2.00.....	15	\$4.80.....	34
\$2.50.....	17	\$5.00.....	33
\$3.00.....	93	\$6.00.....	225
\$3.20.....	3	\$6.75.....	2
\$3.60.....	69	\$7.20.....	9
\$4.00.....	46	\$7.60.....	13
\$4.20.....	234	\$9.00.....	5
\$4.50.....	10		

In most States the switching fees were fairly uniform throughout the State. Thus, in Illinois, Kansas, Michigan, North Dakota, Oregon, Pennsylvania, Virginia, Washington, and Wyoming, the common rate was \$6, in South Dakota \$3, and in Wisconsin \$7. In Minnesota a great variety of fees was charged; the 593 associations for which information was obtained were distributed as follows:

	Number of associations reporting		Number of associations reporting
\$2.00.....	6	\$4.20.....	234
\$2.40.....	7	\$4.50.....	6
\$2.50.....	9	\$4.80.....	26
\$3.00.....	49	\$5.00.....	15
\$3.20.....	2	\$6.00.....	123
\$3.60.....	68	\$7.20.....	4
\$4.00.....	41	\$9.00.....	3

There appeared to be no relation between size of association (i. e. number of telephones served) and the rate of switching fee charged.

Employment in Telephone Associations

As pointed out elsewhere, most of the service lines have no regular employees, the necessary work of repair and upkeep being done by the members themselves or by a repairman hired when necessary. The associations having their own switchboards have the usual employees—managers, switchboard operators, linemen, etc. As shown in table 49, over 2,100 persons were employed by the 911 telephone associations which reported having any expenditures for labor in 1936; these figures, however, include much part-time employment.

TABLE 49.—*Employees and Wages in Cooperative Telephone Associations, 1936*

Type of association	Number of associations reporting	Number of employees	Salaries, 1936	
			Total amount	Average per employee ¹
All associations.....	911	2,131	\$773,657	\$379
Locals operating switchboards.....	508	1,506	680,501	464
Locals without switchboards.....	349	² 499	29,922	³ 60
Federated switchboard associations.....	54	126	63,234	514

¹ Computed on basis of associations reporting both number of employees and amount of salaries.

² Not including 1 association paying a daily rate of \$1.50 for any work done; and 9 associations paying hourly rates of 20 cents, 25 cents, 30 cents, 35 cents, 45 cents, or 50 cents.

³ Mainly part-time employees.

Finances

The associations were asked to supply data on gross and net income, paid-in share capital, net worth, bills and accounts payable, and total assets.

The financial data thus obtained were far from complete and not altogether satisfactory. Most of the switchboard associations (especially the larger ones) had good accounting and bookkeeping. A large proportion of the service-line associations, however, operate on an informal basis, and many of them keep few accounts. It was found that the determination of the associations' net worth, for instance, was impossible in many cases. It will be noted, in table 51, that the number of organizations reporting varies widely from point to point. Sometimes early records had been lost. Often no record had been kept of the value of original installations, equipment, or replacements. Some reported "no net worth," even though sizeable sums had been invested, the plant was still in good operating condition, and there were few or no debts outstanding against the organization. It is more than likely therefore that the aggregate net worth, even of associations reporting, is considerably greater than that shown in table 51.

RESOURCES

Of 505 associations which reported as to amount of assets, 42 percent had total resources of less than \$1,000, about 36 percent had resources of from \$1,000 to \$5,000, and only a little over 11 percent had assets of \$10,000 or over (table 50). The assets of the service-line associations were small; in about 42 percent they were less than \$500 and in 65 percent were under \$1,000.

TABLE 50.—*Distribution of Cooperative Associations by Amount of Assets at End of 1936*

State	Total number reporting	Number of associations with assets of—							
		Under \$500	\$500 and under \$1,000	\$1,000 and under \$2,000	\$2,000 and under \$5,000	\$5,000 and under \$10,000	\$10,000 and under \$25,000	\$25,000 and under \$50,000	\$50,000 and over
All associations.....	505	125	87	81	99	56	38	14	5
Locals operating switchboard.....	261	29	29	37	67	45	36	13	5
Locals not operating switchboard.....	227	95	53	40	30	7	1	1	—
Federations operating switchboard.....	17	1	5	4	2	4	1	—	—
Alabama.....	1	—	—	1	—	—	—	—	—
California.....	1	1	—	—	—	—	—	—	—
Colorado.....	3	2	—	—	1	—	—	—	—
Idaho.....	2	—	—	—	—	—	1	1	—
Illinois.....	24	3	7	2	5	4	1	2	—
Indiana.....	24	1	2	2	10	8	1	—	—
Iowa.....	32	3	4	8	6	5	4	2	—
Kansas.....	42	8	4	12	9	5	3	1	—
Kentucky.....	1	1	—	—	—	—	—	—	—
Maine.....	2	1	—	—	—	—	1	—	—
Maryland.....	1	—	—	—	—	—	1	—	—
Michigan.....	11	3	2	3	3	—	—	—	—
Minnesota.....	202	65	43	25	28	16	16	7	2
Missouri.....	7	—	1	3	2	1	—	—	—
Montana.....	10	4	—	1	3	1	—	1	—
Nebraska.....	11	1	—	1	5	1	2	—	1
New Hampshire.....	1	1	—	—	—	—	—	—	—
New York.....	2	—	—	—	1	—	1	—	—
North Carolina.....	2	2	—	—	—	—	—	—	—
North Dakota.....	25	3	7	6	3	4	2	—	—
Ohio.....	12	—	—	2	7	2	1	—	—
Oklahoma.....	5	2	—	1	1	—	1	—	—
Oregon.....	14	6	2	4	1	1	—	—	—
Pennsylvania.....	7	1	2	2	1	1	—	—	—
South Dakota.....	20	10	3	2	3	2	—	—	—
Tennessee.....	2	2	—	—	—	—	—	—	—
Texas.....	4	—	4	—	—	—	—	—	—
Virginia.....	7	1	2	3	—	1	—	—	—
Washington.....	15	2	2	1	4	3	1	—	2
West Virginia.....	3	1	1	1	—	—	—	—	—
Wisconsin.....	11	1	1	—	6	1	2	—	—
Wyoming.....	1	—	—	1	—	—	—	—	—

For the 505 associations reporting, total assets amounted to \$2,719,155. A combined net worth of \$2,446,111 was reported by 422 associations and a paid-in share capital of \$2,413,895 by 750 associations (table 51).

TABLE 51.—*Resources, and Bills Payable, of Cooperative Telephone Associations, at End of 1936*

Type of society	Total assets		Net worth		Paid-in share capital			Bills and accounts payable	
	Number reporting	Amount	Number reporting	Amount	Number reporting	Amount	Number of non-stock associations	Number reporting	Amount
All associations.....	505	\$2,719,155	1 422	\$2,446,111	750	\$2,413,895	230	228	\$191,770
Locals operating switchboard.....	261	2,379,385	1 227	1 1,970,912	343	1,781,641	87	130	170,689
Locals not operating switchboard.....	227	288,252	176	240,960	396	545,780	119	91	17,567
Federations operating switchboard.....	17	51,518	19	234,239	11	86,474	24	7	3,514
New England.....	3	17,448	4	15,852	6	20,307	2	2	460
Maine.....	2	17,198	2	15,177	3	16,333	1	2	460
New Hampshire.....	1	250	1	275			1		
Vermont.....			1	400	3	3,974			
Middle Atlantic.....	9	23,585	6	13,448	12	14,725	4	7	3,223
New York.....	2	15,617	3	11,008	4	6,625		2	2,300
Pennsylvania.....	7	7,968	3	2,440	8	8,100	4	5	933
East North Central.....	82	346,011	73	310,994	118	377,353	46	48	23,264
Ohio.....	12	50,037	9	32,172	21	91,378	15	12	5,240
Indiana.....	24	98,609	19	79,067	25	68,041	10	8	2,645
Illinois.....	24	120,683	22	101,300	37	112,877	15	12	6,123
Michigan.....	11	18,087	8	29,164	11	23,827	3	7	3,706
Wisconsin.....	11	58,595	15	60,291	24	81,230	3	9	5,550
West North Central.....	339	1,724,120	288	1,621,915	519	1,691,617	159	137	88,305
Minnesota.....	202	1,023,381	1 143	1 697,623	304	730,599	85	68	22,610
Iowa.....	32	194,770	46	426,125	70	360,330	28	16	25,435
Missouri.....	7	14,200	7	10,500	7	16,503	9	2	695
North Dakota.....	25	84,992	26	100,487	46	212,145	9	22	14,598
South Dakota.....	20	30,109	18	33,887	34	78,287	9	12	4,220
Nebraska.....	11	221,826	10	214,692	13	86,104		5	5,634
Kansas.....	42	154,842	38	138,601	45	207,649	19	12	15,113
South Atlantic.....	13	24,101	9	22,633	20	44,513	2	7	3,113
Maryland.....	1	10,306	1	7,173	1	4,300		1	2,482
Virginia.....	7	10,910	5	13,235	14	34,853	2	4	561
West Virginia.....	3	2,650	2	2,050	3	4,710		2	70
North Carolina.....	2	235	1	175	2	650			
East South Central.....	4	1,949	1	400	5	7,244		3	1,112
Kentucky.....	1	400			2	1,409		2	1,037
Tennessee.....	2	517	1	400	2	4,540		1	75
Alabama.....	1	1,032			1	1,295			
West South Central.....	9	22,270	7	10,707	6	17,380	6		
Arkansas.....			1	50					
Oklahoma.....	5	19,720	3	8,369	3	11,800	2		
Texas.....	4	2,550	3	2,288	3	5,580	4		
Mountain.....	16	118,348	13	87,806	18	114,928	4	9	738
Montana.....	10	46,479	8	31,029	10	28,777	1	2	84
Idaho.....	2	65,264	2	49,414	4	63,399		3	261
Wyoming.....	1	1,527	1	1,377	2	12,755		1	168
Colorado.....	3	5,058	2	5,786	2	9,997	2	3	225
Nevada.....							1		
Pacific.....	30	441,323	21	362,356	46	125,828	7	15	71,545
California.....	1	50					1		
Washington.....	15	424,139	9	329,733	17	88,154	1	9	70,232
Oregon.....	14	17,134	12	32,623	29	37,674	5	6	1,313

¹ Not including 1 society which reported a deficit of \$6,438.

For the associations reporting both amount of share capital and membership, the average member's investment (in share capital) was \$36.33.

Bills and accounts payable at the end of 1936 were reported by 228 associations, in an aggregate amount of \$191,770. An additional 642 associations stated that they had no debts.

INCOME AND EARNINGS

The figures for revenues, given in table 52, can be regarded as only approximate. In many cases no exact records of income and expenses are kept. Often the only expense in the service-line associations is the monthly switching charge and even this may be paid by each subscriber directly to the company which provides switchboard service, so that this money may not pass through the hands of the local treasurer. If repairs are needed for which labor must be hired or materials bought, each member is assessed his pro rata share. In the figures of revenues here given, however, the association has been credited with the total amount of switching fees paid, where this was known; no estimate could be made of value of repairs.

The 1,536 associations reporting gross revenue in 1936 had an aggregate of \$1,486,761, of which over three-fourths was reported by the local associations giving switchboard service, about one-seventh by the service lines, and the remainder by the federations. There were 495 associations which made a net gain during the year; for the 494 which reported the amount the combined total was \$90,030. On the other hand 163 associations had a loss; in the 153 which reported the amount this totaled \$20,649. Altogether the whole number of associations furnishing returns on this point had combined net earnings of \$69,381. This small net can be attributed mainly to the preponderance of associations operating on the assessment basis. These collect only enough revenue to cover expenses. In the words of one association: "Our profit is service at cost."

TABLE 52.—*Income and Earnings of Cooperative Telephone Associations, 1936, by States*

State	Gross revenue		Net gain		Net loss		Net earnings, all societies ¹	
	Num- ber re- porting	Amount	Num- ber re- porting	Amount	Num- ber re- porting	Amount	Num- ber re- porting	Amount
All associations.....	1, 536	\$1, 486, 761	² 495	\$90, 030	³ 163	\$20, 649	⁴ 658	\$69, 381
Locals operating switch- board.....	539	1, 164, 263	² 222	71, 929	⁵ 84	17, 016	⁶ 306	54, 913
Locals not operating switchboard.....	941	211, 971	252	9, 945	⁷ 68	2, 720	⁷ 320	7, 225
Federations operating switchboards.....	56	110, 527	21	8, 156	⁸ 11	913	⁸ 32	7, 243
Alabama.....	1	890	—	—	1	114	1	⁹ 114
Colorado.....	6	3, 709	1	137	—	—	1	137
Georgia.....	1	96	—	—	—	—	—	—
Idaho.....	4	26, 507	3	782	—	—	3	762
Illinois.....	61	108, 435	20	6, 332	4	95	24	6, 237
Indiana.....	51	70, 573	² 22	3, 635	⁸ 6	529	¹⁰ 28	3, 106
Iowa.....	127	289, 551	49	17, 185	¹¹ 17	1, 911	¹¹ 66	15, 274
Kansas.....	84	142, 937	36	5, 691	¹² 20	3, 108	⁸ 56	2, 583
Kentucky.....	3	1, 400	—	—	—	—	—	—
Maine.....	7	17, 857	3	766	—	—	3	766
Maryland.....	2	3, 998	1	367	—	—	1	367
Michigan.....	24	38, 304	16	8, 625	1	50	17	8, 575
Minnesota.....	741	276, 146	232	20, 879	¹² 68	5, 201	¹² 300	15, 678
Missouri.....	30	35, 341	6	2, 581	3	250	9	2, 331
Montana.....	14	4, 430	4	100	1	54	5	46
Nebraska.....	15	56, 826	—	—	9	5, 265	9	⁹ 5, 265
Nevada.....	1	84	—	—	—	—	—	—
New Hampshire.....	2	582	—	—	—	—	—	—
New York.....	6	6, 858	2	94	1	377	3	⁹ 283
North Carolina.....	7	885	—	—	—	—	—	—
North Dakota.....	78	45, 237	18	3, 838	⁸ 6	776	⁸ 24	3, 062
Ohio.....	44	69, 770	19	3, 912	6	1, 159	25	2, 753
Oklahoma.....	7	15, 520	3	129	—	—	3	129
Oregon.....	40	26, 604	10	2, 823	2	91	12	2, 732
Pennsylvania.....	18	6, 252	7	436	3	219	10	217
South Dakota.....	62	26, 463	19	955	4	355	23	600
Tennessee.....	3	5, 010	—	—	—	—	—	—
Texas.....	9	5, 743	3	10	2	191	5	⁹ 181
Vermont.....	5	3, 055	—	—	1	127	1	⁹ 127
Virginia.....	23	27, 428	4	442	—	—	4	442
Washington.....	20	133, 013	6	8, 166	¹¹ 4	33	¹¹ 10	8, 133
West Virginia.....	4	2, 210	2	190	—	—	2	190
Wisconsin.....	30	34, 435	9	1, 975	4	744	13	1, 231
Wyoming.....	6	612	—	—	—	—	—	—

¹ Not including 320 associations which reported "no net earnings" for the year.² Includes 1 association reporting small gain, amount not stated.³ Includes 10 associations which did not report amount of loss.⁴ Includes 10 associations reporting loss and 1 reporting gain, amount not stated.⁵ Includes 5 associations which did not report amount of loss.⁶ Includes 1 association reporting gain, and 5 reporting loss, amount not stated.⁷ Includes 4 associations which did not report amount of loss.⁸ Includes 1 association which did not report amount of loss.⁹ Loss.¹⁰ Includes 1 association reporting gain and 1 reporting loss, amount not stated.¹¹ Includes 2 associations which did not report amount of loss.¹² Includes 3 associations which did not report amount of loss.

Only five of the associations included in the present study had gross revenues in 1936 amounting to \$10,000 or over. The revenues of these ranged from \$11,205 to \$67,000.

Chapter 5.—CREDIT UNIONS

Summary

On the basis of reports to the Bureau of Labor Statistics, representing 86 percent of the 5,440 credit unions in operation at the end of 1936, it is estimated that they had a membership of 1,210,000 persons, and that they made available to more than a million borrowers credit in the total sum of \$112,135,000. These organizations not only furnished loans at moderate rates but also returned to the members on the year's operations more than \$2,000,000 in dividends on share capital.

Credit unions, as their name implies, are cooperative associations whose function is the supplying of credit. Generally they serve small borrowers who can offer little or no security except their own personal integrity. When it is remembered that a very large percentage of all credit-union loans are "character loans", i. e., loans made without any security except the personal note of the borrower, it becomes evident how important the personal factor is.

As various analyses have shown, remedial loans, for such purposes as the payment of cost of sickness or death or accumulated debts, form a very large proportion of the total loans made. This is especially true of the early experience of nearly all credit unions. Later, as the organizations accumulate funds and the early cases of need are taken care of, they expand their lending to such other constructive purposes as tuition for educational courses, house repairs and improvements, payment of insurance premiums, taxes, etc.

Credit-union funds come in the main from the share capital provided by the membership. Obviously, not all of the members can be borrowers, and indeed a certain percentage of the members of all credit unions never avail themselves of the credit facilities of the organization but join because of their desire to support the cause.

The principle of open membership is one of the main tenets of Rochdale cooperation. By the very nature of credit-union operation, however, this principle has to be modified somewhat in credit cooperatives. In order to insure the safety of loans made, it is essential that the members know one another and thus be able to judge the trustworthiness of those who apply for loans. For this reason it is usually required by the statutes under which credit unions operate that the organizations shall be formed among persons having some common bond of employment, religious faith, association, etc., and that the membership shall be limited to persons within that group. Within this field, membership is open to all trustworthy persons.

One of the questions asked of credit associations by the Bureau of Labor Statistics in its survey was whether there was any limitation on membership and if so what the limitation was. Slightly over 4,000 associations reported on this point. These had a combined membership of over 865,000 and made loans in 1936 aggregating nearly \$73,000,000.

Some 61 percent of these associations had been formed among employees of industrial businesses, and not quite one-fourth were organizations whose membership was restricted to public employees. The earliest credit unions to be formed among public employees, it may be noted, were those of postal employees; the first of these was started in 1923.

The largest groups of credit unions were reported in the manufacturing industries, the public utilities, and among Federal employees. There were nearly 200 associations among railroad employees, and slightly more than that number among employees of petroleum companies.

There were 78 credit unions formed from among the employees and members of other cooperative associations. Consumers' cooperatives are becoming increasingly interested in cooperative credit. Credit unions are especially valuable in connection with store associations operating on a strictly cash basis. Store members who are unable to pay for the groceries and other necessities obtainable at the store can borrow from the credit union. One cooperative leader who is strongly in favor of credit unions for cooperators points out that to expect the store association to extend credit is to expect it to act as banker—a function which it was not intended to perform.

Method of Operation

As in all truly cooperative associations, each credit-union member has one vote only. At the annual meeting the members elect a board of directors to carry on the affairs of the association. The directors, in turn, elect from their own number the usual officers—president, vice president, secretary, and treasurer. In a credit union the treasurer is really the manager of the affairs of the association, having charge not only of the funds but also of making the loans to the borrowers. It is the treasurer who reports upon the status of the organization.

The treasurer is assisted by a credit committee of varying numbers, whose function is to pass upon applications for loans. To this committee are submitted all applications for loans. Practically all credit-union laws provide that in passing upon applications for loans a majority of the committee must be present and the vote must be unanimous. The personal integrity of the applicants, as well as their record as regards payment of debts—in other words, their credit

rating—is investigated by the credit committee. This committee also takes into consideration the purpose for which the loan is applied for. As practically all of the credit-union acts provide that loans shall be made only for provident purposes and purposes which promise to be of benefit to the borrower, the credit committee has the authority to refuse any loans which it regards as not constructive or as being for a purpose which would not aid the would-be borrower.

A second committee very important in the functioning of the credit union is the supervisory committee. Generally composed of 3 members, this committee has oversight of all of the operations of the organization. It is specifically charged with examining into the records and into the manner in which all of the officers, directors, and other committees are carrying out their functions, and it may, for reasons which seem sufficient to it, suspend them and carry the whole matter to a vote of the members assembled in general meeting.

Fundamentals of Cooperative Credit

In brief, the following are the principles upon which credit unions operate:

1. Membership open to persons of good character who have a community of interest with the credit-union group.
2. Low membership fees, and shares of low denomination which may be paid for in installments.
3. Democracy in government, with directors and committees elected by and responsible to the members.
4. One vote per member, irrespective of the number of shares held. No voting by proxy.
5. Loans to members only.
6. Loans to directors, officers, and committee members prohibited, except in amounts held in shares by them.
7. Loans made only for productive purposes and urgent needs.
8. Loans at low rates of interest, and interest generally payable only on unpaid balances.
9. Net earnings returned, as dividends on all fully paid shares of stock.

Scope and Method of Study

Questionnaires were sent to every credit union known to the Bureau as having been chartered under the law of any State. In addition, data were requested from State officials having oversight of the credit unions in their jurisdiction. The information received from State officials was in the form of a combined statement covering the total number of associations in the State; analysis of the individual organizations therefore had to be confined to those from which direct reports were received. This explains the fact that the number of associations covered in the tables classifying the associations by

number of members, amount of loans made, etc., is considerably less than that covered in the tables giving total figures for membership, loans, etc.; the latter, of course, include the combined figures from the State officials.

The information presented for the credit unions formed under the Federal Credit Union Act was supplied by the Credit Union Division of the Farm Credit Administration, although the computations and analyses were made by the Bureau of Labor Statistics.

Year of Establishment

Although organizations closely resembling credit unions are known to have been in operation in this country (in spite of the lack of legal authorization) as early as 1892, the first credit union formed under statutory authority was started in Manchester, N. H., in December 1908. This credit union, La Caisse Populaire Ste. Marie, was organized under a special charter. In May 1909 the Massachusetts Legislature passed a general credit-union act. This was the first such law to be enacted and was the only one on the books until 1913, when three other States—New York, Texas, and Wisconsin—passed similar legislation. With this early start Massachusetts took the lead in credit-union matters, a position which it held until 1936, when Illinois exceeded it in number of associations. The Massachusetts organizations, however, being older and larger, were still leading as regards amount of business done.

Formation of new associations was facilitated by the passage of the Federal Credit Union Act in 1934. Not only does that law permit groups in any State without a credit-union act to incorporate under it, but it offers those in States where the State law is not entirely satisfactory a choice of incorporation under the State or under the Federal act.

The oldest associations reporting in the present study date from 1910, as the following statement shows. The increasing popularity of these organizations is also indicated in the figures for 1934–36.

Associations formed in—	<i>State as- sociations</i>	<i>Federal as- sociations</i>
1910.....	3	-----
1911-20.....	55	-----
1921-25.....	82	-----
1926-29.....	316	-----
1930.....	102	-----
1931.....	125	-----
1932.....	202	-----
1933.....	286	-----
1934.....	453	42
1935.....	431	702
1936.....	364	931
Total.....	2, 419	1, 675

The distribution of the credit unions reporting as to field of membership, by year in which they were formed, is shown in table 53. Of the 118 which were started before 1926, 2 were formed in 1906-10, 17 in 1911-15, 23 in 1916-20, and 76 in 1921-25.

TABLE 53.—*Distribution of Credit Unions of Specified Membership by Year of Formation*

Field of membership	Total number of credit unions	Number of credit unions according to year or period in which operations started								
		1925 or earlier	1926-29	1930	1931	1932	1933	1934	1935	1936
All fields of membership.....	4, 018	118	303	96	127	195	277	488	1, 126	1, 288
Employees of specified company.....	2, 444	46	114	38	52	110	170	290	755	869
Coal mining.....	1								1	
Public utilities.....	525	10	62	15	14	17	32	52	157	166
Telephone and telegraph.....	99	3	7	4	2		5	5	43	30
Electric light and power, water, and gas.....	172	1	5	1	6	4	16	30	56	53
Steam railroads.....	195	4	45	7	4	12	8	16	45	54
Street railways and buses.....	36	1	3	1	2	1	3		7	18
Other.....	23	1	2	2				1	6	11
Trade—wholesale and retail.....	195	4	7	2	3	5	6	12	62	94
Manufacturing.....	726	6	21	10	12	36	35	95	218	293
Automobiles.....	22						1		7	14
Food products.....	146	1	3	2	3	10	8	23	51	45
Machinery.....	80	1	2	1	1	3	4	11	20	37
Metals and metal products.....	163	1	5	2	1	5	6	12	62	69
Paper and paper products.....	47	1	1	2		7	4	9	11	12
Rubber and rubber products.....	12		1						4	7
Shoes.....	22				1	6	1	7	1	6
Textiles and textile products.....	57		3	1	2		5	6	8	32
Miscellaneous.....	177	2	6	2	4	5	6	27	54	71
Hotels.....	30		1			1	2	1	4	21
Laundries and dyeing and cleaning.....	16		1		1		1	1	6	6
Banks.....	4							2	1	1
Brokerage.....	1									1
Insurance.....	43	1	1	1	1	1	2	3	12	21
Building construction.....	21							1	9	11
Loan companies.....	2	2								
Printing and publishing.....	126		8	4	5	9	11	13	45	31
Slaughtering and meat packing.....	144				8	10	42	36	38	10
Gas and oil.....	234					2	4	24	113	91
Cooperative associations.....	77	2	2	1	1	7	3	4	18	39
Industrial company, not specified.....	80	1			3	6	7	16	15	30
Miscellaneous.....	219	20	9	5	4	16	25	30	56	54
Employees of specified organizations.....	146	5	6	1	8	13	15	20	32	46
Clubs.....	16	2	2		1	2	3	7	1	3
Colleges or universities.....	16	1	1		1	8	5	10	3	3
Farm organizations.....	37			1	7		5	3	23	33
Fraternal orders.....	71	2	3			2	5	2	2	2
Hospitals or sanitariums.....	6						2			
Public employees.....	989	26	130	34	50	54	58	101	255	281
Federal.....	545	22	119	29	30	27	23	37	154	113
State.....	55	1	1		1	3	4	4	11	30
County or municipal.....	389	3	19	5	19	24	31	60	90	138
Firemen.....	28		3		3	7	5	3	1	6
Police.....	18		2		3	2	1	5	2	3
Teachers and other school.....	215		7	2	7	7	18	35	56	83
Other.....	128	3	7	3	6	8	7	17	31	46
Specified occupation.....	7		1		1		2	1	1	1
Members of specified labor organization.....	66	4	14	6	4	2	5	7	7	17
Specified nationality.....	16	5	4	2		2	1		1	1
Resident of specified locality.....	129	17	11	3	2	4	5	27	31	29
Resident of specified locality and member of specified religious sect or church.....	91	1	5	9	6	3	9	12	21	25
No restrictions.....	124	14	18	3	3	7	11	28	22	18
Professional and other self-employed:										
Dentists.....	2							2		
Meat dealers.....	4				1		1		1	1

¹ Includes organizations open to members as well as employees.

Membership

Some 4,600 associations reported their membership at the end of 1936. These had an aggregate of 1,100,000 persons. Data as to membership, by States and geographic divisions, are shown in table 54. On the basis of the reports to the Bureau, which covered some 86 percent of the total, estimates of the total membership of all known credit unions were prepared and are presented in a parallel column. As the table indicates, New England, which was the birthplace of the credit-union movement in this country and which long held the lead in all respects, has been surpassed by the East North Central States (including Ohio, Indiana, Illinois, Michigan, and Wisconsin).

TABLE 54.—Reported and Estimated Total Membership of Credit Unions at End of 1936

Geographic division and State	Total number of known credit unions ¹	Membership		
		Associations reporting to B. L. S.		Estimated total members, all associations
		Number	Members	
United States.....	5,440	4,663	1,106,076	1,209,902
State associations.....	3,575	2,989	803,079	893,932
Federal associations.....	² 1,865	1,674	302,997	315,970
New England.....	541	522	187,315	188,599
Maine.....	21	20	4,028	³ 4,060
New Hampshire.....	8	7	5,778	² 6,291
Vermont.....	4	3	150	200
Massachusetts.....	384	379	147,098	³ 147,418
Rhode Island.....	24	23	12,164	³ 12,211
Connecticut.....	100	90	18,097	³ 18,419
Middle Atlantic.....	785	718	198,899	205,435
New York.....	366	339	103,311	³ 104,880
New Jersey.....	123	117	27,236	³ 27,555
Pennsylvania.....	296	262	68,352	73,000
East North Central.....	1,468	1,314	320,491	346,346
Ohio.....	272	193	45,894	56,600
Indiana.....	207	136	28,981	³ 43,918
Illinois.....	382	380	137,047	³ 137,208
Michigan.....	151	149	28,267	³ 28,318
Wisconsin.....	456	456	80,302	⁴ 80,302
West North Central.....	889	779	130,577	155,294
Minnesota.....	230	229	42,574	⁴ 42,574
Iowa.....	174	173	26,125	³ 26,235
Missouri.....	192	88	23,209	47,750
North Dakota.....	28	26	2,097	⁴ 2,097
South Dakota.....	14	13	1,734	1,800
Nebraska.....	188	187	24,527	⁴ 24,527
Kansas.....	63	63	10,311	⁴ 10,311
South Atlantic.....	573	457	98,667	113,583
Delaware.....	5	5	262	⁴ 262
Maryland.....	38	36	11,425	⁴ 11,425
District of Columbia.....	86	71	24,520	29,500
Virginia.....	76	54	12,538	16,450
West Virginia.....	42	37	7,239	7,586
North Carolina.....	102	58	7,668	11,300
South Carolina.....	19	15	1,939	2,143
Georgia.....	96	95	20,217	⁴ 20,217
Florida.....	109	86	12,859	14,700

See footnotes on p. 121.

TABLE 54.—*Reported and Estimated Total Membership of Credit Unions at End of 1936—Continued*

Geographic division and State	Total number of known credit unions ¹	Membership		
		Associations reporting to B. L. S.		Estimated total members, all associations
		Number	Members	
East South Central.....	248	160	36,625	51,097
Kentucky.....	67	41	11,613	20,385
Tennessee.....	109	74	17,026	21,000
Alabama.....	55	32	5,786	² 7,162
Mississippi.....	17	13	2,200	2,550
West South Central.....	336	261	47,459	55,100
Arkansas.....	30	20	1,890	3,500
Louisiana.....	61	53	11,139	12,000
Oklahoma.....	53	35	5,363	6,600
Texas.....	192	153	29,067	33,000
Mountain.....	158	123	16,337	18,750
Montana.....	14	10	795	² 1,219
Idaho.....	20	17	890	960
Wyoming.....	14	11	729	825
Colorado.....	46	34	8,035	² 9,522
New Mexico.....	11	7	598	² 758
Arizona.....	8	7	521	² 553
Utah.....	42	34	4,649	² 4,793
Nevada.....	3	3	120	⁴ 120
Pacific.....	423	314	68,308	74,300
Washington.....	110	70	8,816	4,900
Oregon.....	38	28	5,384	6,400
California.....	275	216	54,108	63,000
Hawaii.....	19	15	1,398	⁴ 1,398

¹ Figures in this column represent in most cases total number of credit unions in existence.² Includes 77 credit unions chartered but not yet in operation at end of year.³ Only partly estimated, i. e., complete coverage either for State or for Federal associations.⁴ Actual figure—i. e., complete coverage—for all associations in operation at end of year.

The number of associations reporting as to their field of membership and the number of members in each industrial or other group are shown in the following table:

TABLE 55.—*Distribution of Members of Credit Unions, by Field of Membership, 1936*

Field of membership	Total number of credit unions reporting	Membership		
		Associations reporting	Members	Average per association
All fields of membership.....	4,034	3,921	865,172	221
Employees of specified company.....	2,453	2,390	578,849	242
Coal mining.....	1	1	281	281
Public utilities.....	526	506	126,228	249
Telephone and telegraph.....	99	94	28,266	301
Electric light and power, water, and gas.....	172	163	41,404	254
Steam railroads.....	196	192	40,995	214
Street railways and buses.....	36	34	8,525	251
Other.....	23	23	7,038	306
Trade—wholesale and retail.....	195	192	49,956	260
Manufacturing.....	729	712	212,003	298
Automobiles.....	22	20	5,191	260
Food products.....	148	144	29,896	207
Machinery.....	80	79	37,901	480
Metals and metal products.....	163	160	53,056	332
Paper and paper products.....	48	47	8,159	173
Rubber and rubber products.....	12	12	2,087	174
Shoes.....	22	22	4,800	218
Textiles and textile products.....	57	55	18,199	331
Miscellaneous.....	177	173	52,714	305
Hotels.....	31	31	3,494	112
Laundries and dyeing and cleaning.....	16	16	1,859	116
Banks.....	4	4	272	68
Brokerage.....	1	1	69	69
Insurance.....	43	43	6,604	154
Building construction.....	21	21	3,657	174
Loan companies.....	2	2	600	300
Printing and publishing.....	126	125	19,221	154
Slaughtering and meat packing.....	144	141	43,246	307
Petroleum products.....	234	229	47,661	208
Cooperative associations ¹	78	77	6,464	84
Industrial company, not specified.....	81	75	16,338	218
Miscellaneous.....	221	214	40,896	191
Employees of specified organizations.....	147	139	16,205	117
Clubs.....	16	15	2,426	162
Colleges or universities.....	16	16	1,787	112
Farm organizations.....	37	32	2,981	93
Fraternal orders.....	72	72	8,517	118
Hospitals or sanitariums.....	6	4	494	124
Public employees.....	991	970	190,948	197
Federal.....	546	534	111,565	207
State.....	55	55	11,644	212
County or municipal.....	390	381	67,730	178
Firemen.....	28	27	3,712	139
Police.....	18	17	3,359	199
Teachers and other school.....	216	211	30,110	143
Other.....	128	126	30,528	242
Specified occupation.....	7	6	2,193	365
Members of specified labor organization.....	66	63	11,343	180
Specified nationality.....	16	16	4,179	261
Residents of specified locality.....	130	126	27,738	220
Residents of specified locality and members of specified religious sect or church.....	94	89	10,115	114
Professional and other self-employed:				
Dentists.....	2	2	124	62
Meat dealers.....	4	4	984	246
No restrictions of any kind.....	124	116	22,494	194

¹ Includes organizations open to members as well as employees.

The largest associations, in point of average number of members, were those in the machinery, telephone and telegraph, metal, textile, loan, and slaughtering and meat-packing industries, and in the credit unions restricting membership to a specified occupation. All of these groups had average memberships of 300 or more per association.

A combined membership of over 50,000 was reported by each of the following groups: Metal products, Federal employees', and municipal employees' credit unions.

The following statement shows, for the associations formed under State acts and for those formed under the Federal Credit Union Act, the distribution of associations according to their membership at the end of 1936. As the statement indicates, nearly one-third of the State credit unions fall in the group having from 100-250 members. The extremely rapid development of credit unions under the Federal act is shown by the fact that two-fifths of the young Federal credit unions already fall in this group.

	<i>State associations</i>	<i>Federal associations</i>
Under 25 members.....	90	36
25 and under 50 members.....	315	194
50 and under 100 members.....	558	503
100 and under 250 members.....	725	630
250 and under 500 members.....	341	202
500 and under 750 members.....	125	61
750 and under 1,000 members.....	51	26
1,000 and under 2,000 members.....	87	20
2,000 members and over.....	37	2
Total.....	2, 329	1, 674

Loans Made, 1936

The business of credit unions, as already indicated, is to make loans to the members. Over 3,900 associations reported to the Bureau of Labor Statistics as to the number of loans made during 1936 and the amount so loaned. On the basis of these reports, it is estimated that the 5,400 associations in operation at the end of 1936 served about 1,035,000 borrowers, lending them a total of more than \$112,000,000 during the year. The data for associations reporting and the estimates for the total number of associations, based on these reports, are shown in table 56.

TABLE 56.—*Reported and Estimated Total Number of Loans Made and Amounts Loaned by Credit Unions in 1936*

Geographic division and State	Total number of known credit unions ¹	Number of loans			Amount of loans		
		Associations reporting to B. L. S.		Estimated total, all associations	Associations reporting to B. L. S.		Estimated total, all associations
		Number	Borrowers		Number	Amount	
United States.....	5, 440	3, 988	814, 188	1, 035, 176	3, 923	\$88, 342, 486	\$112, 134, 577
State associations.....	3, 575	2, 417	595, 479	806, 021	2, 308	73, 235, 326	96, 476, 517
Federal associations.....	² 1, 865	1, 571	218, 709	229, 155	1, 615	15, 107, 160	15, 658, 060
New England.....	541	325	99, 304	124, 378	356	14, 365, 241	21, 076, 665
Maine.....	21	17	3, 914	³ 4, 162	18	346, 996	³ 355, 178
New Hampshire.....	8	6	910	³ 1, 110	7	248, 242	³ 278, 325
Vermont.....	4	3	109	125	3	3, 766	4, 500
Massachusetts.....	384	196	72, 026	94, 700	218	11, 688, 488	18, 330, 000
Rhode Island.....	24	16	5, 627	7, 200	22	1, 069, 694	1, 073, 838
Connecticut.....	100	87	16, 718	³ 17, 081	88	1, 008, 055	³ 1, 034, 824
Middle Atlantic.....	785	689	142, 548	150, 074	706	17, 578, 741	18, 047, 148
New York.....	366	321	69, 452	72, 300	333	12, 282, 762	³ 12, 321, 701
New Jersey.....	123	116	24, 110	³ 24, 274	117	1, 495, 865	³ 1, 510, 447
Pennsylvania.....	296	252	48, 986	53, 500	256	3, 800, 114	4, 215, 000
East North Central.....	1, 468	1, 094	209, 171	313, 403	832	20, 359, 404	29, 127, 944
Ohio.....	272	184	32, 185	41, 100	193	3, 189, 407	4, 600, 000
Indiana.....	207	128	20, 763	32, 300	134	1, 872, 846	2, 565, 000
Illinois ⁴	382	223	93, 534	168, 900	234	9, 405, 317	12, 850, 000
Michigan.....	151	146	14, 646	20, 100	146	3, 183, 815	³ 3, 192, 869
Wisconsin.....	456	413	48, 043	³ 51, 003	125	2, 708, 019	³ 5, 920, 075
West North Central.....	889	673	110, 617	137, 760	774	11, 850, 289	13, 986, 244
Minnesota.....	230	228	38, 958	³ 39, 021	228	4, 234, 743	³ 4, 238, 019
Iowa ⁵	174	173	21, 616	³ 21, 640	173	³ 1, 816, 785	³ 1, 817, 687
Missouri.....	192	82	20, 456	39, 150	84	2, 524, 824	4, 652, 000
North Dakota.....	28	25	1, 954	³ 1, 978	26	127, 975	³ 129, 960
South Dakota.....	14	13	1, 519	1, 550	13	100, 384	103, 000
Nebraska.....	188	89	15, 940	³ 24, 247	187	2, 378, 148	⁴ 2, 378, 148
Kansas.....	63	63	10, 174	⁴ 10, 174	63	667, 430	⁴ 667, 430
South Atlantic.....	573	385	89, 918	112, 653	404	7, 871, 106	10, 604, 881
Delaware.....	5	4	110	120	4	2, 851	3, 000
Maryland.....	38	33	7, 918	8, 150	36	739, 521	⁴ 739, 521
District of Columbia.....	86	68	22, 548	26, 300	66	1, 798, 128	2, 100, 000
Virginia.....	76	46	14, 638	21, 950	51	1, 183, 319	1, 627, 000
West Virginia.....	42	25	5, 027	7, 500	30	462, 509	691, 000
North Carolina.....	102	53	8, 270	10, 300	54	757, 361	1, 980, 000
South Carolina.....	19	13	³ 1, 889	2, 149	14	129, 374	³ 139, 188
Georgia.....	96	61	³ 16, 748	20, 984	65	1, 822, 206	³ 2, 275, 172
Florida.....	109	82	12, 770	15, 200	84	975, 837	1, 150, 000
East South Central.....	248	151	49, 126	60, 943	161	4, 643, 623	5, 837, 013
Kentucky.....	67	43	17, 017	20, 300	44	2, 127, 608	2, 549, 000
Tennessee.....	109	66	22, 828	28, 200	71	1, 831, 852	2, 340, 000
Alabama.....	55	31	7, 519	³ 10, 293	33	540, 387	³ 788, 013
Mississippi.....	17	11	1, 762	2, 150	13	143, 776	160, 000
West South Central.....	336	245	48, 757	57, 110	254	4, 371, 622	4, 909, 250
Arkansas.....	30	20	1, 825	2, 360	20	128, 855	171, 750
Louisiana.....	61	47	11, 297	12, 500	50	1, 274, 676	1, 395, 000
Oklahoma.....	53	36	5, 655	7, 300	36	494, 804	515, 000
Texas.....	192	142	29, 980	34, 950	148	2, 473, 287	2, 827, 500
Mountain.....	158	116	13, 490	16, 605	119	1, 552, 361	1, 779, 832
Montana.....	14	10	721	³ 983	10	59, 020	³ 56, 888
Idaho.....	20	17	697	740	17	40, 311	42, 200
Wyoming.....	14	10	457	500	10	31, 673	35, 000
Colorado.....	46	31	6, 686	³ 8, 519	31	905, 088	³ 1, 059, 425
New Mexico.....	11	6	530	775	7	33, 672	³ 58, 672
Arizona.....	8	7	376	³ 423	7	46, 177	³ 47, 947
Utah.....	42	33	3, 977	4, 600	35	434, 455	477, 500
Nevada.....	3	2	46	65	2	1, 965	2, 200
Pacific.....	423	302	51, 117	61, 950	308	5, 741, 286	6, 755, 000
Washington.....	110	67	7, 104	9, 800	66	661, 361	885, 000
Oregon.....	38	25	5, 175	6, 850	27	476, 703	565, 000
California.....	275	210	38, 838	45, 300	215	4, 603, 222	5, 305, 000
Hawaii.....	19	8	140	300	9	8, 813	10, 600

¹ Figures in this column represent in most cases the total number of credit unions in existence.² Includes 77 credit unions chartered but not yet in operation at end of year.³ Only partly estimated; i. e., complete coverage either for State or for Federal associations.⁴ Actual figure—i. e., complete coverage—for all associations in operation at end of year.⁵ Revised figures.

The business operations of the various types of associations in 1936 by field of membership, are shown in table 57:

TABLE 57.—*Business Operations of Credit Unions of Specified Field of Membership, 1936*

Field of membership	Number of loans made		Loans made during year		Loans outstanding at end of year	
	Associations reporting	Loans	Associations reporting	Amount	Associations reporting	Amount
All fields of membership.....	3,681	704,032	3,568	\$72,866,792	3,872	\$42,101,688
Employees of specified company.....	2,271	489,833	2,130	42,595,218	2,386	22,597,695
Coal mining.....	1	500	1	45,000	1	13,000
Public utilities.....	488	103,442	478	9,608,693	515	5,711,858
Telephone and telegraph.....	89	20,861	91	2,309,045	97	1,507,765
Electric light and power, water, and gas.....	160	32,071	158	2,593,958	170	1,515,923
Steam railroads.....	185	37,393	175	3,745,840	191	2,221,836
Street railways and buses.....	32	7,665	32	575,205	35	306,275
Other.....	22	5,452	22	384,645	22	160,059
Trade—wholesale and retail.....	184	42,631	184	3,160,057	191	1,405,586
Manufacturing.....	681	181,966	663	15,004,515	709	7,208,055
Automobiles.....	21	4,308	21	286,939	21	117,491
Food products.....	140	28,429	140	2,682,210	146	1,400,406
Machinery.....	76	28,106	70	2,239,885	80	1,130,394
Metals and metal products.....	156	46,798	155	4,058,926	161	1,956,784
Paper and paper products.....	45	7,440	33	541,435	47	285,924
Rubber and rubber products.....	12	1,342	12	75,455	12	32,229
Shoes.....	20	3,765	15	219,889	22	174,536
Textiles and textile products.....	47	16,281	47	1,215,672	48	547,498
Miscellaneous.....	164	45,497	170	3,684,104	172	1,562,793
Hotels.....	29	3,373	30	173,900	31	62,079
Laundries and dyeing and cleaning.....	14	1,456	15	99,092	14	41,366
Banks.....	4	482	4	24,136	4	10,096
Brokerage.....	1	12	1	545	1	797
Insurance.....	41	5,147	41	493,828	42	257,068
Building construction.....	19	2,738	20	136,018	21	63,146
Loan companies.....	2	644	2	68,842	2	30,494
Printing and publishing.....	116	22,019	113	1,976,176	125	946,699
Slaughtering and meat packing.....	137	44,151	136	3,880,872	142	2,191,722
Petroleum products.....	223	33,124	224	2,884,660	229	1,502,376
Cooperative associations ¹	70	2,559	54	350,845	71	227,864
Industrial company, not specified.....	67	13,873	54	876,606	77	563,999
Miscellaneous.....	195	31,716	110	3,811,433	211	2,361,490
Employees of specified organizations.....	121	7,604	129	1,305,547	131	744,570
Clubs.....	13	1,359	15	340,767	16	184,892
Colleges or universities.....	15	804	13	94,930	13	79,693
Farm organizations.....	27	1,404	29	204,466	30	118,329
Fraternal orders.....	62	3,630	67	638,093	67	349,118
Hospitals or sanitariums.....	4	497	5	27,291	5	12,538
Public employees.....	916	153,052	922	20,585,671	957	13,556,215
Federal.....	516	103,264	520	12,677,219	534	8,317,304
State.....	53	9,068	52	860,235	54	452,008
County or municipal.....	347	40,720	350	7,048,217	369	4,786,903
Firemen.....	23	2,389	24	425,473	27	304,522
Police.....	17	4,097	16	823,178	18	423,715
Teachers and other school.....	194	14,802	197	2,904,363	201	2,026,663
Other.....	113	19,432	113	2,895,203	123	2,032,003
Specified occupation.....	7	1,206	5	137,403	7	94,885
Members of specified labor organization.....	59	8,502	62	1,063,261	64	934,067
Specified nationality.....	12	1,941	13	705,572	14	411,523
Residents of specified locality.....	104	18,182	114	3,158,141	114	2,169,391
Residents of specified locality and members of specified religious sect or church.....	79	3,535	71	620,203	84	472,763
Professional and other self-employed:						
Dentists.....	2	77	2	13,371	2	7,210
Meat dealers.....	3	1,297	3	125,213	3	55,956
No restrictions.....	107	18,803	117	2,557,192	110	1,357,413

¹ Includes organizations open to members as well as employees.

A distribution of the State and Federal associations according to total amount of loans made during 1936 is shown below:

	<i>State associa- tions</i>	<i>Federal associa- tions</i>
Under \$1,000.....	170	310
\$1,000 and under \$5,000.....	476	590
\$5,000 and under \$10,000.....	353	301
\$10,000 and under \$25,000.....	445	261
\$25,000 and under \$50,000.....	279	92
\$50,000 and under \$100,000.....	155	35
\$100,000 and under \$500,000.....	143	10
\$500,000 and under \$1,000,000.....	10	----
\$1,000,000 and over.....	2	----
Total.....	2, 033	1, 599

The 4,213 associations that reported as to amount of loans outstanding at the end of the year had on the books \$54,631,773 in loans unpaid; of this the 2,597 State associations accounted for \$47,364,482 and the 1,616 Federal associations for \$7,267,291.

Rates of Interest Charged on Loans

About 2,000 associations furnished information as to the rate of interest charged to borrowers on loans. The two largest groups were those charging, respectively, 6 and 12 percent a year (0.5 and 1 percent a month). The latter is the maximum rate set by most of the credit-union acts. This interest is computed, at the time of each payment on the principal, on the amount of loan still remaining unpaid.

The distribution of associations reporting was as follows:

<i>Rate per year:</i>	<i>Number of associations</i>
3 and under 4 percent.....	1
4 and under 5 percent.....	8
5 and under 6 percent.....	89
6 and under 7 percent.....	399
7 and under 8 percent.....	44
8 and under 9 percent.....	103
9 and under 10 percent.....	66
10 and under 11 percent.....	38
11 and under 12 percent.....	8
12 and under 13 percent.....	1, 259
13 percent and over.....	6
Total.....	2, 021

Dividends Paid

Credit unions practice the return of dividends, not on patronage (i. e., on amounts paid in interest by borrowers) but on share capital.

More than \$2,000,000 in dividends was returned by the nearly 3,000 associations for which information on this point was available. Of this amount, \$1,890,646 was returned by 2,134 State associations and \$177,664 by the 837 Federal associations reporting. The geographic distribution is shown in table 58.

TABLE 58.—*Dividends Returned by Credit Unions in 1936, by Geographic Division and State*

Geographic division and State	Association reporting	Amount	Geographic division and State	Association reporting	Amount
United States.....	2,971	\$2,068,310	South Atlantic.....	296	\$179,800
State associations.....	2,134	1,890,646	Maryland.....	31	12,457
Federal associations.....	837	177,664	District of Columbia.....	53	30,180
New England.....	260	320,112	Virginia.....	38	29,795
Maine.....	13	2,500	West Virginia.....	18	15,551
New Hampshire.....	5	8,060	North Carolina.....	35	11,328
Vermont.....	1	42	South Carolina.....	7	1,966
Massachusetts.....	183	260,470	Georgia.....	50	58,658
Rhode Island.....	19	36,431	Florida.....	64	19,885
Connecticut.....	39	12,610	East South Central.....	124	122,235
Middle Atlantic.....	489	414,868	Kentucky.....	38	55,193
New York.....	254	322,288	Tennessee.....	51	44,656
New Jersey.....	77	40,014	Alabama.....	24	16,973
Pennsylvania.....	158	52,566	Mississippi.....	11	2,408
East North Central.....	753	518,731	West South Central.....	204	82,240
Ohio.....	115	53,129	Arkansas.....	12	2,739
Indiana.....	85	38,267	Louisiana.....	37	23,715
Illinois.....	366	288,745	Oklahoma.....	26	8,616
Michigan.....	67	71,626	Texas.....	129	47,170
Wisconsin.....	120	66,964	Mountain.....	69	35,970
West North Central.....	569	266,100	Montana.....	3	1,684
Minnesota.....	227	102,657	Idaho.....	4	286
Iowa.....	171	41,901	Wyoming.....	4	288
Missouri.....	76	87,344	Colorado.....	23	21,116
North Dakota.....	13	1,844	New Mexico.....	3	241
South Dakota.....	8	1,535	Arizona.....	4	1,524
Nebraska.....	39	14,604	Utah.....	28	10,831
Kansas.....	35	16,715	Pacific.....	207	128,253
			Washington.....	51	11,570
			Oregon.....	8	14,487
			California.....	148	102,196

The amounts returned in dividends in 1936 by the associations formed among various employee and other membership groups are shown in table 59.

TABLE 59.—*Dividends Returned by Credit Unions of Specified Membership, 1936*

Field of membership	Asso- cia- tions report- ing	Amount	Field of membership	Asso- cia- tions report- ing	Amount
All fields of membership.....	2, 489	\$1, 595, 745	Employees of specified com- pany—Continued.		
Employees of specified company.....	1, 470	812, 202	Slaughtering and meat packing.....	118	\$79, 196
Coal mining.....	1	244	Gas and oil.....	156	44, 494
Public utilities.....	378	245, 276	Cooperative associations ¹	24	5, 102
Telephone and tele- graph.....	73	47, 503	Industrial company, not specified.....	33	18, 644
Electric light and power, water, and gas.....	142	62, 751	Miscellaneous.....	84	80, 890
Steam railroads.....	128	119, 242	Employees of specified organi- zations.....	81	24, 572
Street railways and buses.....	18	9, 569	Clubs.....	14	4, 083
Other.....	17	6, 211	Colleges or universities.....	8	1, 558
Trade—wholesale and re- tail.....	119	43, 824	Farm organizations.....	21	7, 082
Manufacturing.....	411	239, 656	Fraternal orders.....	34	11, 564
Automobiles.....	13	3, 519	Hospitals or sanitariums.....	4	285
Food products.....	98	48, 734	Public employees.....	602	587, 909
Machinery.....	39	30, 612	Federal.....	420	396, 117
Metals and metal prod- ucts.....	98	75, 571	State.....	38	14, 971
Paper and paper prod- ucts.....	20	10, 102	County or municipal.....	234	176, 821
Rubber and rubber products.....	6	1, 559	Firemen.....	22	15, 310
Shoes.....	11	6, 307	Police.....	14	22, 870
Textiles and textile products.....	21	10, 459	Teachers and other school.....	121	73, 337
Miscellaneous.....	105	52, 793	Other.....	77	65, 304
Hotels.....	12	1, 909	Specified occupation.....	5	2, 600
Laundries and dyeing and cleaning.....	8	1, 165	Members of specified labor organization.....	43	21, 111
Banks.....	3	316	Specified nationality.....	12	16, 585
Brokerage.....	27	8, 780	Residents of specified locality and members of specified re- ligious sect or church.....	59	64, 442
Insurance.....	14	1, 359	Professional and other self- employed.....	44	14, 236
Building construction.....	2	1, 174	Dentists.....	1	204
Loan companies.....	80	40, 173	Meat dealers.....	3	3, 399
Printing and publishing.....			No restrictions.....	79	48, 485

¹ Includes organizations open to members as well as employees.

Financial Data

Assets.—On the basis of reports for nearly 4,700 associations, it is estimated that all of the credit unions in operation at the end of 1936 had total assets amounting to more than \$88,000,000. The geographic distribution of the reporting associations and of the total number of associations based on these reports, is shown in the table following.

TABLE 60.—*Reported and Estimated Total Assets of Credit Unions at End of 1936*

Geographic division and State	Total number of known credit unions ¹	Total assets—		
		Associations reporting to B. L. S.		Estimated total amount, all associations
		Number	Amount	
United States.....	5,440	4,694	\$82,139,281	\$88,012,706
State associations.....	3,575	3,031	73,048,636	78,600,900
Federal associations.....	² 1,865	1,663	9,090,645	9,411,806
New England.....	541	521	21,785,089	22,019,189
Maine.....	21	20	312,194	³ 314,156
New Hampshire.....	8	7	1,658,344	³ 1,860,462
Vermont.....	4	3	2,173	2,600
Massachusetts.....	384	378	16,641,834	³ 16,654,605
Rhode Island.....	24	23	2,576,496	³ 2,578,479
Connecticut.....	100	90	594,048	³ 608,887
Middle Atlantic.....	785	713	14,082,209	14,401,042
New York.....	366	337	10,627,049	³ 10,675,088
New Jersey.....	123	117	1,164,695	1,173,954
Pennsylvania.....	296	259	2,290,465	2,552,000
East North Central.....	1,468	1,309	19,466,361	20,837,050
Ohio.....	272	189	1,916,609	2,568,000
Indiana.....	207	135	1,585,546	² 2,297,948
Illinois ⁵	382	380	8,883,166	³ 8,887,919
Michigan.....	151	149	2,498,363	³ 2,500,506
Wisconsin.....	456	456	4,582,677	⁴ 4,582,677
West North Central.....	889	774	9,998,558	11,569,392
Minnesota.....	230	229	3,487,092	⁴ 3,487,092
Iowa ⁵	174	173	1,372,736	³ 1,373,742
Missouri.....	192	84	1,938,916	3,506,000
North Dakota.....	28	25	57,204	³ 57,997
South Dakota.....	14	13	58,049	60,000
Nebraska.....	188	187	2,548,681	⁴ 2,548,681
Kansas.....	63	63	535,880	³ 535,880
South Atlantic.....	573	450	5,445,238	6,409,044
Delaware.....	5	5	1,921	1,921
Maryland.....	38	36	467,714	³ 467,714
District of Columbia.....	86	68	1,007,034	1,157,000
Virginia.....	76	54	808,438	1,170,000
West Virginia.....	42	37	377,632	³ 381,949
North Carolina.....	102	57	524,816	848,000
South Carolina.....	19	14	65,133	³ 68,254
Georgia.....	96	95	1,634,206	⁴ 1,634,206
Florida.....	109	84	558,344	680,000
East South Central.....	248	161	2,771,464	3,434,700
Kentucky.....	67	43	1,136,087	1,357,700
Tennessee.....	109	74	1,179,262	1,490,000
Alabama.....	55	31	369,924	484,500
Mississippi.....	17	13	86,191	102,500
West South Central.....	336	290	2,880,375	3,048,248
Arkansas.....	30	21	77,336	95,500
Louisiana.....	61	52	577,529	635,000
Oklahoma.....	53	37	310,073	370,300
Texas.....	192	180	1,915,437	³ 1,947,448
Mountain.....	158	127	1,019,342	1,048,188
Montana.....	14	10	35,175	45,014
Idaho.....	20	18	23,768	24,684
Wyoming.....	14	11	17,172	19,000
Colorado.....	46	33	616,221	613,333
New Mexico.....	11	7	17,294	31,294
Arizona.....	8	7	35,123	³ 36,178
Utah.....	42	38	273,032	³ 277,128
Nevada.....	3	3	1,557	1,557
Pacific.....	423	334	4,676,792	5,232,000
Washington.....	110	98	769,595	795,000
Oregon.....	38	27	408,172	437,000
California.....	275	209	3,499,025	4,000,000
Hawaii.....	19	15	13,853	⁴ 13,853

¹ Figures in this column represent in most cases the total number of credit unions in existence.² Includes 77 credit unions chartered but not yet in operation at end of year.³ Only partly estimated; i. e., complete coverage either for State or for Federal associations.⁴ Actual figure; i. e., complete coverage—for all associations in operation at end of year.⁵ Revised figures.

The statement following shows the distribution of the reporting credit unions according to the amount of their assets at the end of 1936. The largest group of the State associations (some 30 percent) had assets of between \$1,000 and \$5,000 and nearly 80 percent had assets of less than \$25,000. More than 45 percent of the Federal credit unions had assets of between \$1,000 and \$5,000 and about 87 percent had assets of less than \$10,000. However, there were 115 associations whose assets at the end of 1936 totaled \$100,000 and over, and, of these, 5 State credit unions each had assets of 1 million dollars or more.

Assets of—	State associations	Federal associations
Under \$1,000	289	444
\$1,000 and under \$5,000	710	763
\$5,000 and under \$10,000	377	237
\$10,000 and under \$25,000	459	161
\$25,000 and under \$50,000	236	44
\$50,000 and under \$100,000	126	11
\$100,000 and over	112	3
Total	2,309	1,663

Share capital and net worth.—The amount of paid-in share capital and the net worth of the reporting associations are shown in table 61.

TABLE 61.—*Paid-in Share Capital and Net Worth of Credit Unions, 1936, by States*

Geographic division and State	Paid-in share capital		Net worth	
	Associa- tions re- porting	Amount	Associa- tions re- porting	Amount
United States	4,718	\$62,592,591	3,626	\$52,007,044
State associations	3,048	54,171,564	1,964	43,144,285
Federal associations	1,670	8,421,027	1,662	8,862,759
New England	522	12,822,562	344	8,938,995
Maine	20	173,622	20	117,839
New Hampshire	7	116,358	6	159,443
Vermont	3	2,041	3	2,158
Massachusetts	379	11,073,344	206	7,021,513
Rhode Island	23	909,504	19	1,054,743
Connecticut	90	547,693	90	583,299
Middle Atlantic	715	11,777,932	625	9,575,839
New York	338	8,416,874	270	6,895,412
New Jersey	117	1,249,104	101	670,397
Pennsylvania	260	2,111,954	254	2,010,030
East North Central	1,316	17,450,573	922	14,538,679
Ohio	194	1,721,514	185	1,604,039
Indiana	136	1,448,240	133	1,226,667
Illinois	381	8,217,865	380	8,724,698
Michigan	149	1,920,120	111	1,469,163
Wisconsin	456	4,142,834	113	1,514,112
West North Central	779	6,845,081	480	5,309,179
Minnesota	229	2,495,947	135	1,738,493
Iowa	173	1,192,362	99	884,768
Missouri	88	1,775,597	80	1,784,887
North Dakota	26	56,616	26	58,510
South Dakota	13	54,493	13	58,338
Nebraska	187	785,188	80	384,478
Kansas	63	485,878	47	399,705

TABLE 61.—*Paid-in Share Capital and Net Worth of Credit Unions, 1936, by States—Continued*

Geographic division and State	Paid-in share capital		Net worth	
	Associa- tions re- porting	Amount	Associa- tions re- porting	Amount
South Atlantic.....	451	\$4, 198, 804	385	\$4, 241, 287
Delaware.....	5	1, 921	5	1, 804
Maryland.....	36	395, 649	26	353, 693
District of Columbia.....	70	917, 012	66	916, 830
Virginia.....	54	582, 889	53	564, 387
West Virginia.....	37	280, 842	30	302, 315
North Carolina.....	56	316, 474	49	253, 375
South Carolina.....	14	53, 475	14	59, 917
Georgia.....	95	1, 139, 398	60	1, 228, 021
Florida.....	84	511, 144	82	555, 945
East South Central.....	164	2, 340, 976	154	2, 459, 654
Kentucky.....	42	943, 779	41	928, 044
Tennessee.....	74	991, 183	71	1, 090, 047
Alabama.....	34	339, 886	29	385, 915
Mississippi.....	14	61, 128	13	55, 648
West South Central.....	291	2, 290, 636	257	2, 150, 002
Arkansas.....	21	67, 738	21	72, 955
Louisiana.....	53	518, 527	52	563, 303
Oklahoma.....	37	169, 303	36	199, 693
Texas.....	180	1, 535, 068	148	1, 314, 051
Mountain.....	127	845, 708	122	807, 702
Montana.....	10	31, 556	10	20, 048
Idaho.....	18	21, 333	18	21, 916
Wyoming.....	11	16, 579	11	17, 158
Colorado.....	33	491, 140	34	477, 918
New Mexico.....	7	15, 867	7	16, 532
Arizona.....	7	29, 764	7	33, 954
Utah.....	38	237, 912	32	218, 681
Nevada.....	3	1, 557	3	1, 495
Pacific.....	338	4, 007, 267	322	3, 972, 629
Washington.....	99	704, 914	93	677, 419
Oregon.....	27	345, 479	26	388, 190
California.....	212	2, 956, 874	203	2, 907, 020
Hawaii.....	15	13, 052	15	13, 078

The share capital, total assets, and net worth of the associations reporting as to field of membership are shown in the following table:

TABLE 62.—*Share Capital, Total Assets, and Net Worth of Credit Unions of Specified Membership, 1936*

Field of membership	Share capital		Total assets		Net worth	
	Asso- cia- tions re- port- ing	Amount	Asso- cia- tions re- port- ing	Amount	Asso- cia- tions re- port- ing	Amount
All fields of membership.....	3, 932	\$45, 732, 361	3, 893	\$56, 007, 481	3, 418	\$40, 775, 464
Employees of specified company.....	2, 394	26, 425, 465	2, 386	30, 524, 631	2, 062	22, 563, 152
Coal mining.....	1	20, 792	1	21, 716	1	923
Public utilities.....	516	6, 033, 799	510	7, 239, 260	475	5, 545, 367
Telephone and telegraph.....	95	1, 552, 555	95	2, 058, 967	89	1, 098, 494
Electric light and power, water, and gas.....	170	1, 743, 888	168	1, 792, 891	164	1, 507, 777
Steam railroads.....	192	2, 164, 298	188	2, 722, 927	166	2, 336, 147
Street railways and buses.....	36	323, 088	36	358, 019	34	319, 817
Other.....	23	249, 970	23	306, 456	22	283, 132
Trade—wholesale and retail.....	193	1, 747, 008	192	2, 229, 352	178	1, 615, 457
Manufacturing.....	708	8, 438, 901	711	9, 394, 113	657	7, 365, 093
Automobiles.....	20	148, 027	20	165, 999	19	91, 594
Food products.....	142	1, 488, 234	142	1, 732, 662	137	1, 271, 235
Machinery.....	78	1, 414, 612	77	1, 533, 166	68	1, 005, 975
Metals and metal products.....	160	2, 150, 838	162	2, 406, 916	154	2, 257, 548
Paper and paper products.....	48	315, 834	48	368, 400	34	235, 478
Rubber and rubber products.....	12	50, 391	12	55, 181	12	52, 868
Shoes.....	22	202, 648	22	219, 877	15	113, 275
Textiles and textile products.....	54	587, 291	55	664, 254	51	344, 882
Miscellaneous.....	172	2, 081, 026	173	2, 247, 658	167	1, 992, 238
Hotels.....	30	75, 032	30	82, 142	28	78, 326
Laundries and dyeing and cleaning.....	15	55, 227	15	61, 905	14	41, 910
Banks.....	4	11, 037	4	12, 138	4	11, 676
Brokerage.....	1	968	1	1, 076	1	1, 014
Insurance.....	42	248, 835	42	298, 777	40	198, 180
Building construction.....	21	73, 652	21	78, 689	21	72, 292
Loan companies.....	2	35, 945	2	54, 177	2	48, 870
Printing and publishing.....	124	1, 142, 587	124	1, 342, 511	107	920, 397
Slaughtering and meat packing.....	140	2, 171, 827	141	2, 412, 677	127	1, 933, 310
Petroleum products.....	228	1, 531, 366	224	1, 706, 085	218	1, 600, 262
Cooperative associations ¹	77	248, 048	76	281, 161	53	157, 206
Industrial company, not specified.....	76	1, 746, 161	75	1, 866, 797	55	1, 698, 577
Miscellaneous.....	216	2, 844, 280	217	3, 442, 055	81	1, 274, 292
Employees of specified organizations.....	139	927, 403	139	1, 083, 687	122	752, 859
Clubs.....	16	175, 718	16	234, 215	13	129, 398
Colleges or universities.....	15	79, 252	15	89, 913	12	35, 578
Farm organizations.....	32	136, 962	30	156, 624	27	104, 283
Fraternal orders.....	70	518, 143	72	569, 553	64	464, 625
Hospitals or sanitariums.....	6	17, 328	6	33, 382	6	18, 975
Public employees.....	971	13, 407, 363	956	16, 406, 029	887	13, 061, 871
Federal.....	536	8, 482, 857	528	10, 207, 078	504	8, 871, 870
State.....	54	494, 563	54	509, 179	46	225, 303
County or municipal.....	381	4, 429, 943	374	5, 689, 772	337	3, 964, 698
Firemen.....	28	320, 206	26	326, 825	24	297, 619
Police.....	18	397, 911	18	453, 172	15	436, 381
Teachers and other school.....	208	1, 893, 168	206	2, 534, 539	192	1, 976, 401
Other.....	127	1, 818, 658	124	2, 375, 236	106	1, 254, 297
Specified occupation.....	7	97, 218	6	83, 439	3	64, 920
Members of specified labor organizations.....	63	604, 144	63	825, 976	61	461, 155
Specified nationality.....	15	308, 275	15	658, 526	9	119, 736
Residents of specified locality.....	128	1, 935, 851	125	3, 340, 558	113	1, 919, 248
Residents of specified locality and members of specified religious sect or church.....	90	528, 162	87	756, 627	63	490, 933
Professional and other self-employed: Dentists.....	2	7, 745	2	8, 390	2	8, 225
Meat dealers.....	4	92, 111	4	102, 890	3	7, 551
No restrictions.....	119	1, 398, 624	110	2, 216, 728	93	1, 325, 814

¹ Includes organizations open to members as well as employees.

Losses From Bad Debts

There were 3,311 credit unions which reported on the question of losses sustained through failure of borrowers to repay their loans. Of these, 2,697 (or nearly 82 percent) had never had any losses at all from this cause.

Of the 614 associations reporting losses, 383 had suffered such losses in 1936, in a total amount of \$92,318, or 0.38 percent of the loans made by them in that year (\$24,134,408).

The total amount lost through bad debts during their entire period of operation was reported by 608 associations. These sums aggregated \$509,356. Data are not available as to the loans made by these associations in the same period. On the basis of their loans in 1936, however, these losses would amount to about 1.4 percent of the total business done. Considering the fact that, for many of the associations, the period of operation reported upon included the worst depression this generation has ever known, this is a remarkable record.¹

For individual associations the percentage of loss reflects not only the general economic conditions and the employment situation among the members, but also the alertness and efficiency of the credit-union officers and committee members. A New England association, whose total losses were next to the highest reported, had to write off nearly \$21,000 in 1936. It is extremely doubtful whether this was one year's loss, especially as its total losses during 22 years' operations amounted to \$27,500; the 1936 figure probably represents an accumulation of doubtful accounts. In this connection it might be mentioned that many associations reported a large proportion of recoveries on amounts previously written off as uncollectible, and undoubtedly some part of the losses noted above will eventually be collected.

One of the largest associations has a most excellent record. During its whole 20 years' operation, its losses from bad debts amounted to only \$603. Its loans in 1936 were over \$2,000,000.

¹ One association reported that it had had no losses from bad debts during its 9 years' operation, but had lost \$465 in 1932 through a bank failure.

Chapter 6.—INSURANCE ASSOCIATIONS

Insurance in the Consumers' Cooperative Movement

During the past decade the organized cooperative movement has been increasingly aware of the value of cooperative insurance. As early as 1926 the subject of insurance received a place on the agenda of the congress of the Cooperative League. In that year it considered the question, Should the League undertake the organization of a cooperative insurance society, or should it throw its support to existing societies? No answer was reached at the congress, but a committee was appointed to study existing organizations with a view to determining whether to authorize the League to undertake insurance itself.

The 1928 congress gave qualified endorsement to the New Era Life Association,¹ conditioned upon its reorganization on an entirely cooperative basis and upon its securing a legal status in other States than its home State of Michigan. The subject of fire insurance was referred to a committee with power to enter into negotiations with the Workmen's Furniture² Fire Insurance Association when it could comply with the cooperative terms.

Indorsement of these organizations was continued by the 1930 cooperative congress, which also authorized the creation of a brokerage agency through which to consolidate the casualty and fire insurance needs of the cooperative associations. This agency was accordingly formed, under the name Clusa Service. Writing no insurance risks itself, this organization acts as an insurance-purchasing service for cooperators and cooperative associations, in the lines of fire, automobile, and life insurance and employees' fidelity bonds. Most of its business is done within the New York Metropolitan Area, though in obtaining fidelity bonds for cooperative employees, it operates on a Nation-wide basis.

At the 1934 congress of the League it was reported that the League had been circularizing the various cooperative insurance associations. This was being done with a view to working out some plan whereby their resources and activities could be mobilized. It was hoped that a general service could be organized so that instead of many small societies writing various kinds of insurance, one society in each field

¹ Now the Michigan Union Life Association.

² This word has since been dropped and the word "mutual" substituted, with the enlargement of the association's coverage to houses as well as their contents.

could specialize in the type of insurance for which it was best fitted, and could eventually become the national society of the consumers' cooperative movement in that field.

The subject of insurance came up again at the 1936 congress, and the executive board of the League was directed to call a meeting of insurance associations with a view to the elimination of competition. A representative from the Ohio Farm Bureau Cooperative Association described the insurance activities of the Farm Bureau groups in his State. In 1926 the Farm Bureau Mutual Automobile Insurance Co. was formed, with \$10,000 capital furnished by farmer members. Successful from the start, in 1934 it furnished the capital to start the Farm Bureau Mutual Fire Insurance Co., and also \$300,000 with which it purchased a controlling interest in the Cooperative Life Insurance Co. of America. At the end of 1936 the Farm Bureau life and automobile insurance companies were operating in 8 States and the fire insurance company in 6 States.

As explained to the congress, it is the policy of these organizations to enter a new territory only when they have the sponsorship of the local cooperatives. The insurance is sold through the local cooperative associations, which act as agents. The fees so earned have formed a source of revenue, from which over \$500,000 has been used in cooperative education work and to furnish capital for other enterprises. This line of cooperative activity has had a wide acceptance both among farmers' cooperative groups and those of urban dwellers.

As yet the 1934 program of the League, calling for national associations specializing in various fields, has not been realized. This may be due in part to the realization of the difficulties of obtaining effective member control in organizations operating over a very wide area. To some extent this difficulty is being met, where cooperative insurance associations are linked up with the consumers' cooperative movement, by giving representation through the local cooperative.

New organizations continue to be created, serving areas of one or two States, but real efforts appear to be made to prevent competition and overlapping of territory. Thus, it is reported that the Midland Mutual Fire Insurance Association (Minneapolis, Minn.), formed to write fire insurance on cooperative store and other property not covered by township mutual insurance, and the Mutual Cooperative Insurance Association (Superior, Wis.) have agreed between themselves to restrict their sales activities to Minnesota and Wisconsin respectively, although each is authorized to do business in both States.

The Michigan Union Life Association (formerly the New Era), having failed to enlarge its territory beyond its one original State, can not qualify as a national association, and that position may eventually be filled by the Ohio life-insurance association mentioned above.

Meanwhile, Minnesota cooperatives have formed the Cooperators' Life Association, which covers that State only.

Other associations not writing insurance themselves, but acting as agencies, which have been formed by consumers' cooperative groups are the Cooperative Insurance Association, which handles all kinds of insurance for the cooperative associations in Minnesota and Wisconsin, and the Cooperative Management Association, acting as manager for the Cooperative Insurance Mutual, an agency writing all kinds of insurance through the local cooperative stores as agents.

All of the associations mentioned above are connected, directly or indirectly, with the cooperative distributive movement. The credit-union movement has its own insurance association. This is the Cuna Mutual Society, formed in Wisconsin in 1935. This association writes insurance on outstanding loans of member credit unions. This insurance protects the credit union from losses arising from the death of a borrower during the term of his loan.

Few general cooperative laws are phrased in such a way as to permit the incorporation of cooperative insurance associations under them. Therefore, practically all of these insurance associations are organized as mutuals, as in this way the nearest approach to genuinely cooperative principles can be made.

Scope of Bureau's Insurance Survey

The insurance associations present a situation different from that in most other forms of cooperative activity. In order to obtain safe operation, either extreme selection of risks or wide coverage (to equalize the risks) is necessary. Thus the township fire associations have achieved success because, operating in a small area, all of the members know each other and can judge whether an applicant for insurance is a good moral risk. The larger companies, though forfeiting this intimate knowledge of policyholders, attain financial safety by spreading the risk over a broad area. It is undoubtedly true, however, that the larger the area of operation the greater the difficulty of insuring actual control by the membership of the operations and policies of the organization.

As the general principles of mutuality afford a close approach to cooperative principles, questionnaires were sent to all of the mutual insurance associations of which the Bureau had record. A certain percentage of the returns had to be discarded, either because the insurance was not consumers' insurance (i. e., covered such things as plate glass in stores of private dealers, growing crops, etc.) or because the association was insufficiently cooperative. However, usable returns were obtained from 1,334 associations, distributed by States as follows:

TABLE 63.—*Number of Insurance Associations Reporting, 1936, by States*

State	Number reporting	State	Number reporting
Total.....	1,334	Nebraska.....	41
Arkansas.....	9	New Hampshire.....	9
California.....	24	New Jersey.....	9
Colorado.....	7	New York.....	91
Connecticut.....	6	North Carolina.....	5
Delaware.....	2	North Dakota.....	34
District of Columbia.....	1	Ohio.....	72
Georgia.....	7	Oregon.....	1
Idaho.....	7	Pennsylvania.....	140
Illinois.....	162	Rhode Island.....	2
Indiana.....	49	South Carolina.....	10
Iowa.....	127	South Dakota.....	39
Kansas.....	12	Tennessee.....	21
Kentucky.....	13	Texas.....	18
Maine.....	24	Utah.....	1
Maryland.....	10	Vermont.....	8
Massachusetts.....	9	Virginia.....	23
Michigan.....	64	Washington.....	5
Minnesota.....	142	West Virginia.....	10
Missouri.....	27	Wisconsin.....	82
Montana.....	8	Wyoming.....	3

Year of Formation of Reporting Associations

That the large majority of insurance associations dated from before 1900 is shown in the following statement covering the 1,317 associations that reported year of formation:

	Number of associations		Number of associations
1880 or earlier.....	442	1926-29.....	31
1881-85.....	92	1930.....	9
1886-90.....	142	1931.....	4
1891-95.....	156	1932.....	7
1896-1900.....	109	1933.....	14
1901-05.....	82	1934.....	6
1906-10.....	69	1935.....	6
1911-15.....	70	1936.....	2
1916-20.....	42		
1921-25.....	34	Total.....	1,317

Membership, and Insurance in Force

The membership of the insurance associations consists of the policyholders. More than 4¾ million persons held policies at the end of 1936 in the 1,248 associations reporting on this point. Insurance in force totaled more than 10½ billion dollars, of which over nine-tenths was in fire insurance.

TABLE 64.—*Policyholders and Insurance in Force in Insurance Cooperatives Writing Specified Kinds of Insurance, 1936*

Associations writing—	Policyholders		Insurance in force	
	Associa- tions reporting	Number	Associa- tions reporting	Amount
All types of insurance.....	1, 248	4, 774, 854	1, 261	\$10, 592, 480, 605
Fire insurance.....	1, 167	3, 283, 260	1, 205	9, 848, 238, 114
Life insurance.....	31	211, 936	27	182, 511, 649
Sickness insurance.....	1	49, 555	1	12, 657, 760
General accident insurance.....	5	32, 038	2	20, 038
Automobile insurance.....	20	949, 590	(1)	(1)
Storm insurance.....	21	162, 664	24	537, 554, 686
Hail insurance (not on crops).....	2	12, 333	2	11, 498, 358
Loan insurance.....	1	73, 478	.....	.....

¹ Automobile insurance is written on actual value of car.

The distribution of policyholders and of insurance in force, by States, is shown in table 65. More than 60 percent of the total was in the North Central States.

TABLE 65.—*Geographical Distribution of Policyholders and Insurance in Force, in Insurance Cooperatives, 1936*

State and geographic division	Policyholders		Insurance in force	
	Associa- tions reporting	Number	Associa- tions reporting	Amount
United States.....	1, 248	4, 774, 854	1, 261	\$10, 592, 480, 605
New England.....	43	205, 435	53	777, 605, 704
Maine.....	18	16, 707	20	47, 025, 659
New Hampshire.....	9	8, 318	8	13, 009, 638
Vermont.....	5	54, 816	8	201, 850, 900
Massachusetts.....	5	40, 704	9	219, 580, 873
Rhode Island.....	.....	.....	1	181, 935, 059
Connecticut.....	6	84, 890	7	114, 203, 575
Middle Atlantic.....	214	1, 184, 395	225	2, 097, 221, 372
New York.....	87	618, 964	89	784, 727, 406
New Jersey.....	6	14, 540	9	57, 663, 845
Pennsylvania.....	121	550, 891	127	1, 254, 830, 121
East North Central.....	408	1, 966, 948	402	3, 348, 295, 671
Ohio.....	69	543, 784	67	740, 271, 439
Indiana.....	49	157, 731	50	495, 183, 031
Illinois.....	151	678, 779	153	983, 020, 116
Michigan.....	62	292, 506	58	531, 082, 821
Wisconsin.....	77	294, 148	74	598, 738, 264
West North Central.....	405	1, 002, 651	404	3, 511, 158, 354
Minnesota.....	141	330, 113	136	952, 232, 857
Iowa.....	121	287, 008	120	1, 108, 622, 676
Missouri.....	25	79, 166	27	124, 057, 992
North Dakota.....	34	63, 579	32	137, 740, 908
South Dakota.....	36	60, 485	38	216, 552, 098
Nebraska.....	38	132, 867	41	822, 279, 356
Kansas.....	10	49, 433	10	149, 672, 467
South Atlantic.....	63	162, 026	65	376, 224, 368
Delaware.....	2	1, 366	2	4, 331, 465
Maryland.....	9	35, 465	10	126, 049, 575
District of Columbia.....	.....	.....	1	600, 000
Virginia.....	20	58, 369	21	113, 685, 713
West Virginia.....	10	16, 648	10	37, 730, 329
North Carolina.....	5	4, 689	5	7, 755, 091
South Carolina.....	10	19, 282	10	20, 169, 175
Georgia.....	7	26, 207	6	65, 903, 015

TABLE 65.—*Geographical Distribution of Policyholders and Insurance in Force, in Insurance Cooperatives, 1936—Continued*

State and geographic division	Policyholders		Insurance in force	
	Associa- tions reporting	Number	Associa- tions reporting	Amount
East South Central.....	32	38,487	32	\$86,519,786
Kentucky.....	12	21,531	11	59,668,068
Tennessee.....	20	16,956	21	26,851,718
West South Central.....	27	44,293	25	47,335,916
Arkansas.....	9	10,476	9	11,051,024
Texas.....	18	33,817	16	36,284,892
Mountain.....	26	47,072	25	104,741,644
Montana.....	8	4,975	8	9,619,339
Idaho.....	7	14,576	7	40,144,188
Wyoming.....	3	992	3	1,866,657
Colorado.....	7	14,529	6	39,067,952
Utah.....	1	12,000	1	14,043,508
Pacific.....	30	123,547	30	243,377,790
Washington.....	5	28,064	5	60,172,194
Oregon.....	1	3,179	1	6,974,895
California.....	24	92,304	24	176,230,701

Five-sixths of the associations had fewer than 5,000 policyholders, as the statement below shows:

	<i>Percent of associations</i>
Under 500 members.....	19.5
500 and under 1,000 members.....	21.2
1,000 and under 5,000 members.....	47.5
5,000 and under 10,000 members.....	5.7
10,000 and under 25,000 members.....	3.6
25,000 and under 50,000 members.....	1.7
50,000 and under 75,000 members.....	.6
75,000 members and over.....	.2
Total.....	100.0

The distribution of reporting associations according to the amount of insurance in force at the end of 1936 is shown in the statement below. As it indicates, somewhat over two-fifths of the associations fell in the group having in force insurance of from 1 to 5 million dollars.

	<i>Percent of associations</i>
Under \$50,000.....	0.6
\$50,000 and under \$100,000.....	.5
\$100,000 and under \$500,000.....	5.7
\$500,000 and under \$1,000,000.....	8.3
\$1,000,000 and under \$5,000,000.....	44.0
\$5,000,000 and under \$10,000,000.....	20.8
\$10,000,000 and under \$25,000,000.....	15.1
\$25,000,000 and over.....	4.9
Total.....	100.0

Business Done in 1936

Over 1.4 billion dollars in new insurance was written in 1936 by the associations reporting, and the net premium income amounted to more than 50 million dollars, as table 66 shows.

More than half (57.4 percent) of the associations reporting operated on the assessment plan, levying an assessment only when losses were incurred, 18.5 percent required advance premiums, and 24.1 percent operated on the premium basis but with the right to levy an assessment also if this became necessary.

TABLE 66.—New Insurance Written and Gross and Net Income, in 1936, by Kind of Insurance

Major line of insurance written	New insurance		Gross premium income		Net premium income	
	Associations reporting	Amount	Associations reporting	Amount	Associations reporting	Amount
All kinds of insurance.....	1, 067	\$1, 404, 240, 071	1, 171	\$71, 925, 068	805	\$50, 605, 354
Fire insurance.....	1, 020	1, 287, 241, 705	1, 069	37, 292, 888	740	25, 551, 198
Life insurance.....	22	37, 075, 263	29	5, 751, 308	23	2, 311, 680
Sickness insurance.....	1	1, 043, 460	1	754, 078	1	754, 078
General accident insurance.....			3	362, 777	2	66, 782
Automobile.....			24	26, 654, 148	21	21, 285, 121
Storm.....	21	63, 872, 339	22	662, 554	17	421, 374
Hail (not on crops).....	2	8, 008, 650	2	377, 112	1	215, 121
Loans.....	1	6, 998, 654	1	70, 203		

¹ Does not include 1 agency association whose gross premium income was \$3,448.

The same data are shown on a geographical basis in table 67.

TABLE 67.—New Insurance Written and Gross and Net Income, in 1936, by States

State	New insurance		Gross premium income		Net premium income	
	Associations reporting	Amount	Associations reporting	Amount	Associations reporting	Amount
All States.....	1, 067	\$1, 404, 240, 071	1, 171	\$71, 925, 068	805	\$50, 605, 354
Arkansas.....	7	2, 078, 216	8	66, 524	4	43, 524
California.....	19	24, 644, 818	19	982, 954	20	881, 624
Colorado.....	3	3, 940, 108	5	125, 531	4	59, 294
Connecticut.....	5	21, 774, 903	6	664, 068	7	406, 666
Delaware.....	1	69, 554	2	23, 084	1	11, 516
District of Columbia.....			1	1, 535		
Georgia.....	4	854, 136	7	420, 042	5	418, 321
Idaho.....	7	3, 633, 008	6	89, 626	5	39, 356
Illinois.....	129	82, 031, 343	145	18, 146, 911	106	13, 761, 632
Indiana.....	40	30, 260, 230	47	1, 444, 309	21	752, 584
Iowa.....	99	158, 376, 940	111	4, 946, 030	76	6, 425, 060
Kansas.....	9	47, 681, 451	9	411, 642	5	313, 488
Kentucky.....	13	6, 021, 439	12	217, 792	12	169, 035
Maine.....	17	9, 810, 181	22	367, 952	14	146, 716
Maryland.....	9	11, 995, 918	9	457, 057	6	319, 419
Massachusetts.....	8	20, 238, 406	9	1, 691, 567	8	1, 037, 521
Michigan.....	54	43, 674, 669	57	5, 542, 661	36	3, 977, 699

¹ Does not include 1 agency in Minnesota with gross income of \$3,448.

TABLE 67.—*New Insurance Written and Gross and Net Income, in 1936, by States—Con.*

State	New insurance		Gross premium income		Net premium income	
	Associations reporting	Amount	Associations reporting	Amount	Associations reporting	Amount
Minnesota.....	121	\$163, 623, 034	128	\$2, 517, 300	80	\$1, 490, 534
Missouri.....	21	18, 731, 234	25	517, 078	17	297, 596
Montana.....	7	682, 802	6	29, 669	6	29, 319
Nebraska.....	38	134, 230, 896	37	1, 390, 817	28	1, 171, 761
New Hampshire.....	7	1, 285, 366	6	65, 528	7	71, 222
New Jersey.....	7	21, 785, 561	9	266, 769	5	133, 472
New York.....	73	93, 145, 630	79	7, 209, 208	57	3, 005, 647
North Carolina.....	5	293, 075	4	30, 936	3	19, 687
North Dakota.....	30	27, 802, 651	29	1, 228, 168	17	113, 550
Ohio.....	55	108, 062, 147	62	8, 365, 250	39	5, 478, 420
Oregon.....	1	529, 472	1	25, 184	1	25, 023
Pennsylvania.....	110	143, 833, 678	109	5, 055, 783	83	4, 135, 290
Rhode Island.....			2	1, 581, 773	2	966, 147
South Carolina.....	8	11, 804, 413	9	322, 630	6	200, 944
South Dakota.....	26	23, 124, 486	34	1, 021, 042	22	336, 738
Tennessee.....	20	2, 324, 954	17	414, 885	11	78, 107
Texas.....	10	3, 088, 291	17	507, 143	13	218, 363
Utah.....	1	461, 969	1	31, 550	1	18, 461
Vermont.....	7	42, 850, 601	8	1, 423, 360	8	1, 046, 901
Virginia.....	15	4, 607, 326	18	549, 846	9	1, 230, 659
Washington.....	4	22, 154, 349	5	278, 273	1	6, 445
West Virginia.....	10	5, 099, 139	10	150, 310	4	53, 938
Wisconsin.....	64	106, 658, 561	77	3, 353, 621	52	1, 709, 752
Wyoming.....	3	375, 116	3	8, 660	3	3, 923

The percentage distribution of associations according to amount of new insurance written in 1936 is given in the following statement:

	Percent of associations
Under \$25,000.....	8. 5
\$25,000 and under \$100,000.....	14. 0
\$100,000 and under \$500,000.....	34. 2
\$500,000 and under \$1,000,000.....	15. 8
\$1,000,000 and under \$5,000,000.....	22. 9
\$5,000,000 and under \$10,000,000.....	2. 2
\$10,000,000 and over.....	2. 5
Total.....	100. 0

The distribution according to amount of net income from premiums and assessments is given below:

	Percent of associations
Under \$5,000.....	34. 7
\$5,000 and under \$25,000.....	37. 3
\$25,000 and under \$100,000.....	19. 3
\$100,000 and under \$500,000.....	6. 7
\$500,000 and under \$1,000,000.....	1. 0
\$1,000,000 and over.....	1. 2
Total.....	100. 0

Relation of Amount of Insurance to Field of Operations

More than 95 percent of all of the insurance associations reporting, which were sufficiently cooperative to be included in the tabulations, were writing insurance in a territory of less than one State. Table 68 brings out the relationship between the geographic scope of operations of the associations and the amount of business done. Thus, about 45 percent of the associations were writing insurance in areas of one county or less. These organizations had only about one-fourth of the total policyholders, but almost 35 percent of the total insurance in force. The associations of widest scope, on the other hand, forming less than 3 percent of all the associations, had 30 percent of the policyholders; they had only about one-eighth of the insurance in force, but this did not include business done in automobile insurance in which the insurance carrier is obligated not for a fixed sum (as in other types of insurance) but for a sum equivalent to the value of the car at the time of the claim. Most of the automobile insurance in the cooperative field is written by the larger associations (operating in more than one State), and if it were possible to include this business in the figures given for them in table 68 it would raise considerably the relative proportion both of new insurance written and of insurance in force.

TABLE 68.—*Distribution of Membership and Business, by Scope of Insurance Field of Reporting Associations*

Scope of field in which authorized to write insurance	Percent accounted for by associations of specified scope			
	Number of associations	Policyholders	Insurance in force ¹	New insurance written, 1936 ¹
1 township.....	13.8	5.4	5.9	8.0
More than 1 township but less than 1 county.....	2.5	1.3	2.2	3.6
1 county.....	29.1	18.2	25.6	19.7
More than 1 county but less than 1 State.....	5.5	3.0	3.8	5.0
1 State.....	3.1	7.4	11.4	9.6
Territory not defined in report, but not more than 1 State.....	43.3	34.2	37.2	37.8
More than 1 State.....	2.7	30.6	13.9	16.3
All associations.....	100.0	100.0	100.0	100.0

¹ Not including automobile insurance which is written on value of car.

Claims Paid

Disbursements for losses during the year 1936 aggregated nearly 14½ million dollars, distributed, by type of associations, as shown in the following table.

TABLE 69.—Amount of Claims Paid by Insurance Cooperatives Writing Specified Types of Insurance, 1936

Type of insurance	Claims paid	
	Associa- tions re- porting	Amount
All types of insurance.....	760	\$14, 469, 950
Fire insurance.....	708	11, 957, 936
Life insurance.....	16	278, 368
Sickness insurance.....	1	721
General accident insurance.....	3	210, 270
Automobile insurance.....	11	1, 400, 867
Storm insurance.....	19	439, 862
Hail insurance (not on crops).....	2	181, 926

The same data, for the various States, are shown in table 70.

TABLE 70.—Geographical Distribution of Claims Paid by Insurance Cooperatives, 1936

State and geographic division	Claims paid		State and geographic division	Claims paid	
	Associa- tions re- porting	Amount		Associa- tions re- porting	Amount
United States.....	760	\$14, 469, 950	South Atlantic.....	30	\$410, 356
New England.....	20	699, 969	Maryland.....	5	100, 983
Maine.....	9	114, 589	District of Columbia.....	1	10, 669
New Hampshire.....	3	42, 781	Virginia.....	8	82, 714
Vermont.....	2	96, 128	West Virginia.....	6	51, 801
Massachusetts.....	4	112, 833	North Carolina.....	3	8, 554
Rhode Island.....	1	257, 287	South Carolina.....	4	32, 812
Connecticut.....	1	76, 351	Georgia.....	3	122, 823
Middle Atlantic.....	133	2, 368, 677	East South Central.....	16	151, 620
New York.....	62	1, 220, 388	Kentucky.....	9	111, 966
New Jersey.....	4	74, 898	Tennessee.....	7	39, 654
Pennsylvania.....	67	1, 073, 391	West South Central.....	16	145, 561
East North Central.....	259	6, 001, 451	Arkansas.....	6	24, 684
Ohio.....	38	1, 122, 690	Texas.....	10	120, 877
Indiana.....	26	826, 225	Mountain.....	18	351, 637
Illinois.....	100	2, 002, 772	Montana.....	6	17, 995
Michigan.....	50	1, 265, 961	Idaho.....	5	158, 178
Wisconsin.....	45	783, 803	Colorado.....	7	175, 464
West North Central.....	244	4, 069, 158	Pacific.....	24	271, 521
Minnesota.....	78	1, 286, 178	Washington.....	2	52, 383
Iowa.....	75	1, 506, 004	Oregon.....	1	9, 748
Missouri.....	16	298, 969	California.....	21	209, 390
North Dakota.....	18	172, 362			
South Dakota.....	26	327, 328			
Nebraska.....	21	243, 274			
Kansas.....	10	235, 043			

Dividends Returned

Only a few of the associations reporting returned any dividends for 1936 on premiums paid. This was mainly due to the fact that as most of the associations operate either at actual cost (i. e., assessing members only for actual outlays for losses) or at premium rates set only high enough to cover estimated costs, there is little or no margin from which to return dividends.

TABLE 71.—Amount of Dividends Paid by Insurance Cooperatives Writing Specified Types of Insurance, 1936

Type of insurance	Dividends paid	
	Associa- tions re- porting	Amount
All types of insurance.....	80	\$2, 155, 424
Fire insurance.....	67	1, 665, 020
Life insurance.....	5	204, 511
Automobile insurance.....	7	258, 857
Hail insurance (not on crops).....	1	27, 036

Chapter 7.—FEDERATIONS

The basis of the consumers' cooperative movement is formed by the local cooperative associations, which carry on a wide variety of business activities.

These local associations are organized into federations of various kinds. Just as the local associations are owned and controlled by their individual members, so the federations are owned and controlled by the local associations. It has been usual in the cooperative movement in the United States for the educational and business activities to be carried on by separate organizations. Thus, the wholesale distribution of groceries, petroleum products, etc., is carried on by wholesale cooperatives, whose share capital is furnished by the local associations and whose policies are determined by them. Federations may also be formed in the same way to perform specific business functions, such as the provision of burial service, printing service, etc.

The educational and propaganda work is carried on by the Cooperative League of the United States of America and its five regional leagues.¹ Both retail and wholesale associations may affiliate with the regional leagues; by doing so they become members of the national league also.

Wholesale Associations

Cooperative wholesaling is now firmly established in the United States. At the end of 1936 there were in operation 20 regional wholesales with a trading area of one or more States, dealing in consumers' goods.² In addition there were 2 interregional wholesales formed by the regional wholesales to pool their purchasing power and obtain the advantages of large-scale orders; and 9 federations of less than State-wide scope, specializing in certain commodities.

Data were obtained by the Bureau of Labor Statistics for 19 regional associations, both of the interregional, and all of the district associations.

The 19 reporting regional wholesales in 1936 were serving more than 1,700 member associations and over 700 other cooperatives were making wholesale purchases from them, though not affiliated. A wholesale business in excess of 40 million dollars was reported by the regional

¹ But there has been some overlapping in educational training of employees; see page 171.

² Several of the wholesales for which data are given herein handle commodities used in farm "business" (such as fencing, feed, seed, fertilizer, etc.), but none was included here unless it also handled consumers' goods. A number of farmers' organizations handle farm supplies only, but they are not covered here.

cooperatives, a gain of 24.2 percent over 1935. All but one showed a substantial increase in business in 1936 over the previous year. Indeed, 8 of these associations in 1936 had the largest amount of sales in their history. Six associations had sales of more than 3 million dollars each and 3 of these had sales of over 5 million dollars. Increases were also shown in net earnings and refunds made on members' patronage. Share capital of nearly 2 million dollars, total assets of nearly 6 millions, and an aggregate net worth in excess of 3½ millions were reported.

The year 1936 was a relatively uneventful period in cooperative wholesaling, though marked by substantial growth. Several organizations opened branch wholesale warehouses in new localities, others undertook the production of new commodities, and practically all enlarged their field of merchandising by adding new lines of goods to their stocks. Almost without exception the wholesales making returns reported a gain in the number of affiliated local associations as compared with 1935.

Services and Facilities

The goods handled and services rendered by each association are listed in table 72. As there shown, practically all of the associations handle petroleum products and nearly all handle automobile tires. More and more of the associations are beginning to handle household goods, and this trend is likely to continue, for an increasing number of the local cooperative gasoline service stations are putting in small stocks of groceries and household supplies. Field agents for the Bureau of Labor Statistics also noticed a tendency for the farmers' local creameries to undertake the purchase of such goods for their members. The effect of the rural electrification program is shown by the growing number of wholesales handling electrical appliances.

TABLE 72.—*Lines of Goods Handled by Wholesale Cooperative Associations, and Other Services Provided, 1936*

Type of association, State, and city	Name of whole- sale	Goods handled	Goods manu- factured	Other services
<i>Interregional</i>				
Illinois: Chicago...	National Cooper- atives, Inc.	Petroleum products, auto tires and accessories, radios, elec- trical supplies, uniforms, bind- ery twine, farm machinery. ¹	-----	
Indiana: Indian- apolis.	United Coopera- tives, Inc. ²	Petroleum products; service- station and bulk plant equip- ment.	-----	
<i>Regional</i>				
Illinois: Chicago.....	Illinois Farm Sup- ply Co.	Petroleum products, paints, solvents, auto tires, and tubes.	-----	
Do.....	The Cooperative Wholesale.	Groceries, motor oil, auto tires and accessories, electrical ap- pliances.	-----	

¹ None of these goods actually handled; orders of member wholesales are pooled and goods are shipped directly to them.

² Name originally Farm Bureau Oil Co.; changed to present name in 1936.

TABLE 72.—*Lines of Goods Handled by Wholesale Cooperative Associations, and Other Services Provided, 1936—Continued*

Type of association, State, and city	Name of wholesale	Goods handled	Goods manufactured	Other services
<i>Regional—Contd.</i>				
Indiana: Indianapolis.	Indiana Farm Bureau Cooperative Association.	Household supplies, fuel, petroleum products, auto tires and accessories, farm supplies and machinery.	Lubricating oil.	
Massachusetts: Fitchburg.	United Cooperative Farmers.	Petroleum products, auto tires and accessories, farm supplies and machinery.	-----	
Michigan: Lansing.	Farm Bureau Services.	Fuel, dairy products, petroleum products, auto tires and accessories, farm supplies.	-----	Supervision of management of local, if requested.
Minnesota: Minneapolis.	Midland Cooperative Wholesale.	Fuel, petroleum products, auto tires, tubes and batteries, electrical appliances, paint, steel and wire, bulk-station equipment.	Lubricating oil.	Educational department; merchandising advice.
South St. Paul.	Farmers' Union Central Exchange.	Petroleum products, auto tires and accessories, flour, farm supplies and machinery, oil-station equipment.	-----do-----	
St. Paul.	Minnesota Farm Bureau Service Co.	Petroleum products, farm supplies.	-----	
Missouri: North Kansas City.	Consumers' Cooperative Association.	Groceries, petroleum products, auto tires and accessories, electrical appliances, paint, farm supplies and machinery.	Lubricating oil, axle grease, paint.	Educational department; auditing; collective purchase of employee bonds.
Nebraska: Omaha.	Farmers' Union State Exchange.	Groceries, clothing, shoes, fuel, household supplies, stationery, students' supplies, petroleum products, auto tires and accessories, farm supplies and machinery.	-----	Educational department; auditing.
New York: New York.	Eastern Cooperative Wholesale.	Groceries, dairy products, motor oil, auto tires.	-----	
Ohio: Columbus.	Farm Bureau Cooperative Association.	Fuel, petroleum products, paint, electrical appliances, farm supplies and machinery, raw materials, twine.	-----	Educational department; auditing.
Oklahoma: Oklahoma City.	Farmers Union Sales Department.	Dry goods, fuel, household supplies, petroleum products, farm supplies and machinery, building materials, twine.	-----	
Pennsylvania: Harrisburg.	Pennsylvania Farm Bureau Cooperative Association.	Petroleum products, farm supplies.	Feed, fertilizer, lubricating oil.	
Texas: Amarillo.	Consumers Cooperatives, Associated.	Fuel, petroleum products, automobile tires and accessories, washing machines, refrigerators, farm supplies, windmills.	-----	
Washington: Seattle.	Grange Cooperative Wholesale.	Groceries and meats, limited lines of clothing and shoes, fuel, household goods, petroleum products, automobile tires and accessories, students' supplies, farm supplies and machinery.	Feed.	Auditing.
Wisconsin: Superior.	Central Cooperative Wholesale.	Groceries, clothing, bakery goods, petroleum products, automobile tires and accessories, farm supplies.	Bakery goods, coffee-roasting, feed.	Educational department; auditing.
Madison.	Farm Bureau Federation Cooperative.	Petroleum products, farm supplies.	Fertilizer.	
Superior.	Workers and Farmers Cooperative Unity Alliance.	Groceries, clothing, bakery products, dry goods, household supplies, hardware, petroleum products, farm supplies, building material.	-----	

TABLE 72.—Lines of Goods Handled by Wholesale Cooperative Associations, and Other Services Provided, 1936—Continued

Type of association, State, and city	Name of wholesale	Goods handled	Good manufactured	Other services
<i>District</i>				
Michigan: Bruce Crossing.	H-O-B Cooperative Oil Association.	Petroleum products.....		
Rock.....	Northland Cooperative Oil Association.	Petroleum products, automobile tires and accessories.		
Minnesota: Cloquet.....	Trico Cooperative Oil Association.	Petroleum products, automobile tires and accessories.		
Kettle River.....	C-A-P Cooperative Oil Association.	Petroleum products, automobile tires and accessories, farm machinery.		
Virginia.....	Range Cooperative Oil Association. ²	Petroleum products.....		
Do.....	Range Cooperative Federation.	Automobiles.....	Sausage, butter.	Automobile repair service, insurance, trucking. ³
Wisconsin: Ashland.....	A & B Cooperative Oil Association.	Petroleum products.....		
Maple.....	Cooperative Services.	Petroleum products, farm supplies and machinery, building material, explosives.		
Prentice.....	Price County Cooperative Oil Association.	Petroleum products, automobile tires and accessories, farm machinery.		

² Became a department of Range Cooperative Federation, July 1, 1937.³ Burial service added, Sept. 1, 1937.

Some indication of the plant and facilities of the wholesales is given in table 73. For 9 associations of regional or greater scope, the value of such fixed assets at the end of 1936 totaled \$847,244; for the individual associations the value ranged from \$2,468 to \$187,558.

TABLE 73.—Plant and Facilities of Cooperative Wholesale Associations

Association	Plant and operating facilities
<i>Interregional</i>	
Illinois: National Cooperatives, Inc.....	Office only.
Indiana: United Cooperatives, Inc.....	Office; oil-blending plant.
<i>Regional</i>	
Illinois: The Cooperative Wholesale.....	Wholesale warehouse and show room.
Indiana: Indiana Farm Bureau Cooperative Association.	3 warehouses.
Massachusetts: United Cooperative Farmers.....	Retail store, wholesale warehouse; branch of wholesale at Danielson, Conn.
Michigan: Farm Bureau Services.....	2 wholesale warehouses, 10 retail stores, 2 gasoline bulk stations.
Minnesota: Farmers' Union Central Exchange.....	Wholesale warehouse, 9 retail stores.
Midland Cooperative Wholesale.....	Wholesale warehouse, fuel yard; branch of wholesale at Milwaukee.
Missouri: Consumers' Cooperative Association.....	7 wholesale warehouses, ¹ 12 gasoline service stations, 12 bulk stations, 20 tank trucks, 1 blending plant.
Nebraska: Farmers' Union State Exchange.....	Wholesale warehouse, 16 retail stores, 7 gasoline service stations, 7 bulk stations, 7 tank trucks.
New York: Eastern Cooperative Wholesale.....	Wholesale warehouse; branch of wholesale at Boston.
Ohio: Farm Bureau Cooperative Association.....	3 wholesale warehouses.

¹ At North Kansas City, Mo.; McPherson, Kans.; Lincoln and McCook, Nebr.; Aberdeen, Sioux Falls, and Rapid City, S. Dak. Additional wholesale warehouses were established in 1937 in Salt Lake City, Utah, and Denver, Colo.

TABLE 73.—*Plant and Facilities of Cooperative Wholesale Associations—Continued*

Association	Plant and operating facilities
<i>Regional—Continued</i>	
Pennsylvania: Pennsylvania Farm Bureau Co-operative Association.	Wholesale warehouse.
Texas: Consumers Cooperatives, Associated	Wholesale warehouse, bulk plant.
Washington: Grange Cooperative Wholesale	Wholesale warehouse, 1 retail store; wholesale branch at Spokane.
Wisconsin:	
Central Cooperative Wholesale	Wholesale warehouse, coffee-roasting plant, bakery, feed mill; wholesale branch at Virginia, Minn.
Farm Bureau Federation, Cooperative	Wholesale warehouse.
Workers and Farmers Cooperative Unity Alliance.	Do.
<i>District</i>	
Michigan:	
H-O-B Cooperative Oil Association	2 bulk stations, 2 curb pumps.
Northland Cooperative Oil Association	1 bulk station, 1 gasoline service station.
Minnesota:	
Trico Cooperative Oil Association	2 bulk stations, 5 tank trucks.
Range Cooperative Oil Association	1 gasoline service station, at Hibbing, 1 bulk station, 1 tank truck.
Range Cooperative Federation	Sausage factory, creamery, truck, insurance agency, auto-repair garage, auto salesroom. ²
Wisconsin:	
A & B Cooperative Oil Association	Bulk station, 2 tank trucks.
Cooperative Services	Warehouse, 1 gasoline service station, 1 bulk station, 3 tank trucks.
Price County Cooperative Oil Association	1 gasoline service station, 5 curb pumps, 1 bulk station.

² Undertaking establishment added, Sept. 1, 1937.

Trading Territory

The 30-odd cooperative federations in the United States that handle consumers' goods vary considerably in scope. They have been classified here as interregional, regional, and district.

During the past 15 years, wholesaling in the United States has been developing mainly on a State or regional basis. The wholesales sponsored by the local cooperative associations connected with the various farm organizations—Farmers' Union, Grange, and Farm Bureau—generally function within the boundaries of a single State. The organizations which are strictly consumers' associations usually have a trading territory covering all or parts of several States. All of these are here classified as regional wholesales.

In order to obtain the advantage of large-scale buying, some of the regional wholesales have in turn combined to form the two interregional wholesales included in table 72. The main function of National Cooperatives thus far has been the pooling of the purchasing power of its member cooperatives.³ It makes a master contract and exhibit contracts with manufacturers for the commodities desired.

³ The original members of National Cooperatives were Central Cooperative Wholesale, Superior, Wis.; Consumers' Cooperative Association, North Kansas City, Mo.; Farmers' Union Central Exchange, St. Paul, Minn.; Midland Cooperative Wholesale, Minneapolis, Minn.; and United Cooperatives, Indianapolis, Ind. Consumers Cooperatives Associated, Amarillo, Tex., and Pacific Supply Cooperative, Walla Walla, Wash., were admitted in 1934; the Eastern Cooperative Wholesale, New York, N. Y., and United Farmers Cooperative Co., Toronto, Ont., in 1936; and The Cooperative Wholesale, Chicago, in 1937. Thus, at the end of 1936, National Cooperatives was serving about 1,000 local cooperative associations which were members of its affiliates.

The goods ordered do not pass through the central organization but are delivered by the manufacturer directly to the regional wholesales. One of the features of these contracts is the provision that additional orders may be entered, at the same price. All goods dealt in are put up under the cooperative label.

United Cooperatives, the other interregional wholesale, was formed in 1930 (under the name of Farm Bureau Oil Co.) by the Farm Bureau cooperatives of Ohio, Indiana, and Michigan, to serve the oil associations in those States. Its scope was later enlarged, additional associations were admitted, and its name was changed in 1936 to the present one. At the end of 1936 it was serving farmers' cooperatives in 9 States.⁴

In Michigan, Minnesota, and Wisconsin some of the local associations in a given district or in one or more counties have formed central organizations (here termed "district" associations) to handle certain commodities or services for them. The Bureau of Labor Statistics knows of 9 such organizations in the United States, all of which are included in table 72. Of those shown in the table, the Range Cooperative Federation, originally organized as an educational association which would also provide a medium for the exchange of experience among the member associations, is outstanding. Its character has gradually changed and it is now primarily a productive and service association.

As indicated, the members of these district and regional federations are the local (retail) associations; with one exception,⁵ the members of the interregional wholesales are the regional wholesales.

It is evident from the above and from table 72, that there is a good deal of overlapping and duplication of wholesale service in some sections. This arises mainly from the presence of rival farm organizations, each sponsoring its own cooperatives, and is further complicated by the presence of purely consumer organizations in the same territory. Although in general each of these reaches a different group of consumers, there has been some conflict, as where a farm organization set up its own wholesale in a district where its members were already being served by the wholesale facilities of another organization, or where an association overstepped its original geographic boundaries. One of the requirements for membership in National Cooperatives, adopted with a view to prevention of competition between member wholesales, is that the prospective member must submit a map showing the trading

⁴ The membership at the end of 1936 consisted of the Farm Bureau Cooperative Association, Columbus, Ohio; Indiana Farm Bureau Cooperative Association, Indianapolis, Ind.; Farm Bureau Services, Lansing, Mich.; Southern States Cooperatives, Richmond, Va.; Consumers' Cooperative Oil Co., Sauk City, Wis.; Maryland Farm Bureau Federation, Baltimore, Md.; Farmers' Cooperative Exchange, Raleigh, N. C.; Cooperative G. L. F. Exchange, Ithaca, N. Y.; Pennsylvania Farm Bureau Cooperative Association, Harrisburg, Pa.

⁵ United Cooperatives, itself an interregional organization, is a member of National Cooperatives which is also an interregional association.

territory claimed by it. This provision probably operates also to keep out other organizations which might otherwise join but which are already doing business in territory claimed by present members of National Cooperatives.

Membership and Resources

Share capital amounting to over 2 million dollars and total assets of over 6 million dollars were reported by the 30 associations covered in table 74.

TABLE 74.—*Membership, Patrons, and Resources of Cooperative Wholesale Associations at End of 1936*

Association and State	Year of organization	Affiliated associations	Retail branches of wholesale	Unaffiliated customer associations	Paid-in share capital	Total assets ¹
<i>Interregional</i>						
Illinois: National Cooperatives, Inc.....	1933	9	-----	-----	\$3,600	\$9,778
Indiana: United Cooperatives, Inc.....	1930	9	-----	-----	124,300	187,939
Total.....		18	-----	-----	127,900	197,717
<i>Regional</i>						
<i>Illinois:</i>						
Illinois Farm Supply Co.....	1927	62	-----	-----	110,768	562,900
The Cooperative Wholesale.....	1936	36	-----	36	1,709	7,788
<i>Indiana: Indiana Farm Bureau Cooperative Association.....</i>						
	1921	88	3	-----	399,700	² 808,512
Massachusetts: United Cooperative Farmers.....	1927	31	3	-----	4,945	39,358
Michigan: Farm Bureau Services.....	1920	118	12	300	71,979	³ 614,174
<i>Minnesota:</i>						
Farmers' Union Central Exchange.....	1927	240	9	10	223,278	728,406
Midland Cooperative Wholesale.....	1926	148	-----	175	115,100	483,139
Minnesota Farm Bureau Service Co.....	1928	30	(⁴)	(⁴)	(⁴)	(⁴)
Missouri: Consumers' Cooperative Association.....	1929	⁵ 342	18	(⁴)	100,000	527,784
Nebraska: Farmers' Union State Exchange.....	1914	⁶ 275	22	(⁷)	308,023	696,635
New York: Eastern Cooperative Wholesale.....	1928	33	-----	124	5,145	42,619
Ohio: Farm Bureau Cooperative Association.....	1933	83	-----	5	307,988	673,770
Oklahoma: Farmers' Union Sales Department.....	1922	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
<i>Pennsylvania: Pennsylvania Farm Bureau Cooperative Association.....</i>						
	1934	10	-----	-----	25,000	(⁴)
Texas: Consumers Cooperatives, Associated.....	1931	52	-----	20	17,785	(⁴)
Washington: Grange Cooperative Wholesale.....	1919	⁸ 40	1	20	13,540	(⁴)
<i>Wisconsin:</i>						
Central Cooperative Wholesale.....	1917	109	-----	50	183,292	481,185
Farm Bureau Federation Cooperative.....	1923	13	-----	(⁴)	(⁹)	15,171
Workers' and Farmers' Cooperative Unity Alliance.....	1931	36	-----	5	4,156	16,302
Total.....		1,746	68	745	1,889,408	5,697,743
<i>District</i>						
<i>Michigan:</i>						
H-O-B Cooperative Oil Association.....	1932	7	-----	-----	5,706	12,740
Northland Cooperative Oil Association.....	1930	2	1	-----	(⁴)	(⁴)

¹ Depreciation deducted.

² 1935.

³ As of June 30, 1936.

⁴ No data.

⁵ Does not include cooperative wholesales of Estonia, France, and Scotland, which became members through refunds earned by their patronage.

⁶ And about 6,500 individual members.

⁷ "Only a few."

⁸ Under reorganization, Mar. 1, 1937.

⁹ Nonstock organization.

TABLE 74.—*Membership, Patrons, and Resources of Cooperative Wholesale Associations at End of 1936—Continued*

Association and State	Year of organization	Affiliated associations	Retail branches of wholesale	Unaffiliated customer associations	Paid-in share capital	Total assets
<i>District—Continued</i>						
Minnesota:						
Trico Cooperative Oil Association.....	1929	14	-----	-----	\$11,603	\$43,286
C-A-P Cooperative Oil Association.....	1929	10	-----	-----	5,100	(4)
Range Cooperative Oil Association.....	1929	15	1	-----	9,043	¹⁰ 29,111
Range Cooperative Federation.....	1933	15	-----	-----	4,703	42,730
Wisconsin:						
A & B Cooperative Oil Association.....	1930	8	-----	-----	1,850	12,263
Cooperative Services.....	1928	5	-----	5	12,500	41,679
Price County Cooperative Oil Association..	1934	5	-----	-----	2,030	7,870
Total.....		81	2	5	52,535	189,679
Grand total.....			70	750	2,069,843	6,085,139

⁴ No data.¹⁰ As of Feb. 29, 1936.

A combined net worth of over 3½ million dollars was reported, distributed by type of association as follows:

	<i>Net worth</i>
Interregional associations.....	\$180,127
Regional associations.....	3,370,807
District associations.....	120,362

OPERATION OF RETAIL BRANCHES

Some years ago it was almost unheard of in this country for a genuinely cooperative wholesale to be operating retail branches. The opening of such branches, to serve localities with no local retail association of their own, is a comparatively recent tendency. Of 8 regional wholesales for which data were obtained in 1933, 4 were operating a total of 50 branches. In 1934, 6 associations (out of 9 reporting) had 87 retail outlets; and in 1935, 6 (out of 11 reporting) had 67 retail stores. Of the 19 regional associations covered in the above table, 7 had a total of 68 retail branches. It is, of course, preferable from the cooperative standpoint for the retail store to be owned by the local cooperators rather than for these persons to be supplied through a store over which they have no direct control. In recognition of this, in some localities local cooperative associations have been organized to take over from the wholesale the operation of the retail stores there.

The Farmers' Union State Exchange is a case in point. The Exchange was organized as a department of the Farmers' Union of Nebraska in 1914, when there were very few local cooperatives in the State. It was incorporated in 1917 as a separate organization, but the Farmers' Union of Nebraska held all the shares. In 1919 it was reor-

ganized, with membership restricted to individual members of the farm organization. That same year the Nebraska cooperative statute was amended to permit cooperatives to hold stock in other cooperatives, but very few local associations took advantage of this to buy shares in the wholesale. The usual procedure was for the individual farmers in a locality to subscribe for shares in the Exchange (the wholesale) and the latter would then open up a branch retail store in their locality. In this way some 15 retail branches were established. The number of affiliated local associations has gradually increased and numbered 275 at the end of 1936; membership was also held by over 100 Farmers' Union locals and about 6,500 individual members of the Farmers' Union. The present tendency in that State is toward the formation of local cooperative associations to take over the operation of the retail branches operated by the Exchange.

Business Operations

A wholesale business of more than 40 million dollars was reported by the 19 regional wholesales for 1936, in addition to sales through their retail branches amounting to \$2,847,882. On this business net savings of over \$1,045,000 were realized, of which nearly \$637,000 was refunded to member associations on their patronage. As compared with 1935, the associations reporting for both years showed gains of 24.2 percent in sales, 8.4 percent in net earnings, and 41.8 percent in patronage refunds. Substantial increases in all of these items were also shown by the district wholesales.

TABLE 75.—*Business Operations of Cooperative Wholesale Associations, 1935 and 1936*

Association	Amount of business ¹		Net earnings		Patronage re- funds	
	1935	1936	1935	1936	1935	1936
<i>Interregional</i>						
Illinois National Cooperative, Inc.	(2)	(2)	³ \$3,307	\$5,406	\$1,991	-----
Indiana: United Cooperatives, Inc.	\$418,000	\$468,067	(4)	(4)	(4)	(4)
Total	418,000	468,067	3,307	5,406	1,991	(4)
<i>Regional</i>						
Illinois:						
Illinois Farm Supply Co.	(4)	6,291,506	219,160	⁴ 274,942	180,000	\$233,701
The Cooperative Wholesale.		⁵ 35,276	-----	⁵ 916	-----	-----
Indiana: Indiana Farm Bureau Cooperative Association.	4,403,858	5,187,457	110,799	131,336	59,855	93,291
Massachusetts: United Cooperative Farmers.	491,040	647,941	2,607	9,048	3,000	4,500
Michigan: Farm Bureau Services.	{ 1,968,968	{ 2,222,761	{ 75,882	{ 70,757	{ 35,000	{ (4)
	{ ⁶ 917,828	{ ⁶ 1,087,409				

² Does not include brokerage on direct-invoice sales.

³ Unless otherwise noted figures represent wholesale business.

⁴ Not available. Orders of members are pooled and goods are shipped directly to them.

⁵ From date of organization to May 1935.

⁶ No data.

⁷ 9 months' operation.

⁸ Retail.

TABLE 75.—*Business Operations of Cooperative Wholesale Associations, 1935 and 1936—Continued*

Association	Amount of business ¹		Net earnings		Patronage re-funds	
	1935	1936	1935	1936	1935	1936
<i>Regional—Continued</i>						
Minnesota:						
Farmers' Union Central Exchange.....	\$4,028,087	\$3,783,991	\$129,768	\$85,241	(⁴)	(⁴)
Midland Cooperative Wholesale.....	456,987	351,492				
Minnesota Farm Bureau Service Co.....	2,423,107	3,033,080	63,441	71,574	\$27,000	\$48,601
Missouri: Consumers' Cooperative Association.....	277,619	397,232	(⁴)	(⁴)	(⁴)	(⁴)
Nebraska: Farmers' Union State Exchange.....	2,660,861	3,397,809	103,838	71,151	31,680	39,810
New York: Eastern Cooperative Wholesale.....	333,649	358,487				
Ohio: Farm Bureau Cooperative Association.....	1,635,125	1,721,221	71,805	62,903	49,258	40,847
Oklahoma: Farmers Union Sales Department.....	969,407	1,050,494	88	71,617		
Pennsylvania: Pennsylvania Farm Bureau Cooperative Association.....	206,515	285,512				
Texas: Consumers Cooperatives, Associated.....	4,216,176	6,781,144	111,580	162,577	41,395	94,492
Washington: Grange Cooperative Wholesale.....	264,402	288,380	9,698	12,400		
Wisconsin:						
Central Cooperative Wholesale.....	284,000	511,000	9,800	11,700	(⁴)	(⁴)
Farm Bureau Federation Cooperative.....	236,895	324,121	14,646	19,461	10,895	18,338
Workers and Farmers Cooperative Unity Alliance.....	1,447,334	1,807,443	18,277	(⁴)	14,368	16,000
Total, all associations.....	2,185,245	2,845,741	37,027	56,710	30,213	44,461
Total, identical associations reporting for both 1935 and 1936.....	249,790	251,534	1,724	2,609		
	197,633	261,375	1,461	3,714	1,361	2,832
	27,176,655	40,074,524	981,601	1,045,422	484,025	636,873
	2,677,871	2,847,882				
	27,176,655	33,747,742	963,324	1,044,506	449,025	636,873
	2,677,871	2,847,882				
<i>District</i>						
Michigan:						
H-O-B Cooperative Oil Association.....	42,026	60,424	2,144	3,764	2,144	2,924
Northland Cooperative Oil Association.....	22,337	(⁴)	1,759	(⁴)	(⁴)	(⁴)
Minnesota:						
Trico Cooperative Oil Association.....	146,281	171,996	17,318	17,673	13,787	16,034
C-A-F Cooperative Oil Association.....	98,950	(⁴)	9,673		8,673	
Range Cooperative Oil Association.....	136,158	167,103	8,275	11,926	8,275	11,926
Range Cooperative Federation.....	123,779	230,229	1,640	5,967	1,600	5,800
Wisconsin:						
A & B Cooperative Oil Association.....	38,660	56,606	3,618	2,976	3,618	2,976
Cooperative Services.....	108,261	135,821	5,985	8,187	4,965	6,828
Price County Cooperative Oil Association.....	28,059	37,853	1,208	2,091		1,450
Total, all associations.....	744,511	860,032	51,620	52,584	43,062	47,938
Total, identical associations reporting for both 1935 and 1936.....	623,224	860,032	40,188	52,584	34,389	46,488

⁴ No data.⁵ Retail.⁶ Loss.⁷ Patronage refund at rate of 2.9 percent in 1935 and 1.87 percent in 1936; amounts not reported.⁸ Figures for amount of business include a small amount of retail sales.

Of 18 reporting regional organizations which were in operation the whole 12 months of 1936, the distribution according to amount of wholesale business done in that year was as follows:

	Number
Under \$500,000.....	6
\$500,000 and \$1,000,000.....	2
\$1,000,000 and under \$2,000,000.....	2
\$2,000,000 and under \$3,000,000.....	2
\$3,000,000 and under \$5,000,000.....	3
\$5,000,000, and over.....	3

BUSINESS WITH NONMEMBERS

Five of the 25 wholesales which reported as to their business with nonmembers stated that they had sold no goods to them, but only one of these declared that it refused to sell to nonmembers. Of the others one stated that it sold "hardly any" goods outside its own membership, in one 1 percent of its business was done with outsiders, in two 2 percent, in one 4.5 percent, in two 5 percent, in one 5-10 percent, in one 9 percent, in one 11 percent, in two 15 percent, in two 20 percent (one of these, mainly to new buying clubs), in one 25 percent, in one 40 percent, and in three 50 percent. One association reported that 15-20 percent of the business done in its retail branches was with nonmembers.

It should be emphasized here that although cooperative wholesales sell to nonmember cooperatives and in some cases to nonprofit organizations, they do not sell to private retail dealers. The local member cooperatives, however, are bound by no such restriction but may and do buy from private sources (even though the goods may be available through the cooperative wholesale), if they find it advantageous to do so.

SOURCES OF SUPPLY

Every association was asked how much of the goods handled was obtained from cooperative sources. The reports indicate that to some extent the proportion of goods so obtained depended on the commodities handled. One or two associations pointed out that there were no sources of cooperative supply for the lines they dealt in. Six stated that none of their stock of merchandise was obtained from other cooperatives. Three reported very small amounts so obtained; one bought tires only and one gasoline and motor oil only. One association, however, bought "nearly all" of its goods from cooperative sources. Of those which gave definite percentages, one purchased 8-10 percent of its goods from cooperatives, one 10 percent, one 10-20 percent, one 15 percent, one 20 percent, one 33½ percent, one 50 percent, one 65 percent, one 80 percent, one 90 percent, and two 100 percent.⁶

The associations purchasing the largest proportions of cooperative goods were mainly gasoline and oil associations in the Middle West. Four of the wholesale associations have contracted for practically all of the light oil produced by a refinery in Oklahoma. Their contract with the refinery provides for control not only of the quality but also of the cost of operation, by a clause which permits the partici-

⁶ Since the beginning of 1937 several of the cooperative wholesales have added to the merchandise handled by them, women's dresses, suits, and coats manufactured by a cooperative workers' productive association in New Jersey. A separate wholesale was formed in 1938 to handle these garments.

pating wholesales to maintain an auditor and chemist at the refinery. The savings made are to be divided between the refinery company and the wholesales.

GOODS PRODUCED

As was evident from table 72, few of the wholesales do any manufacturing and these mainly of lubricating oil or feeds. The seven associations which reported the value of goods produced in 1936 had a combined volume worth \$1,009,039. The commodities included butter, sausage, canned goods, coffee (roasted), bakery goods, lubricating oil, feed, and fertilizer. Consumers' Cooperative Association (North Kansas City) reported that it was supplying not only its member organizations but also 2 other wholesales with grease and paint produced by it. This organization in 1936 joined with other cooperative wholesales in the production of a "co-op label" tractor.

OPERATING EXPENSES

Operating expenses formed only 6.4 percent of sales in the wholesales handling general lines of merchandise and 6.6 percent in those handling gasoline and motor oils in 1936. Data on the various items of expense are shown in table 76.⁷

TABLE 76.—*Operating Expenses of Cooperative Wholesale Societies, 1936*

Item of expense	Percent of sales expended for specified items	
	General merchandise associations ¹	Petroleum associations ¹
Sales expense:		
Wages, salaries, and commissions	2.885	2.858
Advertising .....	.194	.152
Wrappings .....	.011	.009
Total	3.090	3.019
Miscellaneous delivery expense (except wages) .....	.383	.345
Rent .....	.815	.157
Light, heat, power, and water .....	.001	.117
Insurance, taxes, and licenses .....	.187	.440
Interest on borrowed money .....	.112	.005
Office supplies and postage .....	.128	.265
Telephone and telegraph .....	.055	.109
Repairs .....	.004	.106
Depreciation .....	.248	.371
Bad debts .....	.092	.078
Miscellaneous .....	.811	.141
Inventory, auditing, and legal .....	.056	.046
Warehouse expense (except wages) .....	.080	.074
Traveling and field expense .....	.591	.727
Directors' fees and expenses .....	.075	.153
Collection expenses .....	.001	.065
Education, promotion, and publications .....	.045	.203
Membership dues and subscriptions .....	.012	.127
Factory, laboratory, and plant supplies .....	.124	.025
Grand total	6.410	6.573

¹ 5 associations reporting.

² Includes drum expense.

⁷ For data on employment and wages in wholesale associations, see p. 159.

Cooperative Practice

Membership in cooperative wholesales is now, without exception, limited to local cooperative organizations. Requirements for membership in National Cooperatives are that the wholesale applying must sell at least 75 percent of its goods through cooperatives and at least 85 percent of its voting stock must be held by affiliated cooperatives. Wholesales connected with some farm organization usually, also, limit the membership to local cooperatives whose members are also members of the sponsoring farm organization. However, one such wholesale in 1937 voted to admit local cooperative associations which had by their patronage earned enough in refunds on purchases to pay for a share of stock in the wholesale. The question of admission of nonfarm cooperatives which are patrons of the wholesale has also been raised in some of the other farmers' wholesales.

As about one-fourth of the organizations reporting do 20 percent or more of their business with nonmember cooperatives, the question of admission of the patrons furnishing this business is one which deserves consideration.

Voting.—Of 28 wholesales reporting on their basis of voting, in 20 each member association has one vote. In one of these, however, no member association is entitled to a vote unless it holds at least 52 shares of stock in the wholesale, and the by-laws of another specify that voting shall be in proportion to patronage—one vote for the first \$10,000 of purchases and one vote additional for every \$5,000 in purchases after the first \$10,000.⁸

One organization allows every member local one vote, plus 1 vote for the first \$1,000 of patronage and 1 vote for each additional \$5,000.

In 5 wholesales votes are in proportion to the membership of the locals. One specifies that, in order to vote at all, the local must hold 25 shares; it is then allowed 1 vote for every 25 members, or part thereof, but the total votes may not exceed 5. In another, 10 shares for every 500 members is a prerequisite; votes are then allowed at the rate of 1 for each 500 members. In a third the local must have 1 share for every 20 members, being then allowed 1 vote for every 10 members. Of the other 2 organizations voting on the membership basis, one allows a single vote for every 25 members, and the other one vote for every 50 members.

The 2 remaining organizations which reported both voted by shares.

Of 28 wholesales reporting, all but 6 prohibited proxy voting and in one of these the number of proxies was limited.

Interest on capital.—Four wholesales pay no interest on capital stock and one other pays it only on preferred stock. One association is a nonstock organization and does not, of course, make any return

⁸ One of the wholesales which in 1936 was voting on the straight membership basis, in 1937 changed to vote in proportion to patronage.

on the membership certificates. Of those which do pay interest on share capital, 20 impose a definite limit on the rate, and an additional society limits to 6 percent the rate paid on its preferred stock. Three percent is the maximum paid by 1 association, 5 percent by 5 associations, 6 percent by 7 associations, and 8 percent by 5 associations; 1 limits the return on common stock to 3 percent and on preferred to 5 percent. The remaining association did not report the maximum rate.

The rate actually paid in 1936 was 3 percent in 2 associations, 4 percent in 3 associations, 5 percent in 6 associations, and 6 percent in 4 associations; and an additional organization paid 4 percent on common and 6 percent on preferred stock.

Credit.—Five associations refuse credit to either members or nonmembers, 11 allow credit to members but not to nonmembers (but in one of these members' accounts must be paid within 7 days), and 9 allow credit to both (but in 2 of these only in limited amounts).

Pointing out that it was not in the banking business and therefore not in a position to extend credit to member associations for any length of time, the Midland Cooperative Wholesale was instrumental in establishing in 1936 the Midland Credit Corporation. This organization, as its name implies, provides credit (up to \$50,000) upon trade acceptances, for local associations, enabling them to take their discounts for cash and to obtain credit at moderate rates.

As aids in solving the problem of credit in local cooperatives, several of the wholesales are urging the formation of credit unions among the membership of the locals.

Patronage refunds.—All the wholesales practice the return of patronage refunds, though not necessarily in cash. All or part of such refunds may be retained to be applied on the purchase of stock until the required amount for full membership is obtained. An increasingly popular practice is the declaration of such dividends, but with the proviso that they shall not actually be paid until the end of a specified period (2–5 years), being retained meanwhile as working capital. One of the handicaps of the wholesales (as of the retail associations, also) has been inadequate capital and this method has been adopted to remedy the situation.

A provision of the by-laws of the Farmers' Union Central Exchange (St. Paul, Minn.) sets up a check-off system which prohibits the payment of any patronage refunds until the members' dues are paid in the Farmers' Union.

Although the financial advantage accruing from membership in and patronage of the wholesales is evident from the fact that nearly \$637,000 was received by the retail associations on their patronage during 1936, this becomes even more clear when examination is made of what the patronage refund means to the individual local association.

Data were obtained on this point in the spot study made in St. Louis County, Minn. There the patronage refunds of 18 associations ranged from \$83 to \$3,416. Seven associations saved more than \$1,000 each in 1936 through their purchases from central organizations. Naturally, the societies which obtained large percentages of their merchandise from cooperative sources were the chief beneficiaries from refunds. All associations combined realized a net saving of 4.1 percent as a result of their trading operations and an additional 1.1 percent in refunds from the wholesales. Altogether the sum received in patronage dividends amounted to 27 percent of the amount saved through the local associations' own operations, in three associations it was over 35 percent, and in one association over 50 percent.

Employment in Wholesales

The 23 associations for which data were obtained as to employment and wages were in 1936 employing 747 workers and had a total pay roll in that year of \$845,909. Per capita annual earnings varied rather widely, but in 10 of the 23 were less than \$1,000. For the group the average was \$1,132.

Weekly hours ranged from 36½ and 37½ hours (for a 5-day week in both cases) to 60 hours, the weighted average for the group being 42.8.

TABLE 77.—*Employment and Wages in Cooperative Wholesales, 1936*

Type of wholesale	Number of associations reporting	Number of employees	Amount paid in wages		Average weekly hours per employee ¹
			Total	Average per employee	
All associations.....	23	747	\$845,909	\$1,132	42.8
Interregional.....	1	17	19,027	1,119	50.0
Regional.....	15	691	789,520	1,143	42.5
District.....	7	39	37,362	958	47.6

¹ Weighted by number of employees in each case.

The following statement shows the number of associations in each classified average annual earnings group:

Annual earnings, per employee, of—	Number of associations
\$500 and under \$600.....	2
\$700 and under \$800.....	2
\$800 and under \$900.....	1
\$900 and under \$1,000.....	5
\$1,000 and under \$1,100.....	2
\$1,100 and under \$1,200.....	4
\$1,200 and under \$1,300.....	2
\$1,300 and under \$1,400.....	2
\$1,400 and under \$1,500.....	1
\$1,500 and over.....	2

Development of Individual Associations

Available data on membership, business, net earnings, and patronage refunds are shown for individual associations in table 78.

TABLE 78.—*Development of Individual Cooperative Wholesale Associations*

Association, State, and year of organization	Year	Number of member associations	Amount of sales ¹	Net gain	Patronage refunds
<i>Interregional</i>					
Illinois: National Cooperatives, Inc. (1933)-----	1935	7	(²)	\$3,307	\$1,991
	1936	9	(²)	5,406	
Indiana: United Cooperatives, Inc. (1930)-----	1934	(²)	\$375,000	(²)	(²)
	1935	5	418,000	(²)	(²)
	1936	9	468,067	(²)	(²)
<i>Regional</i>					
Illinois:					
Illinois Farm Supply Co. (1927)-----	1935	60	(²)	219,160	180,000
	1936	62	6,281,506	274,942	233,701
The Cooperative Wholesale (1936)-----	1936	36	\$35,276	\$916	
Indiana: Indiana Farm Bureau Cooperative Association (1921)-----	1934	(²)	3,225,827	80,059	57,310
	1935	88	4,403,858	110,799	59,855
	1936	88	5,187,457	131,336	93,291
Massachusetts: United Cooperative Farmers (1927)-----	1934	(²)	375,841	7,549	(²)
	1935	31	491,040	2,607	3,000
	1936	31	647,941	9,048	4,500
Michigan: Farm Bureau Services (1920)-----	1933	30	938,807	(²)	(²)
	1934	73	1,348,491	37,439	15,000
	1935	113	1,968,968	75,882	35,000
	1936	118	2,222,761	70,757	(²)
Minnesota:					
Farmers' Union Central Exchange (1927)-----	1931	91	906,272	4,959	(²)
	1932	156	1,678,346	24,014	1,938
	1933	172	1,549,223	22,066	15,488
	1934	211	2,615,528	98,788	31,948
	1935	225	4,028,087	129,768	(²)
	1936	240	3,783,991	85,241	(²)
Midland Cooperative Wholesale (1926)-----	1927	37	269,863	3,473	3,436
	1928	38	417,956	3,926	1,938
	1929	40	448,013	7,798	4,798
	1930	62	598,751	14,804	11,811
	1931	77	615,388	21,163	19,000
	1932	92	883,736	26,906	21,906
	1933	103	1,073,567	25,466	18,000
	1934	120	1,751,007	44,799	18,500
	1935	137	2,423,107	63,441	27,000
	1936	148	3,033,080	71,574	48,601
Minnesota Farm Bureau Service Co. (1928)-----	1934	(²)	216,041	(²)	(²)
	1935	(²)	277,619	(²)	(²)
	1936	30	397,232	(²)	(²)
Missouri: Consumers' Cooperative Association (1929)---	1929	21	309,261	5,279	3,049
	1930	61	489,437	23,679	14,805
	1931	90	981,491	43,346	26,135
	1932	143	1,328,629	27,464	11,667
	1933	199	1,493,843	48,373	14,639
	1934	259	1,776,839	68,501	20,346
	1935	313	2,660,861	103,838	31,680
	1936	342	3,397,809	71,151	39,810
Nebraska: Farmers' Union State Exchange (1914)-----	1920	(²)	2,387,972	(²)	(²)
	1921	(²)	1,468,133	\$83,000	
	1922	(²)	1,148,133	\$24,832	
	1923	(²)	1,335,662	9,655	
	1924	(²)	1,347,605	20,647	
	1925	(²)	1,521,312	36,633	
	1926	(²)	1,512,024	34,222	
	1927	(²)	1,618,288	49,096	
	1928	(²)	1,774,143	37,930	12,136
	1929	180	2,001,725	50,583	22,068
	1930	(²)	2,118,212	70,850	44,142
	1931	(²)	1,571,028	64,732	39,236
	1932	(²)	1,192,838	34,912	21,786
	1933	260	1,244,963	56,082	35,963
	1934	(²)	1,356,896	57,785	37,891
	1935	265	1,635,125	71,805	49,258
	1936	275	1,721,221	62,903	40,847

¹ Figures relate to wholesale business only; for sales of retail branches in 1935 and 1936, see table 75.

² No data.

³ 9 months' operation.

⁴ Loss.

TABLE 78.—*Development of Individual Cooperative Wholesale Associations—Continued*

Association, State, and year of organization	Year	Number of member associations	Amount of sales	Net gain	Patronage refunds
<i>Regional—Continued</i>					
New York: Eastern Cooperative Wholesale (1928)-----	1929	7	\$203,756	\$1,000	-----
	1930	7	175,534	1,490	-----
	1931	7	268,044	1,645	-----
	1932	8	233,584	-----	-----
	1933	10	183,374	10	⁵ \$900
	1934	11	187,828	778	⁵ 866
	1935	11	206,515	88	-----
	1936	33	285,512	⁴ 1,617	-----
Ohio: Farm Bureau Cooperative Association (1933) ⁶ -----	1926	(²)	4,639,928	135,126	130,827
	1927	(²)	4,573,086	112,900	98,935
	1928	(²)	4,470,273	134,244	125,921
	1929	(²)	5,744,189	207,469	175,344
	1930	(²)	6,029,044	⁴ 42,342	190,568
	1931	(²)	3,946,889	⁴ 124,475	36,436
	1932	(²)	2,401,867	⁴ 52,875	-----
	1933	(²)	3,265,702	⁴ 1,747	-----
	1934	61	1,261,044	6,228	-----
	1935	78	4,216,176	111,580	41,395
	1936	83	6,781,144	162,577	94,492
Oklahoma: Farmers Union Sales Department (1922)----	1934	(²)	199,862	7,587	-----
	1935	(²)	264,402	9,698	-----
	1936	(²)	288,380	12,400	-----
Pennsylvania: Pennsylvania Farm Bureau Cooperative Association (1934).	1935	6	284,000	9,800	(⁷)
	1936	10	511,000	11,700	(⁸)
Texas: Consumers Cooperatives Associated (1931)-----	1931	13	51,453	10,561	9,185
	1932	(²)	86,662	12,473	7,572
	1933	32	128,384	10,382	6,790
	1934	34	251,993	10,364	7,765
	1935	45	236,895	14,646	10,895
	1936	52	324,121	19,461	18,338
Washington: Grange Cooperative Wholesale (1919)-----	1920	(²)	53,570	(²)	(²)
	1921	(²)	44,254	(²)	(²)
	1922	(²)	156,122	(²)	(²)
	1923	(²)	135,161	(²)	(²)
	1924	(²)	246,096	(²)	(²)
	1925	35	102,677	(²)	(²)
	1926	(²)	(²)	(²)	(²)
	1927	(²)	105,880	1,786	-----
	1928	(²)	109,862	1,321	-----
	1929	6	116,721	1,074	-----
	1930	10	119,855	1,013	-----
	1931	10	243,487	1,274	-----
	1932	22	173,854	1,984	-----
	1933	35	102,378	2,091	-----
	1934	53	⁹ 977,125	1,854	3,561
	1935	73	⁹ 1,447,334	18,277	14,368
	1936	¹⁰ 40	⁹ 1,807,443	(²)	16,000
Wisconsin:					
Central Cooperative Wholesale (1917)-----	1917	15	25,574	268	(²)
	1918	25	132,423	2,063	(²)
	1919	40	313,064	7,330	(²)
	1920	48	409,591	6,798	(²)
	1921	56	312,347	3,499	(²)
	1922	56	337,567	1,183	(²)
	1923	56	504,177	5,181	(²)
	1924	60	613,215	5,973	(²)
	1925	65	835,532	8,869	5,506
	1926	74	1,048,293	11,648	7,722
	1927	76	1,255,676	18,355	13,752
	1928	84	1,517,813	23,894	17,296
	1929	90	1,755,627	35,798	28,266
	1930	97	1,767,760	29,735	26,809
	1931	99	1,509,752	12,035	9,158
	1932	98	1,309,698	9,091	9,088
	1933	97	1,383,290	13,133	13,129
	1934	97	1,787,556	31,696	30,208
	1935	99	2,185,245	37,027	30,213
	1936	109	2,845,741	50,710	44,461

² No data.³ Loss.⁴ Accumulated.⁶ Data for years prior to 1934 cover operations of Ohio Farm Bureau Service Co., the wholesale department of which was purchased by the Farm Bureau Cooperative Association in that year.⁷ 2.9 percent; amount not reported.⁸ 1.87 percent; amount not reported.⁹ Including direct-invoice oil sales.¹⁰ Under reorganization, Mar. 1, 1937.

TABLE 78.—*Development of Individual Cooperative Wholesale Associations—Continued*

Association, State, and year of organization	Year	Number of member associations	Amount of sales	Net gain	Patronage refunds
<i>Regional—Continued</i>					
<i>Wisconsin—Continued.</i>					
Farm Bureau Federation Cooperative (1923).....	1934	13	\$177,334	\$1,305	-----
	1935	13	249,790	1,724	-----
	1936	13	251,534	2,609	-----
Workers' and Farmers' Cooperative Unity Alliance (1931).....	1934	(²)	181,235	21	-----
	1935	36	197,633	1,461	\$1,361
	1936	36	261,375	3,714	2,832
<i>District</i>					
<i>Michigan:</i>					
H-O-B Cooperative Oil Association (1932).....	1932	5	13,145	427	427
	1933	6	20,412	604	604
	1934	6	33,039	2,139	2,139
	1935	7	42,026	2,144	2,144
	1936	7	60,424	3,764	2,924
Northland Cooperative Oil Association (1930).....	1931	(²)	19,285	735	(²)
	1932	(²)	20,175	1,074	(²)
	1933	(²)	19,751	540	(²)
	1934	2	24,436	1,305	(²)
	1935	2	22,337	1,759	(²)
<i>Minnesota:</i>					
Trico Cooperative Oil Association (1929).....	1929	6	25,000	3,340	(²)
	1930	8	54,297	8,915	(²)
	1931	(²)	83,604	11,187	(²)
	1932	10	87,669	11,069	(²)
	1933	12	102,528	14,020	(²)
	1934	(²)	130,035	14,515	13,141
	1935	14	146,281	17,318	13,787
	1936	14	171,996	17,673	16,034
C-A-P Cooperative Oil Association (1929).....	1929	10	46,283	7,076	-----
	1930	10	73,876	10,544	9,832
	1931	10	74,686	13,590	10,873
	1932	10	79,805	14,927	-----
	1933	10	66,161	7,640	6,607
	1934	10	72,563	7,881	7,742
	1935	10	98,950	9,673	8,673
Range Cooperative Oil Association (1929).....	1930	(²)	115,083	18,576	(²)
	1931	12	98,605	10,483	7,750
	1932	13	91,504	10,265	(²)
	1933	14	93,798	9,000	9,000
	1934	14	112,131	7,020	(²)
	1935	14	136,158	8,275	8,275
	1936	15	167,103	11,926	11,926
Range Cooperative Federation (1933).....	1934	(²)	11,908	191	-----
	1935	15	123,779	1,640	1,600
	1936	15	230,229	5,967	5,800
<i>Wisconsin:</i>					
A. & B. Cooperative Oil Association (1930).....	1930	(²)	14,705	(²)	-----
	1931	(²)	23,853	2,207	(²)
	1932	7	25,260	3,162	(²)
	1933	(²)	(²)	(²)	(²)
	1934	(²)	(²)	(²)	(²)
	1935	8	38,660	3,618	3,618
	1936	8	56,606	2,976	2,976
Cooperative Services (1928).....	1928	4	14,827	1,268	1,021
	1929	4	30,739	4,108	(²)
	1930	4	51,672	0,022	2,858
	1931	5	71,768	4,770	3,507
	1932	5	76,400	0,077	5,925
	1933	5	72,221	4,177	3,677
	1934	5	91,622	8,497	7,998
	1935	5	108,261	5,985	4,965
	1936	5	135,821	8,187	6,828
Price County Cooperative Oil Association (1934)....	1934	(²)	14,650	865	-----
	1935	4	28,059	1,208	-----
	1936	5	37,853	2,091	1,450

² No data.⁴ Loss.



FIGURE 9.—HEADQUARTERS OF CENTRAL COOPERATIVE WHOLESALE, SUPERIOR, WIS.

This association also operates a bakery, a feed mill, and a branch warehouse in the same city and a feed mill and branch warehouse at Virginia, Minn.



FIGURE 10.—ONE OF THE WAREHOUSE DEPARTMENTS OF THE CENTRAL COOPERATIVE WHOLESALE, SUPERIOR, WIS.

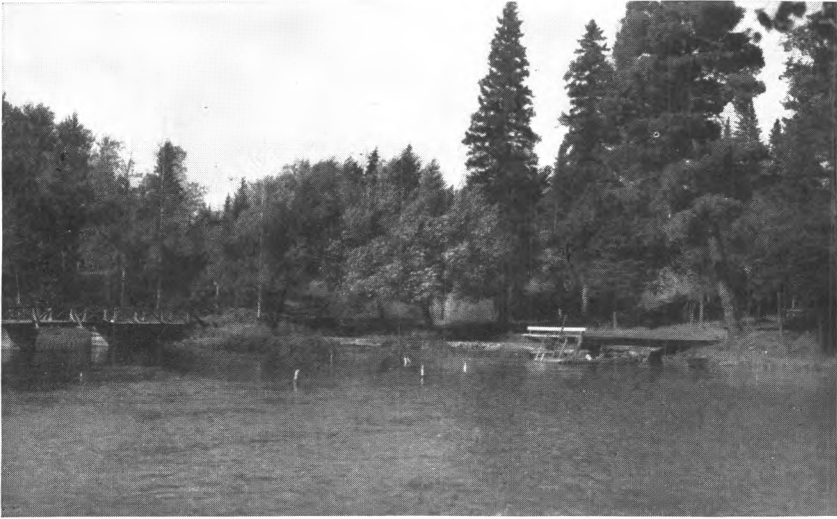


FIGURE 11.—SCENE AT NORTHERN WISCONSIN COOPERATIVE PARK (NEAR BRULE)
OWNED BY COOPERATIVE ASSOCIATIONS IN THAT DISTRICT.



FIGURE 12.—CLASS (UNDER SPONSORSHIP OF OHIO FARM BUREAU COOPERATIVE
ASSOCIATION) TRAINING LEADERS OF RECREATIONAL ACTIVITIES FOR COOP-
ERATIVES.

Service Federations

Local cooperative associations have formed a number of organizations to perform services which they were not fitted or did not desire to undertake themselves. Of 12 such associations for which reports were received, 5 were publishing associations (including 1 printing credit-union forms only), 4 were auditing associations, 2 were recreational associations, and the function of 1 was to organize local associations.

The following table shows, for the various types of associations, the number of members and the total income of the service federations in 1936.

TABLE 79.—*Membership and Income of Service Federations, 1936*

Type of federation	Number reporting	Number of member associations	Total income, 1936
Auditing associations.....	4	469	¹ \$37,364
Organization associations.....	1	6	(²)
Printing and publishing associations.....	5	388	216,905
Recreation associations.....	2	³ 68	(²)
Total.....	12	931	254,269

¹ 3 associations.

² No data.

³ 1 association also has 400 individuals in membership.

Net earnings in 1936 were reported by four printing associations, and amounted to \$16,927. Only one association returned patronage refunds, which amounted to \$1,400.

In addition to separate organizations doing auditing for cooperative associations, most of the cooperative wholesales have an auditing department.⁹ The increasing emphasis upon the importance of adequate accounting systems in local cooperative associations, and of the annual or semiannual appraisal of the financial status of the organization that is furnished by the audit, is one of the encouraging tendencies in the cooperative movement today.

Noncommercial Federations

As already indicated, the distributive associations have their own system of wholesaling, although as yet not all sections of the United States have access to cooperative wholesale facilities.

The distributive associations also have their own regional and national noncommercial federations; these are educational, propaganda, and defense organizations. To the national association, the Cooperative League of the U. S. A., may be affiliated (either through the regional leagues or directly, where no such league exists) any bona fide consumers' cooperative association. The League in 1936 had in

⁹ See pp. 146-148 of this report.

affiliation, directly or indirectly, such diverse types of associations as stores, petroleum associations, buying clubs, bakeries, creameries, laundries, housing associations, telephone associations, credit unions, insurance associations, organizations providing lodging and meals, burial associations, garages, medical-care associations, recreational associations, and such federated associations as wholesales, printing and publishing associations, and auditing associations.

There is no central cooperative federation especially for the telephone associations, though a few local associations of this type are members of the cooperative league in their region. The burial associations in two States each have a State federation and, as noted, some of the local burial associations are also members of the Cooperative League of the U. S. A.

Federations in the Distributive Movement

The Cooperative League of the U. S. A., national educational association for the consumers' cooperative movement, was formed in 1916, when the wave of cooperative interest started by the rising living costs accompanying the World War first began. At that time there was almost no intercourse between local cooperative associations. Each association was going its own way, making mistakes that could have been avoided, and unaware in many cases that there were other similar organizations with which experiences could be exchanged.

Although the new organization called itself The Cooperative League, it was not at that time a league in the sense of being a federation of cooperative associations. The organization reversed the usual procedure abroad, under which the existing local societies federated to form a central body. At the time the League was organized, there were only a small number of consumers' cooperatives in existence and few of these knew of the League's formation. Much of its early work was done by the volunteer efforts of a few persons. Its expenses were met by its president. Only a few of the associations which became members in those early years were able to spare funds for the League's support.

A congress called in 1918 received widespread cooperative attention, and the delegates voted for the formation of a national educational body or to transform the League into such an organization. The latter course was followed in the congress of 1920, which organized the League as the permanent national body of the movement. Its purposes were to be "to promote the cause of cooperation; to develop mutual aid in place of antagonism; to favor the spread of knowledge of cooperative methods; to unite all consumers of the United States for the above purposes and for the purpose of international federation; and to encourage the acquirement of the agencies of production." The plan adopted provided for State leagues with

local autonomy and for district federations within the State. The national organization would have no control over the constituent bodies except that they must be acceptable to it.

The influence of the League has been gradually expanding year by year. During the early years of its existence its affiliates were mainly associations in industrial centers. Of late years the farmers' cooperatives have shown an increasing tendency to become identified with the consumers' cooperative movement through affiliation with the League. At the end of 1936 it had in membership 1,500 associations.

The network originally planned has been modified somewhat. Under the present arrangement, regional leagues are provided for. Thus far, five have been created, and as local cooperative development warrants it, others will be established. Local societies which affiliate with the regional leagues automatically become members of the national league. The five regional leagues are the following:

1. Northern States Cooperative League, with headquarters in Minneapolis, Minn., established in 1922. Its territory includes northern Michigan, Minnesota, Montana, the Dakotas, and Wisconsin.
2. Eastern Cooperative League, with headquarters in New York City,¹⁰ established in 1925. Its territory includes the New England States, New York, New Jersey, Pennsylvania, Maryland, and Delaware.
3. Central States Cooperative League, with headquarters in Chicago, established in 1926. Its territory includes Illinois, Indiana, Ohio, and lower Michigan.
4. Northern California Cooperative Council, with headquarters in Oakland and territory covering northern California.
5. California Cooperative Education Association, with headquarters in Pasadena.

All of these leagues are nonstock associations supported by dues from local associations, by income from services rendered by them (legal, auditing, etc.), and by the sale of pamphlets and other printed material. They are governed by boards of directors elected by the member associations. Generally, voting is on the proportional-representation plan, with each local association allowed one vote by virtue of membership, plus an additional number of votes based upon the number of its members.

The leagues carry on general educational work in the theory and practice of cooperation, give information and advice on cooperative problems and on organization procedures, issue pamphlets on cooperative subjects, furnish articles for the press, provide speakers for meetings, and lecturers and instructors for cooperative schools and institutes and other interested groups. One important activity is the giving of short courses for selected young people and technical training courses for employees and managers of cooperative societies.

¹⁰ Moved to Brooklyn in 1938.

Other services include legal advice and auditing service for local associations.

In addition to the regional and national leagues, there are many lesser educational federations or councils. One of the most interesting developments of recent years has been the creation of such organizations in a metropolitan district, a county, or other district. These organizations form a clearing house of experience of the different associations, assist in the solution of local problems, and take over to some extent the educational work of local associations. Such federations have also furnished a medium for joint activities such as an annual picnic, a summer institute, a children's camp, or a winter festival.

In some cases membership in a local league is restricted to associations which are also members of the regional cooperative league; in such cases only consumer organizations are admitted. Some of the county-wide federations or councils, however, contain in their membership all types of cooperative associations in the county, whether producer or consumer organizations. The Clearwater County Cooperative Council, at Bagley, Minn., for example, included in its membership at the end of 1936 one store association, two petroleum associations, one casket association, one electricity association, one telephone association, two grain elevators, six creameries, one publishing association, two livestock-shipping associations, one wool pool, and one warehouse association.

The following table gives the membership of the 15 federations which furnished data. These organizations reported a combined income, from all sources, of \$20,702 for 1936; this figure is not, however, very significant, for the services they render cannot be measured in money.

TABLE 80.—*Membership of Reporting Educational Federations, 1936*

Scope of federation	Number reporting	Number of member associations ¹
General educational federations whose scope is—		
National.....	1	1, 500
Regional (more than 1 State).....	2	396
State-wide.....	1	19
More than city but less than State-wide.....	7	119
City-wide.....	2	26
Federations of special groups:		
Women's guild.....	1	62
Youth league.....	1	33

¹ The figures shown in this column should not be added, as the different classes of associations are not mutually exclusive (i. e., the associations which are members of city and State leagues are also members of the regional leagues).

In addition to the federations shown above, the Bureau had reports for three local educational associations with 2,215 individual members.¹¹

SPECIALIZED FEDERATIONS

There are two organizations, auxiliary to the consumers' cooperative movement, which are devoted to activities among women and among young people. Both of these are in the "Northern States" region, but local units of the same type are now found in various other parts of the United States, and it is very likely that eventually both will expand into national bodies.

Northern States Women's Cooperative Guild.—Organized as an unincorporated educational association in 1929, the guild began with 20 local units having a total membership of about 250 individuals. In 1935 there were about 58 units, and at the end of 1936 there were 62. Membership in the local units varies from 12 to 60 individuals. In the beginning, the organization was almost wholly made up of Finnish women, and they still form about 75 percent. There has been a slow infiltration of younger, Americanized Finnish women, and a few non-Finns.

The guild cooperates with the educational department of the Central Cooperative Wholesale (Superior, Wis.), the Northern States Cooperative League (Minneapolis), and the Cooperative Youth League of the North Central States in educational work and financing of summer institutes and youth camps. A large part of its program is devoted to cultural activities. The local units have drama, music, and social-problem groups, and they arrange hundreds of mixed social get-togethers during the year. In 1936, the income from cultural and social programs was \$1,485. Propaganda against war and against intemperance is carried on, and a woman's section is maintained in the Cooperative Builder and the Finnish Cooperative Weekly, issued by the Central Cooperative Wholesale.

Meetings of the local units are held either weekly or twice a month, those of section committees are held semiannually, and those of the district organization are held annually. Dues of 4 cents per month for each member of the local unit are paid by the unit to the district organization. Dues paid to the local unit itself are from 5 to 10 cents per month.

According to the secretary, heavy snows, long distances, and seasonal work on the farm are among the chief obstacles to growth. Many of the members live in scattered rural areas and cannot afford travel expense.

The Northern States organization is also taking the initiative in forming a National Cooperative Women's Guild.

¹¹ These were included in the figures for "miscellaneous" associations shown on p. 62.

Cooperative Youth League of North Central States.—Designed to fulfill the same functions in behalf of youth as the Guild fulfills for women, the Youth League was organized in 1930 as an unincorporated association. It was sponsored and fostered by the C. C. W.'s educational department. The first local unit was started in Superior, Wis., from which the league spread throughout Minnesota, upper Michigan, and upper Wisconsin. The high point was reached in 1932, with 50 locals, embracing a total number of 2,000 individuals. From 1933 on, the movement declined, partly because of the depression and partly (the secretary of the league believes) because of insufficient interest and cooperation from the adult cooperators.

In June 1937 the membership consisted of 33 local units (with an aggregate membership of 780) and 20 individual members. An executive committee of 9 members is elected at the annual convention in September, every local unit being entitled to one delegate, and one additional delegate for every 10 members exceeding the first 10. A general district committee, meeting twice a year, is composed of the 9 members of the executive committee plus the various secretaries of the sections (the latter are coordinating units for adjacent locals).

The local units have about 15 or 20 members on the average. They generally meet weekly or twice a month. They contribute 6 cents per member per month to the district organization. Only about \$72 was raised in 1936 through membership dues, with \$319 received as donations, and \$53 as receipts from sale of pins, songs, and the staging of plays.

A monthly educational bulletin is issued by the league, and a "youth page" is conducted in the *Cooperative Builder*. At the annual cooperative youth course at Brule, Wis., the aims and program of the league are further publicized. These aims, according to its constitution, are to "further the fundamental principles that the cooperative movement is a part of the general labor movement, seeking with impartial neutrality the cooperation of all workers' and farmers' movements for the benefit of the exploited toiler * * * encourage working-class organization of the youth in other fields—industrial, political, and cultural—and assist in the class education and organization of the working-class children."

Federations in the Credit-Union Movement

Although, strictly speaking, the credit unions are service cooperatives intended for the benefit of the consumer of credit, generally that branch of the cooperative movement has developed separately, alongside the general consumers' movement but with very little contact with it. Few credit unions have regarded themselves as consumer cooperatives. The distinct lines of separation have become blurred to some

extent in recent years as individual credit unions have become aware of the basic similarities and have affiliated with regional cooperative leagues, and as the local cooperative distributive associations have organized credit unions among their members.

As in the general consumers' cooperative movement in the United States, so in the credit-union movement the central educational organization appeared on the scene when there was only a small number of local credit unions in existence. Financed by the late Edward A. Filene to the amount of nearly a million dollars, the Credit Union National Extension Bureau was formed in 1921. The purposes of this bureau were to work for the passage of adequate State laws permitting the formation of credit unions, to assist in the formation of credit unions on approved methods, and finally to aid in the federation of these local associations into State credit-union leagues.

To this organization goes the greater share of the credit for the rapid enactment of State credit-union laws since 1921. Its work was capped in 1934 with the passage of the Federal act making possible anywhere in the United States or its territorial possessions the formation of a credit union. In States where for some reason the State law is not satisfactory, a credit union therefore has an option of incorporating under either the State or the Federal statute.

During these years the Credit Union National Extension Bureau remained, not a federation of local associations, but a privately financed promotional organization. In 1934 it went out of existence, and its place was taken by the Credit Union National Association, which in May 1937 had in affiliation State-wide credit union leagues of 41 States. This national association is governed by a board of 59 directors, consisting of 1 director from each State and 1 additional director for each 15,000 individual members in the State league.

The Credit Union National Association has its headquarters in Madison, Wis.

Besides the State leagues, city and district chapters have also been formed to deal with local problems and perform certain mutual-aid services. In May 1937 there were 250 such chapters.

None of the leagues perform any commercial service. They are purely educational organizations. There are, however, two associations which the national association has formed to perform certain business functions. These are the Cuna Mutual Society—a mutual insurance organization writing insurance on the outstanding loans of the credit unions;¹² and the Cuna Supply Cooperative—a wholesale association which deals in accounting ledgers, deposit slips, and other supplies used by the local associations.

¹² See also p. 136, and tables 64 and 66.

Chapter 8.—EDUCATION AND RECREATION IN THE COOPERATIVE MOVEMENT

Continuous educational work is regarded by cooperators themselves as the keystone of the movement, and this work is the primary function of the Cooperative League of the U. S. A. and its five regional leagues. This was pointed out by Dr. J. P. Warbasse, president of the League since its inception, as follows:

Time and experience have proved that education must precede business and dominate the general program if cooperation is to be built soundly. The primary task of the League, it would seem, is not to see how many people can be gotten into the cooperative movement, but to see how many people can be made to understand cooperation. Obviously, the first duty is not to increase the size of the League, but to aid always to improve its quality—to build in this country a body of intelligent and understanding cooperators. With this policy the League should continue to thrive and our cooperative business to expand.

Education

Educational work in the cooperative movement is of two kinds—education of the members and the public in the cooperative philosophy; and education of the employees, not only in the basic philosophy but also in the technical requirements of their jobs.

General education in cooperation.—During the entire course of its existence the Cooperative League has centered its attention on the problem of making genuine cooperators of the members and of broadening the public's knowledge of the cooperative movement. Through its many pamphlets on cooperative subjects, answers to letters of inquiry, lecturers and speakers, and in later years through radio programs, it has labored unceasingly in this field.

Since the early years of its existence the Cooperative League has been giving courses in the theory and practice of cooperation. The number and variety of subjects have increased year by year, and in 1936 the League established what is now known as the Rochdale Institute. The curriculum of the first classes (given in the fall of 1937) included a 2-month lecture course on various types of cooperative associations (including visits to associations), followed by 2 months' field work in which the students did practical work in associations selected by themselves. Similar courses are planned to be held annually in the spring and fall.

Study courses in theory and practice have also been given by three of the regional leagues.

Education and training of employees.—In the early years of the Cooperative League, the regional leagues (especially the Northern States Cooperative League) gave training courses for cooperative employees. In recent years the tendency has been for the wholesales to take over this phase of the educational work, although the regional leagues still collaborate with the wholesales in this activity to some extent.

In the period 1923–31, the Northern States Cooperative League held six training schools in which, altogether, 156 students received training. In 1926 a correspondence course was given.¹ Since 1931 the league has held no training school of its own, but has cooperated in those given by its affiliated wholesales. It has, however, each summer held a 1-week institute; these institutes are educational courses given in surroundings offering opportunity for camping, sports, and other outdoor activities. The league has also furnished instructors for educational programs and training schools given by central organizations in other sections of the Middle West.

The training schools of the Central Cooperative Wholesale, in which the league has participated, have been increasing in length of sessions and in attendance. Nearly 500 young persons have attended these schools. In this way the cooperative movement is acting to insure that the employees in the movement shall have both the cooperative viewpoint and the required occupational techniques. The courses run for about 8 weeks, with a maximum registration of 35 students. These students include persons already employed by local cooperatives (often the cooperative assists with a scholarship which it pays for), promising young people chosen for their abilities, and others who, attracted by the philosophy of the movement, wish to enter its service.

In addition to the training courses, the Central Cooperative Wholesale holds 4-to-6-week summer courses for selected young people, as well as 1- and 2-week summer institutes for adults, and 1- and 2-week summer camps for children (combining schooling and vacation).²

Recreation

In recent years cooperative associations have undertaken increasingly to enliven their educational and business activities with various features of recreation and entertainment, with the aim of making the cooperative association a factor in the members' social lives as well as in their bread-and-butter economy. Dinners and social gatherings in connection with the regular membership meetings, concerts, plays, and the showing of cooperative films are some of the measures adopted.

¹ This activity was taken over and continued by the National League.

² Because so many of the league's early duties have gradually been taken over by the wholesales, the question of reorganization of the league as a conference body for the wholesales in its region was under consideration in the fall of 1938.

The greater proportion of such work is carried on by the local store associations, or by the women's guilds and cooperative youth leagues³ formed among their members. There is also a small but growing number of federations whose only or chief function is the provision of recreational material or the fostering of social activities.

The Bureau had reports from 11 recreational associations, 4 of which owned and operated cooperative "parks" (i. e., tracts of land utilized for games, camping, fishing, and other recreational purposes), 4 were operating clubhouses, 2 owned halls used for dances, dramatics, and other social functions, and the remaining association sold games, puzzles, books, and other recreational material, besides operating a farm and a clubroom.

One recreation association was in Michigan, two were in Minnesota, two in New York, one in Ohio, one in Oregon, and four were in Wisconsin. Of the associations reporting on this point, one was formed in 1905 and one each in 1922, 1923, 1924, 1930, 1932, 1933, and 1935. Their membership totaled 914 at the end of the year, ranging from 27 to 300 and averaging 102.

Among the most interesting of these associations are those which have purchased land for recreational purposes. Two of these were in St. Louis County, Minn., one was in Michigan, and the fourth was in northern Wisconsin. One of the Minnesota associations was started about 1928 and at the end of 1936 owned a tract of 160 acres (including a lake). Only local associations were accepted into membership; 40 were affiliated at the end of 1936. Water sports (summer and winter), games, theatricals, dancing, and summer festivals were available free to the members of affiliated organizations, but non-members paid a fee for service. A frame building 50 by 72 feet provided space for dancing and meals. The development of the park area had been retarded by the fact that when the Rochdale-Communist split occurred in 1930, this association came under the control of the Leftist group and after that, although the "orthodox" groups still held membership, they had withheld their active patronage. The other Minnesota association was started in 1932. At the end of 1936 it owned an 8-acre tract which included a lake. The land was entirely paid for, but only camping facilities and water sports were provided; arrangements had been made for serving meals over the week ends during the summer. The land owned by the Wisconsin association also contained a lake. Cottages for the use of the members, camping facilities, and the usual water sports were provided, as well as games, lectures, and dances (see fig. 11 facing p. 163).

One of the hall associations owned a three-story building with a gymnasium, swimming pool, dance floor, study rooms, and dining

³ For a discussion of these associations, see pp. 167, 168.

room. In this building were held study classes, dances, dramatics, and other social and educational events.

Most of the recreation associations have been formed among persons who already had other cooperative ties, but the reporting associations included two which operated community clubhouses on a cooperative basis, in communities in which, as far as the knowledge of this Bureau goes, there were no other cooperative associations.

One association in the reporting group grew out of a study club among students from graduate schools of religion. At first emphasis was laid upon party programs, games, and "stunts," but this was shifted to "creative activities, folk arts, crafts, music, and hobbies which give lasting satisfaction."⁴ The association, in its present form, was the result of a merger of Recreation Cooperative, Inc., with Church Recreation Service.

It operates an 80-acre farm containing woods, play spaces, a large colonial house (for living quarters, office, and library), and a large barn, with fireplaces, which provides space for a shop and a club-room. Although it deals in recreational materials, the association emphasizes that it is an educational rather than a merchandising agency. The idea, promoted by the association, of teaching children to make their own games was, it reports, so favorably received that in 1937 more than a hundred shops for making such games were set up in summer schools and camps.

In the summer of 1936 a 2-week cooperative recreation school was held in which 51 students from 11 States were enrolled. The primary purpose of this school was to train leaders from cooperative, farmer, labor, church, and similar groups in the use of modern recreation methods and materials. The scope of this school is shown by the following schedule of subjects covered:

8:30-9:50. Lectures and discussions.

10-12. Dramatic directing and acting. Instrumental and vocal music.

1:30-2:30. Group games and folk recreation. Puppetry.

2:40-3:30. Lectures and discussions dealing with administrative policies, techniques of organization, leadership, social-educational function of recreation.

3:40-4:30. Advanced folk dancing. Beginners' class in singing games.

4:30-5:30. Equipment games.

7:30-8:15. Group singing.

8:15-9:30. Play party games and folk dancing.

⁴ Consumers' Cooperation (New York), November 1937, p. 172.

Chapter 9.—COOPERATIVE ASSOCIATIONS AS EMPLOYERS

Summary

In the cooperative movement in the United States there cannot be said to be any real personnel policy such as has been worked out in Great Britain and the Scandinavian countries. The young and struggling movement here has been too preoccupied with the primary business problems to give much time to consideration of a well-reasoned policy of industrial relations. The conditions accorded to employees have depended on the good will of the directors of the individual association, the financial status of the association, and the association's degree of acceptance of the Rochdale fair-wage standards.

Detailed field studies were made in a number of localities in connection with the Bureau's survey of cooperative associations. These revealed that, in general, relationships between the workers and the associations were good. Certainly, unrest and dissatisfaction as exemplified by strikes have been infrequent. This may have been due to a number of factors: The large majority of associations have been in small rural places where there was little labor organization and no tradition of concerted labor action; the associations were generally small and employed only one or two workers; the employees were cooperators as well as employees and as such were imbued with the idea of promoting the cause; and they were convinced that it was the desire of the members to provide as good wages and hours as conditions would permit. With the development of large associations employing considerable numbers of workers, with the expansion of the cooperative movement more and more into industrial communities having a strong labor consciousness, and especially as a result of the unionization drives, disputes may be expected to occur with greater frequency unless machinery is adopted to deal with them. That this is realized by the cooperative leaders is indicated by frequent articles and editorials in the cooperative papers.

The provision of good wages and working conditions is one of the approved practices of Rochdale cooperation. That such conditions are in fact, provided in most foreign countries where the movement is well developed is borne out by a study recently made by the International Labor Office.¹ The data gathered by the Bureau of Labor Statistics in its survey of cooperatives, covering the year 1936, indicate a wide range in both wages and hours among the consumers' cooperatives in the United States. Further, on the basis of such figures as are available for private retail trade, both wages and hours in cooperative employment appeared to be somewhat less favorable than those in private business in 1936.

¹ International Labor Office, *Cooperative Information* (Geneva), Nos. 1 and 2, 1938: *Conditions of Work of Employees of Consumers' Cooperative Societies*.

Average annual earnings per employee in some 1,500 retail distributive associations for which such data were obtained amounted to \$1,155 for 1936.³ In this connection it should be borne in mind that 72.5 percent of the total cooperative retail trade in that year was done in places of less than 5,000 population, where living costs are likely to be lower than in the cities. However, this average included the remuneration of the managers as well as clerks. Although there is not so wide a gap between wages of the manager and those of the clerks in cooperatives as in private business, inclusion of the manager's salary does bring up the general average and the clerks' earnings would therefore be below even the average noted above.

As the membership of cooperative associations is composed quite largely of industrial workers and farmers, undoubtedly the wage levels in the associations were influenced by the fact that the wages in industrial employments and the farmers' incomes fell to extremely low levels during the depression. As a result, in some cases the earnings of the workers employed in the cooperative stores were above those of a considerable proportion of the members. It was hard in such cases for the membership to bear in mind that their employees' rates should be fixed on the basis of the kind of services performed for the association, and not necessarily in relation to the earnings of the members in totally different lines of work.

Hours of work were still long in many cases. At the end of 1936 only 26.8 percent of the employees were working the 48-hour week or less, which is prevalent abroad in cooperative employment.

Cooperative employees do have the advantage of patronage refunds on their purchases from the association. It may be that clerks in private stores have the privilege of obtaining their supplies at reduced prices, but there is no information available regarding the prevalence of such a practice. Reduced prices to employees are not common in the cooperative movement.

Such data as are available regarding vacations, absence on account of sickness, and occasional time off during working hours indicate that cooperative associations are quite generous in their treatment of employees in these matters.

From the information at hand it appears, also, that cooperatives provide relatively stable employment and that the average period of service of their employees is quite long. Undoubtedly this security of tenure is a factor of considerable importance.

Personnel Policies

Hiring and firing.—Authority for the employment and discharge of cooperative employees is generally vested in the board of directors.

³ The average annual earnings of employees of wholesale cooperatives for 1936 were \$1,132.

but in practice may be delegated by it to the manager. Wage rates are generally set by the directors, often with the advice of the manager and in exceptional cases by him alone.

A study of personnel relations in cooperative associations undertaken by the Bureau of Labor Statistics at the end of 1930 ³ indicated that few even of the larger organizations had any provision for regular increases in wages or any definite line of promotion within the organization. One exception was an association whose policy it was to appoint the managers of departments and the head clerks from among the employees of the department having the vacancy. In another association, without a definite policy in this regard, all of the department managers had in fact arisen from the ranks.

New employees of cooperative associations may be obtained from among the membership, from students trained in courses given by the cooperative wholesales and central educational organizations, or from trade-union sources. In sections where the movement is well developed, as in the North Central States, there is considerable shifting of employees from one association to another; managers in that district are quite often drawn from rank-and-file employees of other associations. Notices of positions open frequently appear in the cooperative papers. That the entrance wage in such cases may be largely a matter of individual bargaining is indicated by the frequency, in such advertisements, of the clause, "please state salary required"; the amount offered by the association is almost never mentioned in the notice.

Adjustment of grievances.—The 1930 industrial-relations study revealed that joint meetings of employees and management were quite common. These were, however, designed in most cases rather to increase the employees' working efficiency and their understanding of cooperative methods than to solve their problems as employees.

The employee in the cooperative movement is in an unusual situation. In addition to his role of employee, he is in most cases also a member of the association that employs him. In that association he is of equal importance with every other member. If his grievances cannot be ironed out by appeal to the manager and then to the board of directors, they may be brought before the members at a general or special meeting. This, of course, is a situation not found in the ordinary stock company.

In most of the associations visited the wage rate was set by the board of directors and all complaints regarding remuneration had to be taken to the board. An exception was an association where the manager not only hired and fired the employees, but fixed their rates of pay. In one of the older organizations, where the board of directors set the wage levels, a special board had been created to deal with

³ Increased pressure of work and lack of funds, because of the depression, prevented the completion of this study. It was to have covered associations with 10 or more employees.

complaints regarding wages; this board, which met regularly once a month, consisted of the general manager and two of the directors.⁴

Overtime.—Overtime work is uncommon in cooperative associations. It must be said, however, that certain conditions peculiar to the movement tend to shorten the free time of the employees, and especially of the manager. Some of the associations hold weekly, biweekly, or monthly meetings of the employees, at which business problems and other topics are discussed. The manager must, of course, be present also at all general and special membership meetings, recreational activities, etc. Quite often he is invited to speak before the youth league or the women's guild, or to take part in other extra-business activities. It is well known among observers of the movement that many demands are made upon the time of the manager and workers outside of working hours.

Vacations.—Information on this point was not requested in the general survey, but was obtained in the spot studies. It was customary for the cooperative stores in St. Louis County, Minn., to give employees a paid vacation. Generally the vacation was 1 week, after a year's service. Exceptions were one association which allowed a 2-week vacation, and one in which the period of service required was only 6 months. One association whose policy it was to give a week's vacation with pay had to discontinue the practice, for financial reasons, during the depression. Four associations gave no paid vacation. Of the private stores in the same territory for which data were obtained, only four gave a paid vacation of 1 week; an additional firm used to do so but had discontinued the practice. Another store had recently been sold to a new owner and no vacation policy had been decided upon. Both private and cooperative stores were lenient with employees as regards occasional time off during working hours. Generally, no deduction of pay was made in such cases, or for short periods of sickness. One of the largest cooperative associations allowed casual time off, but deducted from the employees' pay for any time lost, however short, because of sickness.

All but one of the five associations in the northern Wisconsin district allowed their employees a week's paid vacation; two of these required at least 1 year's service. One association gave no paid vacations.

Both the Cleveland and Chicago associations included a large proportion of new associations which had not yet formulated a vacation policy. Of 13 associations reporting in Chicago, 3 gave a paid vacation of 1 week, 2 a vacation of 2 weeks, and 1 a 1-week vacation after 1 year's service and a 2-week vacation after 2 years' service. Of 7 associations which did not give their employees vacations, 2 had given such leave until the onset of the depression.

⁴In some of the foreign countries central wages boards have been created to which wage complaints impossible of local adjustment may be referred. Usually there is also a provision that in case of a general strike in any trade the cooperative employees of the craft concerned shall remain at work, the cooperative associations undertaking in advance to meet any terms won from private employers.

One association in Cleveland gave a week's vacation with pay each year. Another had done so until 1935. Most of the other associations in that city were either buying clubs without paid employees or were groups which had only recently opened their store.

Special facilities and services.—Certain of the largest associations provided special facilities for employees. One provided lunchroom facilities, lockers, shower baths, and a lounging room for the woman employees. Another, which ran a lunchroom as one department of a store and creamery business, gave lunch service to its employees at reduced rates. In this organization, also, a rest period during which coffee and rolls or pastry were served at cost was provided morning and afternoon.⁵

About half of the associations visited in 1930 had provided life insurance for their employees, the cost of which was paid by the association in all but one case; in the exceptional instance half the premium was paid by the employee concerned.

Wage bonuses are very uncommon in the cooperative movement. One of the larger Michigan associations had always paid bonuses to employees at the same rate as the rate of patronage refund to members. A Wisconsin association in 1936 voted to pay its clerks, in addition to salary, a commission of 1½ percent on all sales over \$4,500 per month. Many of the petroleum association employees were regularly paid on a commission basis.

Employment in Distributive Associations

Because so large a proportion of the employment in the credit, telephone, and insurance associations is on a part-time basis, the average hourly, weekly, and annual earnings there are of little significance. For the retail distributive associations—i. e., the stores, petroleum associations, and associations retailing other commodities—the proportion of part-time work was reported and could be allowed for. For this reason the following analysis of wages and hours of cooperative employees has been restricted to the retail distributive associations.

Almost five-sixths of the associations reporting in the Bureau's survey furnished data as to employment and pay rolls. On the basis of these reports it is estimated that the retail distributive associations gave full-time employment to some 15,000 persons and disbursed about 17¼ million dollars in wages in 1936.⁶

Nearly half (47 percent) of the distributive associations reporting were employing from one to three workers at the end of 1936. There were, however, slightly over 13 percent which had 10 or more employees each (table 81). All associations combined had an average of 6.5 employees each.

⁵ This practice appears to be fairly common among the larger Finnish cooperative associations in the United States.

⁶ The wholesale associations had 747 employees and a pay roll for 1936 of \$345,909.

TABLE 81.—Distribution of Retail Distributive Cooperatives, by Number of Employees, at end of 1936

Number of employees	Total	Store associations	Petroleum associations	Distributive departments of marketing associations	Creameries and bakeries
All associations.....	1, 531	714	680	127	10
1 employee.....	194	88	87	19	-----
2 employees.....	259	123	103	32	1
3 employees.....	265	127	117	21	-----
4 employees.....	193	99	77	17	-----
5 employees.....	120	52	59	8	1
6 to 9 employees.....	294	132	139	21	2
10 to 14 employees.....	104	45	52	5	2
15 to 19 employees.....	46	20	25	-----	1
20 to 24 employees.....	21	10	10	1	-----
25 to 49 employees.....	23	10	11	1	1
50 to 99 employees.....	9	7	-----	1	1
100 employees and over.....	3	1	-----	1	1

Earnings of Cooperative Employees**AVERAGE ANNUAL EARNINGS**

For all types of retail distributive associations the average per capita earnings during 1936 were \$1,155, ranging from \$990 in the store associations to \$1,749 in the creameries and bakeries. These averages are based upon full-time workers in associations reporting both number of employees at the end of the year and the total wage payments during the year. They include managers' as well as other employees' remuneration. Probably the actual averages would be slightly higher were they based upon the average number of persons employed throughout the year, for it is known that many associations increased their labor force during the year.

Table 82 indicates considerably higher wage levels in New England and on the Pacific coast than in the other sections of the country. In both cases, however, the average was raised by one large association paying relatively high wages.

TABLE 82.—Average Annual Earnings of Employees in Retail Distributive Cooperatives, 1936 ¹

Geographic division	All types of associations	Retail store associations	Petroleum associations	Distributive departments of marketing associations	Creameries and bakeries
United States.....	\$1, 155	\$990	\$1, 224	\$1, 208	\$1, 749
New England.....	1, 316	1, 337	-----	-----	906
Middle Atlantic.....	1, 001	1, 059	1, 186	-----	856
East North Central.....	1, 138	963	1, 345	904	1, 170
West North Central.....	1, 155	852	1, 146	891	2, 054
South Atlantic.....	783	783	-----	-----	-----
East South Central.....	869	856	1, 050	-----	-----
West South Central.....	858	778	916	881	-----
Mountain.....	990	949	983	1, 382	-----
Pacific.....	1, 306	1, 130	1, 024	1, 379	1, 263

¹ Data are based upon only those associations which reported both number of employees and amount paid in wages.

Although the general average annual earnings were \$1,155, over two-fifths of the associations were paying average wages ranging from \$700 to \$1,100 per year.

TABLE 83.—*Number and Percent of Retail Distributive Cooperatives Paying Annual Wages of Classified Amount, 1936*

Annual per capita earnings	Number of associations	Percent	Annual per capita earnings	Number of associations	Percent
Under \$300.....	3	0.2	\$1,300 to \$1,400.....	69	5.1
\$300 to \$400.....	15	1.1	\$1,400 to \$1,500.....	44	3.3
\$400 to \$500.....	52	3.9	\$1,500 to \$1,600.....	34	2.5
\$500 to \$600.....	71	5.3	\$1,600 to \$1,700.....	32	2.4
\$600 to \$700.....	117	8.7	\$1,700 to \$1,800.....	20	1.5
\$700 to \$800.....	135	10.0	\$1,800 to \$1,900.....	23	1.7
\$800 to \$900.....	146	10.8	\$1,900 to \$2,000.....	15	1.1
\$900 to \$1,000.....	156	11.6	\$2,000 and over.....	36	2.7
\$1,000 to \$1,100.....	155	11.5			
\$1,100 to \$1,200.....	111	8.2	Total.....	1,350	100.0
\$1,200 to \$1,300.....	116	8.6			

Analysis of the annual earnings of employees in 1,344 associations in places for which population figures were available showed no consistent correlation between size of city and amount of wages paid. The distribution is shown below:

	<i>Average annual earnings per employee</i>
Under 100 population.....	\$938
100 to 500 population.....	960
500 to 1,000 population.....	1,031
1,000 to 5,000 population.....	1,092
5,000 to 10,000 population.....	1,115
10,000 to 25,000 population.....	1,188
25,000 to 50,000 population.....	1,241
50,000 to 100,000 population.....	989
100,000 to 500,000 population.....	1,261
500,000 to 1,000,000 population.....	1,091
1,000,000 population and over.....	999

AVERAGE HOURLY EARNINGS

Tabulation of average hourly earnings showed that the most common rate per hour was between 25 and 30 cents; 17.7 percent of the reporting associations and 16.1 percent of the employees were in this rate range. Some 43 percent of all the employees were earning from 25 to 40 cents per hour. More than 80 percent of the total were being paid less than 50 cents an hour.

Hourly earnings of—	<i>Percent of asso- ciations</i>	<i>Percent of em- ployees</i>
Under 10 cents.....	0. 3	0. 1
10 and under 15 cents.....	3. 3	3. 5
15 and under 20 cents.....	7. 7	4. 7
20 and under 25 cents.....	12. 0	9. 8
25 and under 30 cents.....	17. 7	16. 1
30 and under 35 cents.....	15. 3	13. 9
35 and under 40 cents.....	13. 4	13. 3
40 and under 45 cents.....	10. 9	10. 4
45 and under 50 cents.....	6. 1	10. 1
50 and under 55 cents.....	5. 3	5. 4
55 and under 60 cents.....	2. 2	1. 8
60 and under 65 cents.....	1. 8	2. 7
65 and under 70 cents.....	1. 2	3. 4
70 and under 75 cents.....	1. 2	1. 6
75 and under 80 cents.....	. 8	1. 4
80 and under 85 cents.....	. 2	. 3
85 and under 90 cents.....	. 2	(¹)
90 cents and over.....	. 6	1. 5
Total.....	100. 0	100. 0

¹ Less than $\frac{1}{10}$ of 1 percent.

COMPARATIVE WAGES IN COOPERATIVE AND IN PRIVATE EMPLOYMENT

The Bureau of Labor Statistics has made no general survey of wages, by occupation, in retail trade. However, reports are received each month from employers throughout the United States giving the number of employees and total pay rolls, from which average per capita weekly earnings are computed. In the statement below, the information for private employment is based upon these monthly trend-of-employment reports, and that for the cooperatives is based upon data obtained in the cooperative survey. The statement shows comparative weekly earnings in cooperative and private retail stores and in gasoline service stations in 1936.

	<i>Cooperative employment</i>	<i>Private employment ¹</i>
Retail stores.....	\$19. 04	\$20. 17
Gasoline service stations.....	23. 54	24. 95

¹ Computed on basis of returns to the Bureau of Labor Statistics, for December 1936, from 21,897 chain and independent retail grocery establishments and 1,649 service stations.

This statement indicates that in 1936 the average wage level of cooperative employees was about 5 percent below that in private employment in the same lines. Increases in wage rates took place in many cooperative associations during the spring of 1937, but the same was true in private employment as well.

The situation shown by the above comparison is confirmed by data obtained from private and cooperative associations in the course of the spot studies made in several localities in May and June 1937. In these cases actual rates on an occupational basis were obtained for the

cooperative associations covered and for private independent and chain stores in the same locality. In most of the organizations wages were paid on a monthly basis. Because of the wide variation in hours worked, all rates were reduced to an hourly basis. The results are shown, by region covered and by occupation, in table 84.

As the table indicates, with a few exceptions the cooperative associations handling groceries were paying lower hourly wages than were the private stores in the same locality. In some cases there was a marked discrepancy between the cooperative and private rate. The employees of the Chicago cooperative restaurant associations, however, were receiving considerably higher pay than the workers in nearby private companies.

TABLE 84.—Average Hourly Rates Paid by Cooperative and Private Organizations in May 1937, by Occupation

Occupation	Chicago, Ill.		St. Louis County, Minn.		Northern Wisconsin	
	Coopera- tive rate	Private rate	Coopera- tive rate	Private rate	Coopera- tive rate	Private rate
Grocery stores:	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Managers.....	44.6	61.4	57.5	56.8	60.6	(1)
Branch managers.....	-----	-----	41.6	-----	-----	-----
Bookkeepers, male.....	37.8	-----	41.8	46.9	48.6	(1)
Bookkeepers, female.....	-----	24.6	32.4	32.6	39.1	(1)
Clerks, male.....	32.9	34.2	30.9	31.0	34.5	46.3
Clerks, female.....	26.6	34.4	24.4	23.3	27.7	33.3
Meat cutters.....	50.8	54.8	46.6	48.9	41.6	66.7
Truck drivers.....	40.5	-----	31.8	36.5	43.2	44.4
Restaurants:	-----	-----	-----	-----	-----	-----
Cooks, male.....	50.6	36.5	-----	-----	-----	-----
Cooks, female.....	38.9	-----	-----	-----	-----	-----
Dishwashers.....	27.9	19.2	-----	-----	-----	-----
Waiters.....	39.6	-----	-----	-----	-----	-----
Waitresses.....	29.2	24.9	-----	-----	-----	-----

¹ No data.

The proportion of the total operating cost that was spent for wages in cooperative and in private stores is shown below:

	<i>Percent wages formed of total operating expense</i>
Cooperatives:	
All store associations reporting, 1936.....	59.4
Store associations in St. Louis County, Minn., 1936.....	56.5
Petroleum associations reporting, 1936.....	62.2
All store associations reporting, 1933.....	51.8
Petroleum associations reporting, 1933.....	59.5
Private dealers:	
Country general stores (Dun & Bradstreet), 1935.....	61.1
82 chains, 1929.....	56.6
All retail stores, Census of American Business, 1933.....	44.8

The 1936 wage bill in cooperative stores in St. Louis County approximated that in the chain stores in 1929, but that for the whole group of cooperative stores was smaller than that of the general stores of private dealers. Comparison of the 1933 data indicates a much

higher proportion of wage expense in cooperative than in private stores.

Hours of Labor

The weighted average weekly working time ⁷ of employees, all types of associations combined, was 49.5 hours. For the associations in the different lines of business activity the range was from 44.1 for creameries to 56.2 for distributive departments of marketing associations. With the exception of the garage associations, all of the service groups had average weekly hours of 48 or less, whereas in the distributive group only the creamery employees had hours as short as these. A slightly longer workweek was found in the farmers' than in the other distributive associations, as shown in the following statement:

	<i>Average weekly hours</i>
All types of associations.....	49.5
Distributive associations.....	54.5
Stores.....	55.0
Farmers'.....	55.8
Other consumers'.....	53.5
Petroleum associations.....	55.5
Farmers'.....	55.6
Other consumers'.....	55.4
Distributive departments of marketing associations.....	56.2
Bakeries.....	48.1
Creameries.....	44.1
Service associations.....	45.2
Associations providing—	
Meals only.....	48.0
Meals and rooms.....	44.7
Laundries and cleaning establishments.....	48.0
Garages.....	52.0
Printing and publishing associations.....	46.8
Recreation associations.....	47.9

About one-fifth of the employees of cooperative stores and over one-third of the employees of cooperative petroleum associations were working 48 hours or less per week at the end of 1936 (table 85). The largest proportions of both types of associations were working 48 or 60 hours. About 62 percent of the store employees and 56 percent of the petroleum employees were working 54 hours or more per week.

That the larger associations had the shortest workweek is indicated by the fact that although only 15.8 percent of the stores and 29.1 percent of the petroleum associations had a workweek of 48 hours or less, they were employing 21.3 and 34.6 percent of the total workers.

⁷ Weighted by number of employees in each reporting association.

TABLE 85.—*Percentage Distribution of Cooperative Associations and of Employees According to Weekly Hours in 1936*

Hours per week	Percent of associations with specified work-week		Percent of employees with specified work-week	
	Store associations	Petroleum associations	Store associations	Petroleum associations
Under 40.....	1.3	0.5	0.8	0.1
40 and under 44.....	1.5	2.5	1.7	1.8
44.....	1.0	.5	1.5	2.4
Over 44 and under 48.....	1.5	.9	2.3	.4
48.....	10.5	24.7	15.0	29.9
Over 48 and under 54.....	8.7	5.8	17.1	9.1
54.....	10.0	9.7	8.9	8.4
Over 54 and under 60.....	15.3	3.9	16.0	3.5
60.....	24.3	27.5	20.1	24.7
Over 60 and under 72.....	19.6	14.1	13.7	12.7
72 and over.....	6.3	9.9	2.9	7.0
Total.....	100.0	100.0	100.0	100.0

Comparison of working hours in cooperative stores and in the private retail stores and gasoline service stations reporting monthly to the Bureau of Labor Statistics indicated that there was a difference in favor of the private employees of over an hour a day.

	Hours per week—	
	Cooperative employment	Private employment
Retail stores.....	55.0	46.1
Gasoline service stations.....	55.5	46.1

Most of the private organizations reporting to the Bureau of Labor Statistics are in urban places, whereas the majority of the cooperative associations reporting are in places of 5,000 population or less. This would account for some of the spread in hours shown above. However, that hours in cooperative associations were sometimes longer than those in private organizations in the same locality is indicated by the following table showing data collected in the various spot studies. Males working in cooperatives had shorter hours than those in private stores in northern Wisconsin and in St. Louis County, Minn. As regards the woman workers in cooperatives, however, only those in St. Louis County were working shorter hours than similar employees in private stores.

TABLE 86.—*Comparative Working Hours in Cooperative and Private Employment, May 1937*

Locality	Men		Women	
	Cooperative stores	Private stores	Cooperative stores	Private stores
Chicago, Ill.....	56.1	52.8	56.7	48.9
Cleveland, Ohio.....	52.9	(1)	43.7	(1)
Northern Wisconsin.....	52.8	56.0	50.4	48.0
St. Louis County, Minn.....	54.9	56.2	53.7	56.2

¹ No data.

The Cooperatives and Organized Labor

In Cleveland the older associations and most of the newer cooperative associations were found to be definitely "pro-labor." Among the older groups this had found expression in assistance to strikers, in the form of coal at cost and donations of food. Both old and new groups expressed preference for union-label goods and for goods made or sold under good labor conditions. Concerted effort was being made to bring more wage earners and trade-unionists into the cooperative movement.

In one large association studied in 1930 all employees were unionists; this was in a city where labor organizations had at that time made little headway. In fact, the office employees of this association formed practically the whole membership of the local office workers' union. The truck drivers received the union scale, and the wages of office employees were considerably higher than the union scale.

The cooperative associations whose members were industrial workers were more apt to encourage unionization of their employees than were the associations whose members were farmers. Some of the former group, in fact, required their workers to be members of the union of their craft or to become such within a specified time after being hired by the association. The bakery and dairy associations were almost without exception unionized. In fact, a number of them were started by striking employees of private plants. These associations have always been strong supporters of organized labor.

COOPERATIVE WORKERS' UNION

In 1930 the workers in the cooperative stores of Virginia, Minn., took the initiative in the formation of the Cooperative Workers' Union, along industrial lines. At that time there was practically no labor organization of retail clerks in that region.

The preamble to the bylaws of the union stated that the workers felt "the need for cooperative employees to create some bond of unity among themselves, to promote common interests both as wage earners and as responsible cooperators, and through organizing to assure acceptable standards of wages and working conditions." Other objectives were to act as an employment agency and to do educational work on cooperation among the members. The union pointed out that its intention was not to compete against craft labor organizations where cooperative employees were already organized.

When the national congress of the Cooperative League met in 1930, the union petitioned for recognition. The petition was tabled, after much discussion, on the ground that recognition might cause the cooperative movement to seem to be encouraging dual unionism.

The union reached its peak at the end of 1930, when it had about 450 members. Thereafter it declined considerably and by May 1937 had only from 180 to 200 paid-up members. Several factors contributed to its decline:

(1) After the formation of the union in 1930, a number of A. F. of L. locals of retail clerks were formed, and in such places the cooperative employees generally preferred to join the craft union.

(2) Its membership was in small groups scattered throughout the territory and it was hard to keep up interest.

(3) Some of the cooperators—especially those belonging to craft unions—were inclined to regard it as a “company union.” Realizing this, the union made overtures for affiliation to the A. F. of L. in communities where a federation local was not already in existence.

(4) Although several associations gave recognition to the union, in only a few cases was the union able to obtain a signed agreement.

(5) The plan of the organization to act as an employment agency never materialized, although openings and plans for changes of personnel, discussed at local meetings, did result in some members' obtaining new jobs.

(6) The union was handicapped in not having a full-time organizer. Its officers, also, worked only part time and on a volunteer basis.

(7) Many of the cooperative stores were in farming districts and it was hard to get the farmer members to see the value of labor organization. The officers of the union stated, however, that in most cases as conditions improved, the farmers' as well as the other cooperative associations took steps to revise the wage scale upward.

(8) The union never had any great strength outside the Northern States district, although it had a few scattered locals elsewhere. The Cooperative Trading Co. at Waukegan, Ill., for instance, recognized the union and had an agreement with it.

Gradually losing ground, the union late in the fall of 1937 conducted a referendum among its members as to whether it should be dissolved. The vote being in the affirmative, the organization disbanded toward the end of the year.

On February 2, 1938, the employees of the Waukegan Cooperative Trading Co. and of the Waukegan-North Chicago Cooperative Association met and voted to organize a new union of cooperative workers, with the same name, to replace the defunct organization. The new union went into operation May 1, 1938, and 2 months later was negotiating a collective agreement with these two associations.

COLLECTIVE BARGAINING

The spot studies disclosed few instances in which collective bargaining, as exemplified by a signed agreement, was in force in cooper-

ative associations. However, practically all either were sympathetic to the unionization of their employees, or expressed no opposition.

In Chicago, the employees in most of the store associations were not unionized. Exceptions were two associations where the employees had joined a C. I. O. union, and one association whose meat cutters were A. F. of L. unionists. Of three restaurant associations, the cooks and waitresses in one and the bakers in another belonged to the A. F. of L. union of their craft. In no instance was there a signed agreement.

In the two long-established associations covered in Cleveland the butchers were members of the A. F. of L. union, but had no agreement.

In the majority of the associations visited in St. Louis County, Minn., there were or had been locals of the Cooperative Workers' Union. Some were still active. Although in several instances the employees were still nominally members of that union, actually they were not in good standing, and the local was inactive. Others were in places too small to have a local. Five associations had recognized the union but had signed no formal agreement with it. In one case the manager had been pressing for recognition of the local; he was finally successful in obtaining it, but himself resigned from the union in order to remove any appearance of company unionism.

In the five local associations covered in the northern Wisconsin spot study, the truck drivers were, without exception, members of the A. F. of L. union and union conditions and rates were in force. Retail clerks, however, were but little unionized in that district. A unionization drive early in the summer of 1937 resulted in considerable gains. Strikes were called against a number of private retail establishments in Superior, Wis. One of the first organizations to reach an agreement with the union was the People's Cooperative Society (operating two stores, a service station, and an automobile-repair garage), the labor force of whose two stores had long been entirely unionized. Its agreement, signed with the A. F. of L. retail clerks' union, provided for minimum scales ranging from \$18 for female clerks (50-hour week) to \$25 (55 hours) and \$27 (60 hours) for males. The agreement also provided for pay for holidays, and annual vacations.

The year 1937 also saw considerable strides in the unionization of cooperative employees in other places. A mail-order cooperative in New York City, unionized in 1936, renewed its agreement with Department Store Employees' Local Union No. 1250 in 1937. The 1938 agreement provided for a closed shop; a minimum weekly wage of \$21; a 39-hour week; pay for vacation, for sick leave, and for 9 holidays; and time and a half for overtime.

A dispute occurred among the employees of a large cafeteria association in New York City early in 1937. This dispute, which involved the questions of unionization and wages, dragged on for weeks and then was referred to a board of arbitration. One question

at issue was how much higher rates than paid by its competitors the organization could afford to pay ⁸ and still remain solvent. (During the dispute it had "gone into the red" for the first time in more than 15 years' operation.) In accordance with the decision of the arbitrators an agreement with the Cafeteria Workers' Local Union No. 302 was signed on July 26, 1937, which established wage rates 10 percent above the average rates provided by the 10 best contracts in force between the union and private cafeterias in the city. This clause made effective (retroactive to May 1) increases in pay of about 15 percent. Under the agreement all employees must be union members or become so within 6 weeks after hiring. Disputes between management and workers which cannot be settled by negotiation with the union are to be referred to an impartial chairman.

⁸ It had always paid rates in excess of those paid by most of its local private competitors.

Chapter 10.—LEGAL STATUS OF COOPERATIVES

*Medical-Care Associations*¹

The future of medical cooperatives in America will in large part depend upon the courts. Two major charges of illegality have been brought against these cooperatives: (1) That they are actually engaged in the insurance business, without compliance with the insurance statute; and (2) that they are practicing medicine in violation of the rule against a corporation's practicing medicine.

THE INSURANCE CONTROVERSY

Those who claim that a medical cooperative is engaged in insurance point out that it is agreeing, in return for periodic payments made to it (analogized to insurance premiums), to indemnify the member of the cooperative against the loss which may occur to him upon the happening of a contingency. And the fact that reparation for the loss is made not in money but in medical services should, they say, make no fundamental difference. They feel that the public should be protected in this situation as it is protected in other insurance companies—by having the association maintain a large monetary reserve within the requirements of the insurance statute.

However, many definitions of insurance, the cooperators point out, are framed in terms of a monetary payment by the insurer, and at any rate the latter usually makes the payment, not a third party such as the doctors in this situation. Further, it is said that in an insurance company the payment is made upon the happening of a contingency, whereas arranging for the rendering of medical service upon the happening of a contingency is not the essential function of a medical cooperative, which emphasizes preventive medicine—the encouragement to members to come in for periodic examinations and to consult the doctor throughout the year for preventive measures against illness. In other words, it is a continuing and not a contingent medical care which is provided for.

Cooperators also hold that the following practical factors which differentiate cooperative from insurance-company practice should be considered: The insurance company needs its large reserve mainly because of the financial danger of an emergency: the maturing upon an unforeseen scale of the contingencies insured against. In the case of a health cooperative, the only situation comparable to such an

¹ This section was prepared by Samuel Mermin, Consumers' Counsel Division, A. A. A., Department of Agriculture.

emergency is an epidemic of illness. It is perhaps inferable from the emphasis of the cooperative upon preventive medicine that the likelihood of an epidemic among its members is negligible. Even if it be assumed otherwise, it would seem that no such substantial monetary reserve as is needed by an insurance company would be necessary to cope with the situation. One possibility is an increase in the "load" carried by each doctor; at worst, the association would be led to contract with a few additional doctors for the furnishing of their services during the brief duration of the emergency. No extraordinary outlays on a huge scale would be necessary.

Other practical or "common sense" considerations are also invoked. The cooperators point to such organizations as typewriter agencies which agree to maintain typewriters in good condition for a certain period of time for pre-arranged fees, or the paving companies which agree, under similar conditions, to keep roads in repair, or any of a number of associations which will service, or arrange for the servicing, of machinery and equipment of various kinds on a similar basis. Also common is the practice of furnishing any needed legal services over a certain period on a pre-fixed retainer basis, and also, indeed, the practice of a physician's agreeing with an individual to furnish all necessary medical services over a certain period of time, on a pre-fixed payment basis. Does it suddenly become insurance, cooperators ask, because more than one individual and more than one physician are involved?

THE ISSUE OF CORPORATE PRACTICE OF MEDICINE

The point of view of those who claim that medical cooperatives are violating the rule against corporations practicing medicine is illustrated by the following contention made in the legal brief of a recent controversy:

Although the corporation may employ licensed physicians to render medical service to its members, nevertheless this does not afford evidence that the corporation is not engaged in the practice of medicine. A corporation, being an artificial entity, can only act through agents, and the physicians employed by it are necessarily its agents. It is the corporation which holds itself out to render the medical service. In addition, the great weight of authority in the United States establishes the rule that a corporation cannot engage in the practice of medicine.

In reply, the cooperators declare that "making contracts," as the Nebraska Supreme Court has declared, "is not practicing medicine * * *"; that there is an obvious distinction between practice and business arrangements for practice. This principle, it is contended, is illustrated by such cases as *Liggett v. Baldrige* (278 U. S. 105 (1928)), in which the United States Supreme Court held unconstitutional a State statute requiring all stockholders of a pharmaceutical corporation to be licensed pharmacists. The Court pointed out that the

safeguarding of the public health could not be used as a defense of the statute, since the public health was related only to the preparation of the drugs and not to the ownership of the corporation.

The opposition claims that this argument is irrelevant, being nullified by the fact that though the corporation may not be practicing medicine directly, it is doing so indirectly through its agents, the doctors.

On the other hand, analysis of the law of agency is said to reveal at least two factors which weaken the assertion that the corporation is practising through the doctors as agents. Thus, it is pointed out that the familiar situation in the law of agency is one where the legal issue of liability for the acts of the agent is raised, and in dealing with that legal issue the court creates (in order to effectuate certain objectives of policy, proper distribution of loss, etc.) the convenient fiction that the act of the agent is the act of the principal. In those very same cases, however, when the purely factual question as to who actually performed the action is put in issue as a preliminary matter, the answer is not at all fictional. Similarly, the problem here, it is argued, is not a legal one like liability of the corporation, but essentially the factual problem: Is the corporation actually practicing medicine? And that question requires no distortion of facts for its answer.

The second reason for urging the inapplicability of the idea that the act of the agent is the act of the principal, rests on the lack of control exercised by the corporation over the professional conduct of the doctors. Since there is no such control, the doctors are in the position of independent contractors rather than of agents; hence it cannot be said that the corporation is practicing through its agents.

In response, the critics of medical cooperatives declare that such a view empties of any meaning the well-recognized rule against a corporation practicing medicine. Obviously, the framers of the rule knew that a corporation could not actually practice medicine; hence, it is argued, the rule must have been directed against the corporation's agents or others bearing a close relationship to the corporation.

This raises the important query as to what actually were the reasons behind the courts' enunciation of the rule. Reference to the exact language of judicial opinions will be helpful. For instance, the Supreme Court of Iowa has observed:

* * * There are certain fields of occupation which are universally recognized as "learned professions." Proficiency in these occupations requires long years of special study and of special research and training and of learning in the broad field of general education. The law recognizes them as part of the public weal, and protects them against debasement, and encourages the maintenance therein of high standards of education, of ethics, and of ideals. It is for this purpose that rigid examinations are required and conducted as preliminary to the granting of a license. The statutes could be completely avoided and rendered nugatory if one or more persons who failed to have the requisite learning to pass the examination might nevertheless incorporate themselves formally into a corporation, in whose

name they could practice lawfully the profession which was forbidden to them as individuals. * * *. (*Iowa v. Bailey Dental Co.*, 211 Iowa 781 (1931).)

And more recently, the Supreme Court of Illinois explained:

* * * These requirements are spoken of generically as that good moral character which is a prerequisite to the licensing of any professional man. No corporation can qualify. It can have neither honesty nor conscience, and its loyalty must, in the very nature of its being, be yielded to its managing officers, its director and to its stockholders. Its employees must owe their first allegiance to their corporate employer and cannot give the patient anything better than a secondary or divided loyalty. * * * (*Dr. Allison, Dentist, Inc. v. John T. Allison*, 360 Ill. 638 (1935).)

The cooperators hold it to be clear, from the above, that the rule against corporate practice of medicine is not intended to prohibit, as such, the contractual relation between a corporation and a physician, but rather to protect the public from (1) medical practice by unqualified persons who could not obtain a license individually and who therefore form a corporation in the hope of getting a license in the corporate name; (2) interference by the corporation with the personal responsibility and loyalty between physician and patient.

The first of these evils is obviously not present in the case of a typical medical cooperative, contracting with licensed physicians. The second evil, also is declared to have no existence in the case of a medical cooperative. Its applicability to an ordinary corporation, organized for profit, is quite understandable; but how, it is asked, can there be the above-mentioned undesirable allegiance by doctors to "managing officers" or "stockholders" or the "corporate employer" as against the patient, when these "officers," "stockholders," and "employers" are the patients? The medical cooperative is not a profit corporation interested in exploiting patients through the medium of doctors; it is a nonprofit organization of patients, and in order to effectuate its plan for an efficient rendering of medical services to its members, it contracts with doctors.

Is the personal relationship between physician and patient impaired by the restrictions in the typical medical cooperative upon "free choice" of physician? The cooperators argue that there is no real restriction, since the member, though he does not choose one doctor as he does under the system of private practice, does freely choose a group of doctors, by the act of joining the association. And it is further claimed that the association, through collective inquiry and investigation, is better able to engage competent doctors than the single individual under the present system, who generally chooses his doctor on the basis of hearsay.

Finally, it is pointed out that many incorporated bodies, such as hospitals, universities, and business corporations, have customarily employed salaried physicians without being accused of violating any rule against corporate practice of medicine.

PRESENT LEGAL STATUS

The court cases which have been quoted from above, did not involve genuine, nonprofit medical cooperatives employing licensed physicians, and operating on a periodic prepayment basis. In fact, it was not until very recently that the legal controversy could depart from merely analogous cases and be concerned with a precedent squarely in point. This precedent is the decision in the case of Group Health Association, a cooperative organized in 1937 for employees of the executive branch of the Federal Government in Washington, D. C. The United States District Court for the District of Columbia, in a declaratory judgment proceeding brought by the cooperative against the District attorney and District Superintendent of Insurance, ruled on July 27, 1938, that there was "no reason why an individual may not without violating the statute [i. e., the Healing Arts Practice Act of the District of Columbia] contract with a physician for medical services for a stipulated period or a fixed compensation; and it would seem that a group of individuals might make the same arrangement with a group of physicians."

It would seem that this group of individuals might incorporate themselves for their own mutual benefit for the same purpose. Such a corporation, not for profit but for the mutual benefit of its members, is in my opinion not engaged in the practice of medicine or in holding itself out as doing so. It is true that a corporation can act only through its agents and employees, but the physicians with whom the plaintiff makes contracts are rather in the position of independent contractors, and the plaintiff does not in any way undertake to control the manner in which they attend or prescribe for their patients.²

On the heels of this decision, it was charged by the United States Department of Justice on July 31, 1938, that the antitrust laws were being violated by the American Medical Association and the District of Columbia Medical Society by the use of the following methods of combating Group Health Association: (1) Threatened expulsion from the District Medical Society of doctors accepting employment with the association, and of doctors taking part in medical consultations with doctors on the association staff. (2) The exclusion from Washington hospitals of the Group Health Association staff doctors. According to the Department of Justice announcement—

This has been accomplished either in combination with the various hospitals or by means of influence, which may or may not have amounted to coercion, upon them. This exclusion has made it impossible for doctors affiliated with Group Health Association to practice their profession in the hospitals and it has prevented members of the association who enter the hospitals as patients from having the services of the physicians of their own choice.

Still another development in the Group Health controversy came on August 12, 1938, when three doctors of the District Medical

² An appeal by the Superintendent of Insurance to the U. S. Court of Appeals for the District of Columbia was filed early in October 1938.

Society filed suit in the United States District Court for the District of Columbia to enjoin Group Health Association from engaging in the "practice of medicine." The doctors took the position that they were not parties to the "friendly suit instituted by Group Health Association under the Declaratory Judgment Act, and therefore are not bound by the decree entered by Judge Bailey."

Participating in the fight for legality of the association, in the case decided by Judge Bailey, were the Association of Medical Cooperatives and the District of Columbia chapter of the National Lawyers' Guild, both of which filed amicus curiae briefs in the court case (as did also the District of Columbia Medical Society, for the opposite side).

The campaign to aid medical cooperatives has not been limited to aiding them in the courts. The Bureau of Cooperative Medicine, in New York, for instance, gives practical advice in the setting up of these associations anywhere in the country. Legislative efforts have also been enlisted. Thus, the Biemiller bill, unsuccessfully introduced into the Wisconsin Legislature in 1937, declared the public policy of the State of Wisconsin to be the encouragement of medical cooperatives; prohibited discrimination by hospitals or medical societies or others against doctors or patients affiliated with a medical cooperative; punished direct or indirect interference with the organization of such a cooperative; and provided exemption from the insurance laws. Still a further legislative remedy suggested in some quarters is to authorize supervision by the public health authorities to safeguard the quality of the service and adequacy of the fees. This special type of legislation embodying some features of insurance supervision without its onerous financial requirements (such as very large reserve funds) is defended as being analogous to special statutory provisions now existing for fraternal benefit societies and for nonprofit group hospitalization plans.³

Electricity Associations

The electricity-supply associations are organized under various kinds of statutes in different States. Some States already had cooperative acts which were broad enough in their terms to permit the

³ Since this was written, two pertinent cases were decided in California. In *People v. Pacific Health Corp.*, 82 Pac. 2d 429 (1938)—three judges dissenting—a profit corporation supplying medical services through licensed physicians on a prepayment basis was held to be illegally practicing medicine; but the court indicated the decision would have been different if it were a nonprofit corporation. In *Butterworth v. Boyd*, 82 Pac. 2d 434 (1938)—one judge dissenting—a medical cooperative for San Francisco municipal employees, established by amendment to the city charter, was held not to violate the insurance laws or the State Medical Practice Act, since "general words in a statute which might have the effect of restricting governmental powers are to be construed as not applying to the State or its subdivisions."

incorporation of electricity associations, and in others incorporation was feasible under a nonprofit act. In certain States having neither of these types of laws, electric-power cooperatives have been obliged to incorporate under the general corporation act, but have made provision for cooperative practice through the medium of their bylaws.

A number of States, in which the existing legislation was not regarded as adequate for the purposes of this new type of cooperative, have passed laws dealing exclusively with rural electrification. By July 1937, according to the Rural Electrification Administration,⁴ 14 States had passed electric membership corporation acts. These were Alabama, Arkansas, Georgia, Indiana, Kentucky, Mississippi, Nebraska, New Mexico, North Carolina, North Dakota, Pennsylvania, Tennessee, Texas, and Virginia.

These statutes vary somewhat from State to State, but in general have for their purpose the furthering of the rural electrification program and the protection of the cooperative associations formed under them. Usually, the law authorizes the cooperatives to purchase, generate, and distribute power, to assist their members in wiring their premises and in acquiring and installing electrical or plumbing equipment, and to borrow money for these purposes; exempts the members from personal liability for debts of the association; provides for maintenance of adequate reserves and for refunds of surpluses in proportion to patronage, either in cash or lowering of rates; and exempts the associations from excise taxes, levying instead a small annual license fee (generally \$10). Existing cooperatives organized under either the nonprofit act or the general cooperative act are usually given permission to take advantage of the electrification act.

Although most of the acts are liberal in their terms, an occasional one is so phrased as to hinder the development of the program. Thus, the New Mexico act forbade the building of farmers' cooperative lines in such a way as to interfere with any existing system or to serve persons in a territory in which any other organization already had any lines. It was pointed out in the Rural Electrification News (July 1937) that the effect of this was "to freeze the claims of utility companies to territories which they not only do not now serve but have no immediate intention of serving" and "to protect utilities in the enjoyment of unserved territories." The immediate effect of the New Mexico act was to cause the R. E. A. to rescind an allotment of \$56,000 which had been tentatively made for a project in Valencia County, where a power company, between the time of the allotment and the passage of the law, built into the territory which was to have been served by the cooperative.

In order to prevent just such a situation as this, the Wisconsin Legislature in 1937 passed an act expressly forbidding the construc-

⁴ Rural Electrification News (Washington), July 1937, p. 26.

tion of new lines or a plant in any territory in which a cooperative electricity association had been incorporated and had filed a map of its territory, until 6 months after the date of such filing. This period of prohibition was extended to 12 months if the cooperative association had entered into a loan agreement with any Federal agency and had so notified the Wisconsin Authority.

THE QUESTION OF STATE REGULATION

The question of whether rural electrification cooperatives should be subject to public control like privately owned public utilities operating for profit, and if so, upon what points and to what extent, has been a subject of considerable controversy.

A small number of the State rural electrification acts specifically provide for such control. In the absence of specific provision the private power companies have naturally taken the position that the cooperatives should be subject to the same control as themselves. In this view they have been joined by the officials and public utility commissions of several States. The cooperatives, on the other hand (and the farmers' organizations sponsoring them), have contended that, as the cooperatives serve their own members only and have as their purpose not the making of profit but the provision of service, only the reasonableness of their charges should be passed upon by the public utilities commissions and otherwise they should be subject only to the same type of supervision as are other forms of cooperative associations.

The latter stand has been supported by the National Rural Electrification Administration, in the following terms:

R. E. A. feels that rigid control of cooperatives by utility commissions is undesirable and detrimental for several reasons. Commission control was established to accomplish two things: First, to intervene between the buyer and the seller of electricity in matters of rates, and secondly, to supervise the issuance of securities. In the case of cooperatives, the buyer and the seller of electricity are one and the same, and cooperatives do not issue securities for public distribution. Rural electrification is extremely simple from the engineering point of view, and cooperatives need only a minimum of engineering talent and legal advice. But if these relatively small, nonprofit rural organizations are forced to appear before a commission to plead their right to serve themselves, they must either equip themselves with a battery of high-powered and high-priced lawyers and engineers similar to the array of talent which seems to be required in utility cases, or run undue risks of losing out regardless of the realities of the case.

Perhaps the strongest argument against commission control of cooperatives is that it may operate to stop the normal development of cooperative action in electricity distribution.

With present technical knowledge and methods, only a minority of our farms can be served on a profit basis. With the elimination of any charge for profit, in other words by the establishment of cooperatives, lines can be extended into much leaner territory and serve a much larger percentage of farms on a self-supporting basis.

But for cooperatives to come into existence, for protection of this still infant movement which promises so much to the Nation in the immediate future, it is necessary to give them every reasonable advantage.

Appearances and proceedings before regulatory bodies, petitions for certificates of convenience and necessity involve legal and engineering fees. The resources of a budding cooperative are tenuous at best. The mere thought of the lawyer's bill is enough to discourage most of them right at the start. There is absolutely no good which can come of squandering the price of several miles of line to establish formally the public convenience and necessity of a proposed rural line, when the mere proposal of the line by the farmers goes far toward establishing that fact beyond any question.

The attitude of State officials on this point has varied from State to State, but seems to be swinging toward the more lenient point of view.

COURT CASES

The other types of consumers' cooperative associations have only infrequently been parties to legal disputes involving questions of construction, interpretation, and constitutionality of the cooperative statutes. The electricity associations, however, have already figured in a number of court cases. Almost invariably these have been brought by private power companies seeking to prevent the operation of a particular cooperative association. One or two of these have been carried to the highest State court. Almost without exception the right of the cooperative associations to operate and the constitutionality of the State act have been sustained by the courts.

Recognition of the cooperative association as an agency serving its own members and therefore not subject to State commission regulation as a public utility has been accorded by at least two State supreme courts (Alabama and Wisconsin) and a lower court in another State (North Carolina).

By decision or opinion the associations in other States have been upheld on such other points as the right of municipally owned plants to resell power to cooperatives (Alabama) and the cooperatives' right to permits for the erection of lines along State highways (Illinois). In Washington State, however, a large cooperative association seeking exemption from the State gross-receipts tax on the ground of being a nonprofit organization was declared subject to the tax.

Telephone Associations

The so-called "Rochdale principles" practiced among the distributive and service associations are somewhat modified in the telephone associations by conditions in their field of business, by the wish of the members, or by the terms of the acts under which they operate. Although unincorporated associations may operate on any basis they choose, the business procedure of any incorporated organization is determined to a certain extent by the statute under which it has

been incorporated. Thus, the general corporation acts usually specify that the stockholder shall have one vote for every share of stock he owns, that any dividends paid shall be paid on the stock, and that proxy voting must be permitted—all of which requirements are in direct contravention of the cooperative principles. Sometimes also the State constitution contains sections covering such business procedure as voting by shares or by proxy.

The cooperative statutes vary considerably in their requirements from State to State. The best ones enumerate the cooperative principles, in defining what constitutes a cooperative, and specify adherence to these standards as a requirement for operation under the act. But by no means can all of these cooperative statutes be said to be adequate in the sense of defining and compelling compliance with the Rochdale principles. Wide variations from the accepted practice, and equally unfortunate omissions, are found in the provisions of the State acts.

Of the 1,292 telephone associations which reported their legal status, 787 were incorporated and 505 were unincorporated. The small service lines appeared to be more likely to remain informal associations, while the larger organizations giving switchboard service were generally incorporated. That this distinction was by no means always true, however, is indicated by the fact that some service-line associations with as few as half a dozen members were found to be incorporated. There were, nevertheless, some service-line groups that not only had not incorporated but had never even had what could be called an association. One such association reported that there had never been even a signed agreement among the members. A few neighbors had assembled, strung their poles and wire, and negotiated for switching service from the telephone company in the nearest town; one member acted as secretary in collecting "switching fees" to be paid to the company and in carrying on any necessary correspondence. That was all there was to it.

A great many of the telephone associations were formed before there was any State cooperative law under which they could be established and they therefore incorporated as stock companies under the general corporation act; a good many of these, in practice, however, have operated as mutuals. Comparatively few appear to have been established under the cooperative statutes. In 1933, the Wisconsin Public Service Commission had a check made of the incorporation records in that State. This revealed that, although the State cooperative statute is broad enough to cover telephone operation, only four associations had elected to incorporate under it; most of the others had been formed as mutuals.

Again, telephone companies are in many States regarded as public utilities or common carriers and, as such, are subject to regulation by

State commissions. A number of States exempt from such regulation associations operating as pure mutuals (i. e., serving members only and having no predetermined rates but assessing all members their pro rata share of the cost of operation); service extended to even one nonmember subjects the association to regulation by the State commission. Some of the regulations imposed by these State commissions also place obstacles in the way of completely cooperative practice. Thus, in States where operating territory is apportioned, company by company, and exclusive rights are given therein, State commissions generally require the companies to serve all applicants for service whether they are stockholders or not. And in some cases the companies are specifically prohibited from making any distinction in the rates charged to members and to nonmembers. The result is that where nonmembers can get the same service as members and at the same rate, there is little inducement to take out membership in the cooperative association. Such has been the effect of this that, in States where this regulation is in force, many associations have a greater number of nonmember than member subscribers.

As is evident, therefore, the rate of observance of the cooperative principles among the telephone associations is dependent to a considerable extent upon these legal and regulatory requirements.

PUBLIC REGULATION

In order to ascertain to what extent telephone associations are regarded as public utilities or common carriers in the various States and, as such, are subject to regulation by State commissions, the Bureau addressed an inquiry to the 14 States⁵ known to have 50 or more telephone associations operating on the cooperative or mutual plan.

It was found that no public regulation of any type of telephone companies was provided for in the States of Iowa and Texas, nor were such companies required to obtain from the State a certificate of convenience and necessity before being allowed to operate. Any telephone company, however, which operated within the corporate limits of a city or town must generally obtain a franchise from the municipality. In Oregon, by opinion of the State attorney general, cooperative telephone companies were held to be not within the purview of the public-utilities act and were therefore not subject to regulation.

In some States all telephone companies of whatever type—private profit, cooperative, or mutual—were regarded as public utilities and as such were subject to regulation by the State commission. Such regulation usually covered reasonableness of rates, adequacy of serv-

⁵ Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, North Dakota, Oregon, South Dakota, Texas, Virginia, Washington, and Wisconsin.

ice, keeping of records, issuance of securities, use of highways, conformity with safety regulations, etc. States in this class were Michigan, Minnesota, North Dakota, and Wisconsin. The Michigan Public Utilities Commission stated that the only two powers of regulation not conferred upon it were the power to prevent the payment of dividends when conditions did not warrant this, and the power to fix rates of depreciation.

"Mutual" associations were found to be exempt from regulation in Illinois, Indiana, and Missouri; and in California cooperative associations formed under the State cooperative act ⁶ and doing business only with members were exempt. In most of these States mutual associations were defined as those owned by and doing business only with members; in Illinois they must also operate on the assessment basis. In Kansas, associations were regarded as mutual only if they provided a means of communication without profit within their own membership; if connection was had with the lines of any other company or if they extended service to even one nonmember they automatically forfeited their status as mutuals and became subject to the public-utility regulations. This proviso, of course, operated to bring the majority of the associations under the control of the State corporation commission. Associations in that State desiring to connect with other lines must obtain a certificate of convenience and authority permitting the erection of lines and the operation of a switchboard.

No certificate of necessity and convenience was required for telephone companies or associations in Washington State. Farm lines desiring exchange and toll service from a regular telephone utility must limit their construction to the exchange area from which connection was desired. One telephone company, however, filed a foreign exchange rate for farmer-line service which would permit farmers in one exchange area to receive farmer-line service from another exchange area that had a reciprocal schedule. "Farm lines that are operated only on an intercommunicating basis where no regular exchange service is desired are not restricted in the areas in which they operate and may be constructed if franchise can be obtained on the highways." Exclusive rights were not given, but a mutual operating as a common carrier must serve all applicants for service within a "reasonable distance" of its lines.

In North Dakota the operating territory was specified at the time construction of lines were authorized, but might be expanded later on permission of the board of railroad commissioners. Under the State constitution no public utility may be granted exclusive rights in any territory; such a utility may, however, be required to serve all

⁶ This act was repealed in 1931, and associations organized prior to that time are regarded as operating under general corporation law.

applicants for service, either by permitting them to become members or by making a flat charge upon them for service.⁷ Under the procedure in Minnesota and Wisconsin, the territory was strictly limited at the time authority for operation was granted, and exclusive rights therein were given. In Michigan the territory was defined at the time that the franchise was given. Although exclusive rights were not given, the public utilities commission had refused to allow duplication of facilities "except upon a clear showing that the public convenience and necessity would be served by such duplication." As cooperative and mutual associations were regarded as on the same plane as privately owned telephone companies in Michigan, Minnesota, and Wisconsin, they were, like them, required to provide service for all applicants, whether or not they were stockholders.⁷

The rates of "strictly mutual" telephone associations were not subject to public determination or review in Kansas; those of associations giving service to nonmembers or connecting with lines of other companies were, however, subject to the same regulation as the rates of public utilities operating for profit. In Michigan and Minnesota the rates were fixed by the commission. In North Dakota and Wisconsin the commission did not set the rates for telephone service, but passed judgment upon the reasonableness of those set by the companies themselves. No supervision was exercised over rates of mutuals in Washington unless they operated as common carriers in which case their rates were subject to review.

⁷ This fact was taken into consideration in determining the "cooperativeness" of the associations.

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