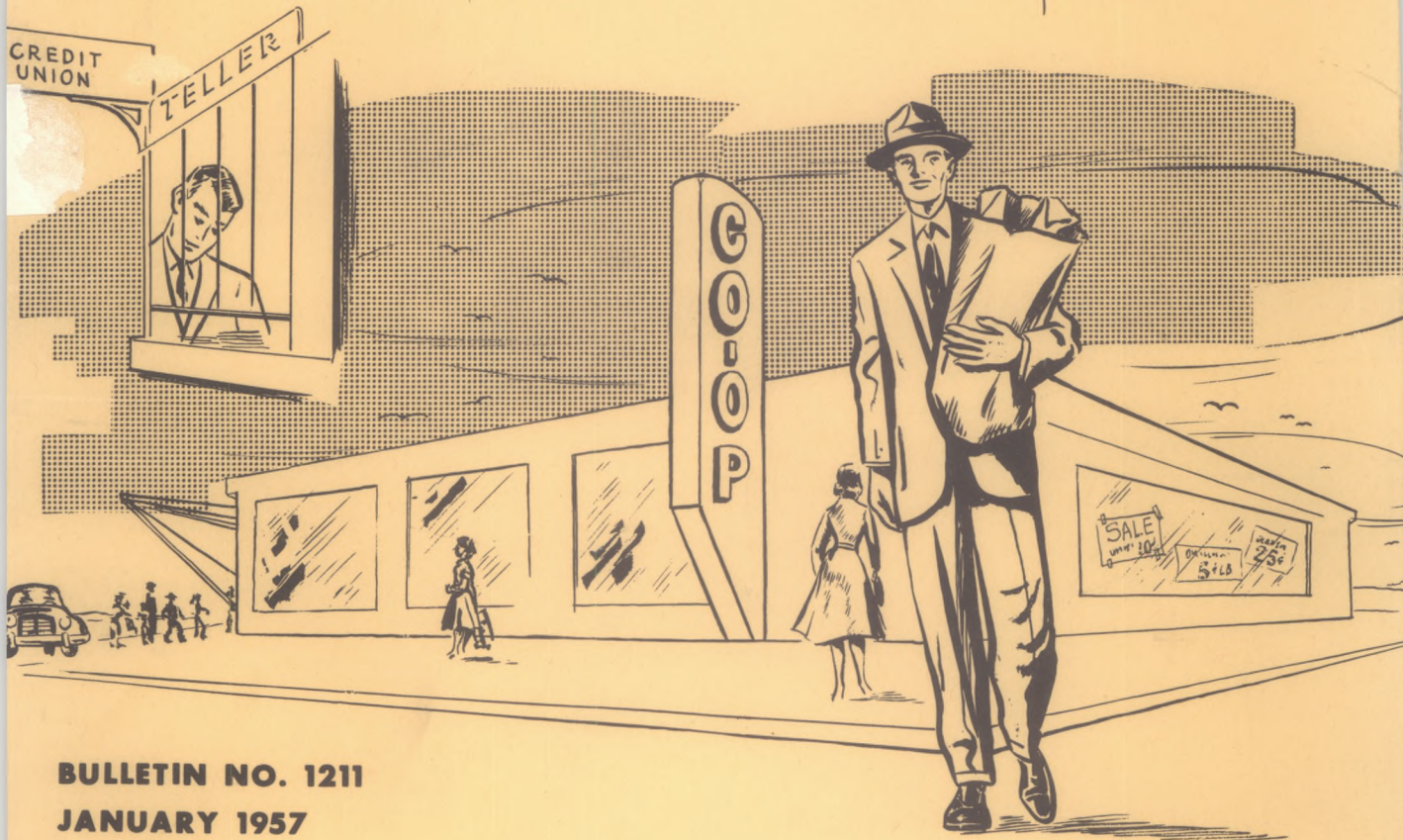


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CONSUMER COOPERATIVES



BULLETIN NO. 1211
JANUARY 1957

UNITED STATES DEPARTMENT OF LABOR
James P. Mitchell, Secretary

BUREAU OF LABOR STATISTICS
Ewan Clague, Commissioner

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January 1957



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Preface

The Bureau of Labor Statistics wishes to acknowledge assistance rendered in the preparation of this bulletin, particularly in respect to the tables, by the following: Bureau of Federal Credit Unions, Department of Health, Education, and Welfare; Farmer Cooperative Service, U. S. Department of Agriculture; Rural Electrification Administration, U. S. Department of Agriculture; Federal Housing and Home Finance Agency; Social Security Administration, Division of Research and Statistics, Medical Care Insurance Studies Section, Department of Health, Education, and Welfare; and to the Washington Office of the Cooperative League of the U. S. A.

This bulletin attempts to review the status of consumer cooperatives as of 1956, where data are available. However, in some cases, particularly in the section on Cooperatives Abroad, the data refer to 1955 and earlier.

The bulletin was prepared by Jean A. Flexner and Anna-Stina Ericson of the Office of Labor Economics, under the direction of Faith M. Williams.

January 1957

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Part I: CONSUMER COOPERATIVES IN THE UNITED STATES

Introduction

Reviewing the developments in consumers' cooperation in the United States during the middle years of the 20th century gives striking evidence of the vitality of those principles of cooperation on which the Rochdale pioneers founded a small shop dealing in a few simple staples in the early 19th century. It is a far cry indeed from that Toad Lane store in England to the American cooperatives' supermarkets of today. Many things besides the inventories have changed--including consumer buying habits, demands, and standards of living. In the United States, competition from the chain stores, and among the various chains makes it increasingly difficult for the cooperative store to offer its membership any substantial advantage or inducement.

In addition to retail trade, there are many other fields in which consumer groups have been formed to carry on business or provide services along cooperative lines: Small personal loans (through credit unions); medical services (through health and medical care cooperatives); housing; provision of electric current and telephone services in rural areas; nursery schools; students' boarding houses and book shops; numerous service establishments operated by consumer groups; and automobile, fire, casualty, and life insurance.

The principle of cooperative ownership by users of a service run at cost, without profit, has also been utilized by commercial businesses. Thus, the Associated Press is cooperatively owned by more than 1,700 American newspapers, and 1,250 radio and TV stations. The Railway Express Agency is cooperatively owned by the railroads. Retailers in many lines--groceries, drugs, lumber, bakery goods--have formed their own cooperative organizations to buy merchandise at wholesale, and manufacturers have set up underwriters' laboratories to test and inspect supplies. Private builders have built apartment houses which are subsequently sold to tenant owners. Labor unions have sponsored cooperative housing developments, to provide housing for their members, or for other members of the wage-earning or middle-income groups.

Cooperative Principles

The distinguishing characteristics of a true Rochdale-type cooperative have been stated thus: "A consumer cooperative society shall be democratically controlled; there shall be open membership. No persons shall be denied membership in a consumers' cooperative unless it be known that they wish to join for the purpose of doing harm to the organization; money invested in a cooperative society, if it receives interest, receives a fixed percentage which shall not be more than the prevailing current rate; and if a cooperative society makes a net profit, that profit shall be returned on the basis of the amount of purchases to the consumers who patronize the society." ^{1/}

In organizing a true consumers' cooperative, the initiative is often taken by the ultimate consumers themselves. In the process of organizing, operating, and expanding the business from its very inception, a loyal and active membership is attracted, and this is an important element in the success of the enterprise. Sponsorship of a cooperative by a nonconsumer group may result in the sponsor retaining control either because he does not wish to relinquish it, or because it is difficult to arouse consumer interest in the later stages of organization.

Strict adherence to the Rochdale principles is sometimes impeded by the provisions of laws under which cooperatives are organized; for example, certain State corporation laws do not permit limiting a member to 1 vote, regardless of the number of shares held. It is also sometimes difficult to reconcile the Rochdale principles with the function which the organization seeks to perform (particularly difficult in housing and medical care), or with the need for attracting capital. Cooperatives have made use of preferred shares whose holders have special voting rights as well as priority claims on earnings. The transfer of full control from the preferred stockholders to the membership may be delayed until the members have built up their equity to a certain percentage. Examples of this procedure may be found in the retailing field.

Because of these and other difficulties, there is no simple way of identifying true consumer cooperatives and this makes statistical measurement or estimates of cooperatives' membership and volume of business, or volume of expenditures for such benefits as medical care, imprecise.

^{1/} Ellis Cowling, Principles and Methods of Consumer Cooperation, National Cooperatives, Inc., May 1947. Democratic control is generally construed to mean only 1 vote per member regardless of the number of shares held.

In almost every field that cooperatives have entered, slightly different forms of organizations are found which resemble cooperatives either in their objectives, or in structure. In this bulletin, for example, the projects undertaken by unions to assist their members in solving housing and health problems are considered to be closely allied to the consumer cooperative, and a sharp demarcation between the true cooperatives and the near cooperatives has not been attempted.

Cooperative Structure

As cooperatives have grown both vertically and horizontally, the cooperative leadership has been faced with the problems of sustaining local membership interest and developing membership controls over activities that are carried on at some distance from the ultimate consumer. Business efficiency must not be lost in the process.

Examples of vertical expansion are found among farmers' supply cooperatives which have set up plants to manufacture fertilizers, or milking machines, or to refine petroleum products. These plants may be owned by several cooperatives. In 1955, 16 oil refineries with a capacity of 175,000 barrels of crude oil a day were operated by farm cooperatives. Farmers' cooperatives have gone further than urban cooperatives in processing and manufacturing, because capital can be borrowed by farm cooperatives for these purposes from the banks for cooperatives, under the supervision of the Farm Credit Administration. "By the early 1950's about half the supplies regional [farm] cooperatives furnished to their locals were processed in cooperative plants," reports the Farmer Cooperative Service. ^{2/} A few cooperatives have carried vertical integration back, through refineries to production of crude oil, and from fertilizers back to mining phosphate rock.

Overall federations embracing all types of societies, devoted to educational activities and providing member societies with services such as auditing, management consulting, and aid in financing, such as exist in most European countries, is still in the process of development here. The Cooperative League of the U.S.A., now in its 41st year, is composed of regional wholesale cooperatives, and a national buying and manufacturing agency called National Cooperatives, Inc. These organizations are owned by local or district cooperative associations with predominantly farm memberships. ^{3/}

^{2/} Farmer Cooperatives in the United States, Bull. 1, U.S. Department of Agriculture, Farmer Cooperative Service (pp. 22 and 150).

^{3/} The regional farm wholesale cooperative engages principally in buying at wholesale farm supplies which are sold at retail to farmers through their local associations.

Also affiliated with the League are several mutual insurance companies, the Credit Union National Association, the National Rural Electric Cooperative Association, and a regional Group Health Mutual Association. Seventeen associations belong as regular members, 3 as associate members; also directly affiliated with the League are 7 State cooperative groups and more than 100 local cooperatives. A sister league, the Cooperative Health Federation of America, performs similar services for a group of 20 health and medical cooperatives. The League estimates that nonduplicated membership of all cooperatives includes approximately 13 million U.S. families.

With an eye to further expansion of its services to its affiliates, the Cooperative League, in an effort to promote more adequate financing of cooperatives, at its 19th Biennial Congress in 1952, agreed to subscribe \$500,000 in basic capital for the Cooperative Finance Association of America, an organization already chartered in Illinois at that time. In July 1956, the Association, still seeking new ways to finance cooperatives, hired a financial expert to conduct a pilot study of the financial needs and methods of financing one of the larger midwestern wholesale cooperatives which is currently expanding its facilities and services.

Government Assistance to Cooperatives

A comprehensive wholesaling and banking service (like that furnished by the Swedish Kooperativa Förbundet, or the English Cooperative Wholesale Society) is not available to consumer cooperatives in the United States. Farm supply cooperatives may borrow from the 13 banks for cooperatives, which were organized by the Federal Government as part of the cooperative farm credit system, but the Government has not extended similar aid to the nonfarm societies. On June 30, 1955, loans totaling \$92 million were outstanding, borrowed by 602 farm supply cooperatives (some of which sell consumers' as well as producers' goods). About half of these funds went for operating capital and half for financing new facilities.

Rural electric and telephone cooperatives also receive Government loans, through the Rural Electrification Administration. Without these programs the cooperatives would not be as numerous or widespread as they are in the United States and far fewer farms would today have telephones and electric current connected to central stations.

Regarding Federal income taxation, cooperatives, whether farm or nonfarm, are not taxed on earnings distributed to patrons in proportion to purchases. These returns to patrons do not constitute income to the cooperative. The distribution may be in the form of cash or a certificate to the patron-member showing the amount of the cooperatives' earnings allocated to him. There must be an

obligation, prior to sales, to make these returns to patrons. Any business, if it chooses to enter into such a contract with its patrons, may qualify for this deduction but in practice few businesses other than cooperatives do so. Farm cooperatives qualifying for "exempt" status may also deduct from their gross taxable income the amounts paid as interest or dividends on their capital stock. However, very few farm purchasing cooperatives qualify for the exemption, because the law stipulates that such qualification depends on all customers (both cooperative members and nonmembers) being treated alike in regard to patronage refunds, and a permanent record of the patronage and equity interests of both members and nonmembers must be maintained by the cooperative. 4/

The patron, however, does pay income tax on the refunds he receives from the cooperative.

Consumer cooperatives in the United States are not subjected to many of the restrictions that have been imposed on them in other countries, such as laws prohibiting trading with nonmembers, or limiting their operations to single stores in each municipality. Nevertheless, they have not developed in this country as fast as in some of the countries with such restrictions.

The editor of a farm cooperative paper (there are about two dozen cooperative periodicals circulating) gave the following explanation for the lag in cooperative development in the United States as compared with Europe:

1. Abuses of commercial firms were not as great in America when cooperation started as they were in Europe.

Industrial changes here already were emphasizing mass production and distribution. American capital operated, in general, on low unit margins and mass output to make profits.

2. This same principle meant large quantities of capital were required to enter most enterprises. The mass production method was one reason great sums were needed. Other factors were greater distances for transportation, less concentrated population to support efficient trading centers, more highly developed technology based on continuing research.

3. Government encouraged cooperation only among farmers.

4/ For a complete discussion of tax treatment and qualifications for exempt status, see *Farmer Cooperatives in the United States*, op. cit. (pp. 28-31).

4. Cooperation was less attractive here than in Europe because individuals here enjoyed more economic freedom in a less class conscious society. ^{5/}

Cooperative Contributions to Family Budgets

The contribution made by a cooperative retail store to the income and expenditures of member families may equal 2 to 5 percent of family purchases of food and a few household items--allowing both for patronage refunds and for somewhat better buys in respect to price and quality. Few, if any, retail cooperatives pay patronage dividends higher than 3 percent on purchases, and their pricing policies are usually aimed at meeting chain store prices rather than underselling them. However, they make a strong appeal on the basis of standards and grade labeling.

Compared with retail savings, the savings effected in medical care may be a very important contribution to family welfare. When the results of adequate medical diagnosis and care are also taken into account, the effect both on expenditure and earning capacity may spell the difference for certain families between disaster and a comfortable level of living.

The effect of cooperative housing on family budgets is difficult to measure because of differences in quality as well as price, and because differences in costs may be accounted for in part by provisions of housing legislation available both to cooperative and noncooperative projects. Nonprofit cooperative dwelling units (costing \$13,000) built under New York's limited dividend housing act, save their owners an estimated \$52 per month, according to New York State's Commissioner of Housing. Limited profit rental projects, built under the same act, save the renters an estimated \$37 per month. The \$15 difference between these amounts may be ascribed to use of the cooperative form of housing; the rest of the benefit to the act. ^{6/} In general, owners of cooperative dwellings expect to gain, not only a cheapness but in quality of housing, use of community facilities, and continued assurance of congenial neighbors and surroundings.

Electricity and telephone cooperatives have made a distinct contribution to raising levels of living in rural areas, providing services that would not otherwise have been available, at reasonable prices. As in the case of housing, however, the whole of the savings cannot be attributed to the cooperative itself. Government

^{5/} Midland Cooperator, Oct. 4, 1954.

^{6/} Report to Governor on Middle Income Housing in New York State, Jan. 26, 1956, by Commissioner, Division of Housing (p. 18).

loans at low interest rates, with deferred payments, made the program possible; the channeling of these loans to cooperatives on a priority basis assured ultimate consumers of receiving the electric current, or telephone service, without profit and thus, at lower cost.

Rates charged by mutual insurance companies are lower than those charged by stock companies when the annual rebates to policyholders are taken into account. In the case of Nationwide Insurance Companies, the outstanding cooperative in the insurance field, refunds are deducted from annual premiums, and the terms of the policies are liberalized.

The savings that may be effected by borrowing from a credit union instead of from another source, will vary depending upon the family's resources, location, and knowledge of credit sources. If the family desirous of borrowing can establish credit with a bank, they can do as well as or better than at most credit unions. If that is not possible (and it seldom is for wage earners), and the choice rests between typical agencies specializing in small loans to needy wage earners, the credit union can offer as saving the difference between interest at 1 percent a month on the unpaid balance, and $3\frac{1}{2}$ percent a month on the balance, or much more. "In States without adequate laws to protect consumers, rates under many disguises range as high as 1,000 percent or more a year," reports the Bureau of Business Research of Western Reserve University. A number of State laws regulating interest rates charged by consumer finance companies, set the rate permitted at 3 percent a month on the unpaid balance.

Cooperatives in Retail Trade

Gradually the picture of nonfarm consumer cooperation is undergoing great change. The hundreds, or thousands, of small societies, each with a store doing a few thousand dollars' worth of business annually, are giving way to fewer, but much larger societies and stores. Only those cooperative retail stores which have a large annual turnover can hope to compete with chain-store prices and variety of merchandise. It takes a really big cooperative supermarket to achieve the cooperative goal of giving the consumer carefully selected and graded merchandise at prevailing prices in a wide range of commodities, with hope of a modest patronage dividend at the end of the year. In small towns and villages, the entry of the chain groceries, meat markets, variety and drug stores, the greater mobility of the local population by

car, and the spread of urban advertising have diverted patronage from the small stores; cooperatives affected have either combined, enlarged their operations, or dissolved.

In certain areas, leadership in mergers and reorganizations of local cooperatives and in store modernization has been taken by the regional wholesale cooperative serving the member societies of the area. The Cooperative League has promoted these trends through forums on business management conducted annually for board members of local cooperatives and store managers, and through surveys of business operations of cooperative supermarkets, financed by the League. Recommendations based on the surveys have directed attention to weak departments or practices. The League has also conducted numerous training institutes for officials and employees of cooperatives.

Farm Supply Cooperatives

Farmers' cooperatives do their principal supply business (about 64 percent of the total) in feed, fertilizer, and other business supplies needed by farmers, dairymen, cattle-raisers, and poultrymen (table 1). Petroleum products accounted for almost one-fourth of total sales in 1953-54, with between 40 and 45 percent of these petroleum products consumed in household uses, as distinguished from farm operations, according to a Department of Agriculture estimate. In 1953-54, meats, groceries, and other consumer goods constituted less than 10 percent of farm cooperative supplies sold to patrons; trade in meats and groceries amounted to only 2 percent and was valued at \$48 million. About half of the meat and grocery business was done by farmer cooperative stores in Minnesota, Michigan, and Wisconsin, an area served by the Central Cooperative Wholesale, with headquarters in Superior, Wis.

Only a comparatively small part of the local farm cooperatives' consumer goods are bought through regional wholesale cooperatives; most of the consumer goods are purchased either from National Cooperatives, Inc., or from noncooperative sources of supply. Ten regional wholesale cooperatives still purchase groceries and meats for their local member associations, but several others have in recent years discontinued these lines. In 1955, only 2 out of 23 major regional wholesale cooperative associations (i.e., those with an annual volume of business exceeding \$4 million) carried groceries, and in only 1--Central Cooperative Wholesale--was the volume of grocery sales preponderant. The proportion which groceries constituted of total sales by the group of major regional wholesale cooperatives declined from 0.8 percent in 1941 and 1951, to 0.7 in 1953 and to 0.6 percent in 1955 (table 2).

Table 1.--Supplies sold to patrons by local farm supply cooperatives, 1953-54

Commodity	Net amount (in thousands)	Percent	Number of associations handling
All commodities - - - - -	\$1,976,288	100	7,235
Producers' supplies - - - - -	1,257,899	64	(1/)
Feed - - - - -	809,671	41	4,288
Fertilizer - - - - -	232,117	12	3,621
Seed - - - - -	94,487	5	3,439
Insecticides, etc. - - - - -	26,583	1	1,689
Farm machinery and equipment - - - - -	69,567	4	1,819
Containers - - - - -	25,474	1	1,103
Petroleum products - - - - -	448,131	23	2,660
Other supplies - - - - -	270,258	13	(1/)
Building materials - - - - -	61,809	3	1,329
Meats and groceries - - - - -	48,050	2	960
Other supplies - - - - -	160,399	8	4,164

1/ Because of duplication, subtotals cannot be obtained by adding.

Source: U.S. Department of Agriculture, Farmer Cooperative Service. Reports are received from local farm supply cooperatives in which farmers constitute a majority of the members.

Table 2.--Supplies sold to local cooperatives or to individual patrons by 23 major regional farm wholesale cooperatives, 1/ 1955

Commodity	Sales (in thousands)	Percent	Number of associa- tions
All commodities - - - - -	\$918,825	100	-
Producer goods - - - - -	580,218	63	-
Feed - - - - -	380,410	41	22
Fertilizer - - - - -	116,591	13	20
Seed - - - - -	34,830	4	17
Farm machinery and equipment - - -	18,728	2	15
Package materials (including twine)	2,426	(2/)	7
Steel products - - - - -	13,831	2	8
Insecticides, etc. - - - - -	13,402	1	17
Petroleum products and auto accessories - - - - -	284,602	31	19
Lumber, paint and maintenance materials - - - - -	24,454	3	18
Other - - - - -	29,551	3	-
Electrical equipment - - - - -	7,005	1	12
Groceries - - - - -	5,556	1	2
Coal - - - - -	779	(2/)	4
Miscellaneous - - - - -	16,211	2	21

1/ Includes associations doing more than \$4 million worth of business, each.

2/ Less than 0.5 percent.

Source: Handbook on Major Regional Farm Supply Cooperatives, General Report No. 25, September 1956, U. S. Department of Agriculture, Farmer Cooperative Service (p. 55).

A comparison is made over a 5-year period, in table 3, between the trend in farmers' net realized income and the volume of farm supplies purchased through cooperatives. The farm cooperatives' supply business increased between 1949 and 1953, but showed a slight drop in 1954, the latest year for which data are available. This growth contrasts with the irregular course of farmers' net income. Farm income was highest in 1951, but cooperative purchasing was highest in 1953. The sharp declines in income in 1950 and in 1954 were not paralleled in the supply business of the cooperatives. In other words, the farmers spent a larger portion of their reduced incomes at cooperatives.

However, that part of the cooperative supply business concerned with meats, groceries, and household goods has not held up as well as the trade in producers' goods or petroleum products. Consumer goods have been reported separately only since 1952 and have declined in both of the following years for which data are available. They declined as sharply as farmers' income in 1953 and 1954. While all retail sales increased 4 percent between 1952 and 1954, and the farm supply cooperatives' retail (or net) sales were up 3 percent, the consumer goods items in those sales declined by 16 percent. Sales of petroleum products by farm cooperatives to their patrons increased 6.3 percent, compared with an increase in sales by all gasoline stations of 3.6 percent, in the same period.

Cooperatives Serving Urban Consumers

Except for the city stores affiliated with Central Cooperative Wholesale, the statistics on farm supply cooperatives collected and published by the U.S. Department of Agriculture, Farmer Cooperative Service, do not include nonfarm consumer cooperatives. In this field, comprehensive annual reporting is lacking. It is possible to glean information on the operations of some stores from the pages of the cooperative press, but news is apt to be weighted with reports from the successful associations. New cooperatives forming, old ones dissolving, and those which are declining may be under-reported. Time-to-time comparisons cannot be made, except from Census data relating only to the years 1948 and 1954. Even for these years, the Census data are probably not comparable because of differences in the method of enumeration.

In 1948, the Census of retail trade for the United States showed sales by cooperatives totaling slightly over \$1 billion, or \$8.17 per \$1,000 of all retail sales. About two-thirds of the cooperative sales consisted of feed, farm, and garden supplies. The 1954 Census of retail trade showed an increase in cooperative sales to \$1.7 billion (or \$10 per \$1,000 of all sales). Feed, farm, and garden supplies in 1954 accounted for 77 percent. The proportion of cooperative food store sales to all food store sales was 0.45 percent in 1948, but was down to 0.28 percent in 1954 (table 4).

Table 3.--Indexes of farm supplies purchased through cooperatives compared with farm income, 1949-54

(1952=100)						
Item	1949	1950	1951	1952	1953	1954
Farm supplies purchased through cooperatives:						
Gross total 1/ - - -	73	81	88	100	104	103
Net total 2/ - - - -	-	-	88	100	105	103
Petroleum products	-	-	89	100	103	106
Consumer goods 3/-	-	-	-	100	95	84
Realized net income from farming - - - - -	97	92	105	100	95	84

1/ Gross includes transactions between cooperatives.

2/ Net is actually the retail sale to the farmer.

3/ Meats, groceries, household appliances, clothing, paint, and fuel.

Note.--Farm Supply Cooperative statistics are for crop years ending with year shown; farm income is for calendar years.

Source: Statistics of Farmer Cooperatives, Farmer Cooperative Service; The Farm Income Situation, FIS-156, December 1955, Agricultural Marketing Service, U. S. Department of Agriculture.

Table 4.--Retail sales and establishments of cooperatives and all retailers, by type of shop, 1954

Type of shop	Retail trade		Cooperative retail trade			
	Total number of establishments	Total sales (in thousands)	Total number of establishments	Sales		
				Total sales (in thousands)	Percent of total retail trade ^{2/}	Percent of total cooperative trade
Total ^{1/} - - - - -	1,721,650	\$169,967,748	6,135	\$1,704,449	1.00	100.00
Food, total ^{1/} - - - - -	384,616	39,762,213	562	111,689	.28	6.55
Grocery stores - - - - -	279,440	34,420,764	475	104,006	.30	6.10
Meat and fish markets - - - - -	27,354	2,128,117	11	1,309	.06	.08
Fruit and vegetable markets - - - - -	13,136	484,503	10	297	.06	.02
Bakery products - - - - -	19,034	862,290	7	294	.03	.02
Eating and drinking, total - - - - -	319,657	13,101,051	532	27,667	.21	1.62
Eating places including refreshment stands - - - - -	195,128	8,731,409	345	20,346	.23	1.19
Drinking places - - - - -	123,887	4,360,384	187	7,321	.17	.43
General merchandise, total - - - - -	76,198	17,872,386	136	28,475	.16	1.67
Department stores - - - - -	2,761	10,557,843	4	3,779	.04	.22
Variety stores - - - - -	20,917	3,066,634	11	750	.02	.04
General merchandise ^{3/} - - - - -	51,814	4,233,133	121	23,946	.57	1.40
Apparel, total - - - - -	119,743	11,078,209	130	18,173	.16	1.07
Shoe stores - - - - -	23,847	1,895,252	22	1,411	.07	.08
Women's clothing stores - - - - -	45,213	4,332,852	36	7,973	.18	.47
Furniture, total - - - - -	91,797	8,619,002	59	6,533	.08	.38
Furniture stores - - - - -	50,729	5,373,919	41	4,957	.09	.29
Household appliance stores - - - - -	40,542	3,237,323	18	1,576	.05	.09
Automotive, total - - - - -	85,953	29,914,997	63	22,108	.07	1.30
Passenger cars, franchised - - - - -	41,407	25,107,984	27	18,268	.07	1.07
Passenger cars, nonfranchised - - - - -	20,140	2,423,517	8	2,032	.09	.12
Tire and battery dealers - - - - -	18,345	1,813,989	25	1,692	.09	.10
Gasoline, total - - - - -	181,747	10,743,812	213	31,536	.29	1.85
Lumber, total - - - - -	100,519	13,123,528	497	90,864	.69	5.33
Farm equipment dealers - - - - -	18,689	2,804,532	120	39,976	1.43	2.35
Lumber, building material dealers - - - - -	30,177	6,502,861	253	39,874	.61	2.34
Plumbing, paint, and electrical stores - - - - -	16,501	1,115,197	47	2,754	.25	.16
Hardware stores - - - - -	34,858	2,694,348	77	8,260	.31	.48
Drugs, total - - - - -	56,009	5,251,791	27	3,219	.06	.19
Other retail, total ^{1/} - - - - -	226,903	15,986,884	3,888	1,359,027	8.50	79.73
Liquor stores - - - - -	31,240	3,180,769	20	2,494	.08	.15
Fuel and ice dealers - - - - -	27,070	2,842,044	71	19,695	.69	1.16
Feed, farm, and garden supplies - - - - -	23,792	4,093,466	3,575	1,317,755	32.19	77.31
Jewelry stores - - - - -	24,266	1,407,948	17	1,059	.08	.06
Book and stationery stores - - - - -	8,115	575,620	36	7,139	1.24	.42
Sporting goods and bicycles - - - - -	10,013	450,792	5	1,199	.27	.07
Florists - - - - -	16,279	495,553	5	92	.02	.01
Gifts and novelty stores - - - - -	12,149	282,966	10	261	.09	.02
Nonstore retailers, total ^{1/} - - - - -	78,508	4,513,875	28	5,158	.11	.30
Direct selling - - - - -	70,774	2,272,840	18	3,373	.15	.20

^{1/} The figures will not add up to the totals because data have been excluded where they would have disclosed an individual cooperative or other type of retail sales outlet.

^{2/} Percent means percent in each category.

^{3/} Not elsewhere classified.

Source: United States Bureau of the Census, 1954 Census of Retail Trade.

The declines occurred mainly among smaller societies in rural areas. Scattered reports indicate that urban supermarkets operated by cooperatives have greatly increased their business. An identical group of urban cooperative stores, for which sales data were available to the U. S. Department of Labor's Bureau of Labor Statistics, both for 1953-54, and 1954-55, showed an overall increase in sales of about 24 percent between these years.

Principal centers of urban consumer cooperation today are in the metropolitan areas of San Francisco, Chicago, Washington, D.C., New York City, and in New England. If plans of Central Cooperative Wholesale materialize, a group of cooperative centers with supermarkets, variety stores, and filling stations may be developed in a number of medium-size towns in Wisconsin and Minnesota. In this territory, business of the smaller cooperative nonfarm stores has been declining.

Greenbelt Consumer Services (GCS), largest of the urban local societies, expanded in the period 1953-56 by setting up new shopping centers and buying the assets of one small nearby society. GCS operates four shopping centers and will soon add two more. ^{7/} An annual volume of business of \$9.3 million is transacted by its food, general variety and drug stores, and gasoline service stations. Membership reached 11,000 at the end of 1956. The size and dispersion of its membership led to the development of a new type of cooperative government structure which resembles that of some Western European cooperatives. A congress consisting of 1 delegate for each 200 members, elected by annual area membership meetings, nominates candidates for the board of directors from the congress membership. The congress also serves in an advisory capacity, transmitting membership viewpoints to the board, and vice versa. The congress meets four times a year with members of the board to hear reports and discuss business. Area delegates may meet more frequently at the call of their chairman. An all-membership meeting is called once a year to elect the GCS board of directors which have been nominated by the congress, and to transact other business as required by the charter and bylaws.

Several large cooperative organizations, including Greenbelt Consumer Services and Midland Cooperatives, are building stores and gas service stations at promising sites in anticipation of developing cooperative memberships through local store patronage. In the spring of 1956, Midland, which is a regional wholesale cooperative serving mainly farm supply cooperatives, opened a large and well equipped service station near Minneapolis to be operated by its retail department. Every patron received an account number; patronage refunds will be cumulated towards ownership of a share of common stock. Thus, the station may ultimately be bought and operated by the patrons. In the meantime, patrons will be invited to elect an advisory committee to suggest operating policies to the management.

^{7/} Greenbelt, Takoma Park, Wheaton, Westminister (as of Sept. 1, 1956), Piney Branch, and Rockville, all in Maryland.

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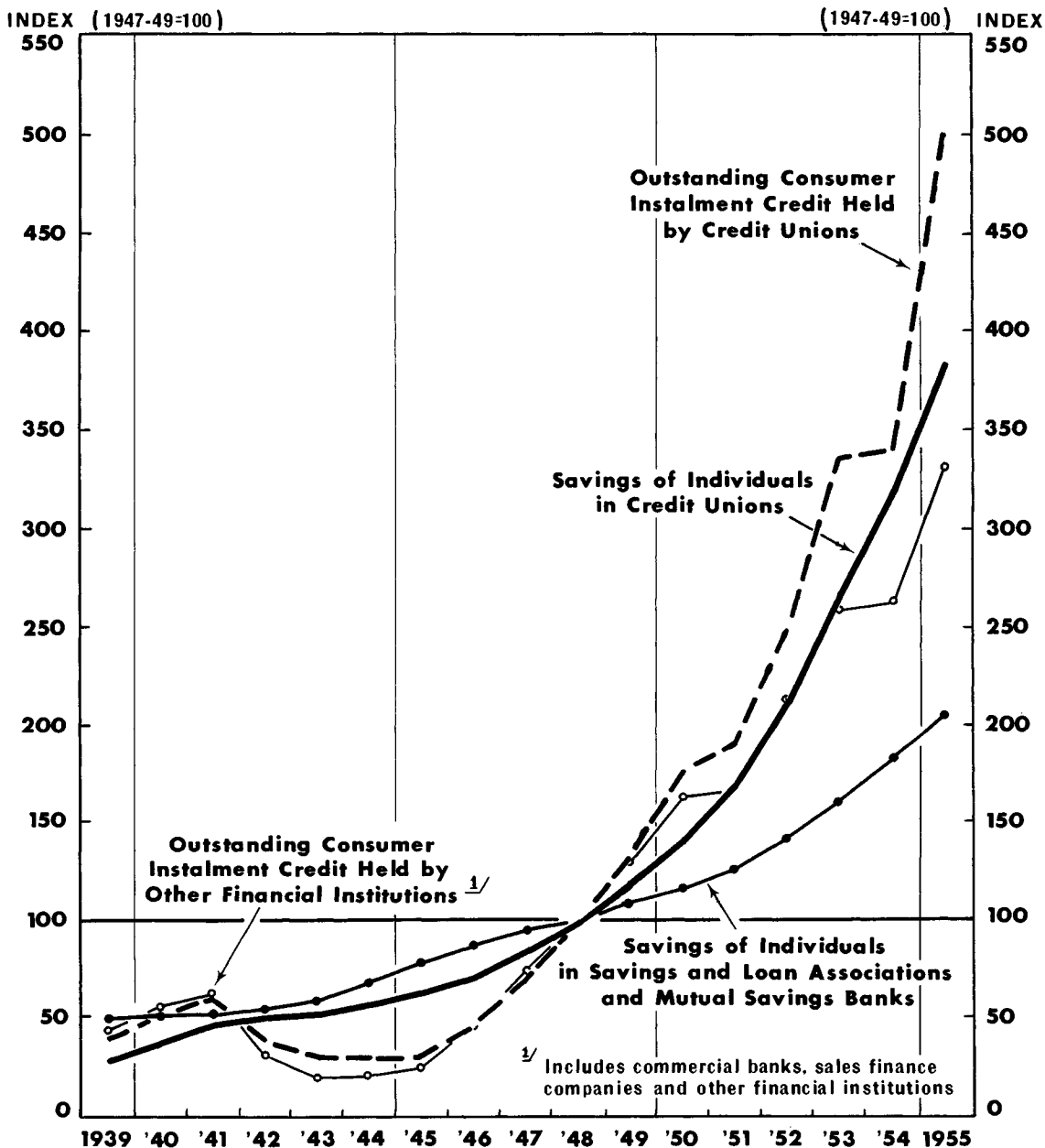
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Chart 1.

COMPARISON OF SAVINGS AND INSTALMENT CREDIT: CREDIT UNIONS AND OTHER FINANCIAL INSTITUTIONS^{1/}

1939-55



^{1/} Includes commercial banks, sales finance companies and other financial institutions

UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Source: 1955 Report of Operations of Federal Credit Unions, U.S. Department of Health, Education, and Welfare; 1952 and 1956 Statistical Abstract, U.S. Department of Commerce.

Credit Unions

Credit unions are formed among persons with a common bond such as an employer, a neighborhood, or a church, for the purpose of making small loans to members at low rates, and to encourage thrift. Members' savings, in the form of credit union shares or deposits with the credit union, constitute the funds to be loaned. Credit union funds may be invested in certain types of securities permitted by the law under which the credit union operates, but the main purpose is to make loans, not investments.

Credit unions may be chartered either under the Federal law, passed in 1934, or under State laws which exist in all States except four, and in the District of Columbia and Puerto Rico. ^{8/}

The average credit union has slightly less than 500 members, with average assets per member of about \$300, and loans outstanding per member of \$237. The average size of each loan made by Federal credit unions in 1955 was \$447. About half of the membership did not borrow from the credit unions. Loans made by Federally-chartered unions averaged a little below those in State-chartered groups in 1955. The State average was raised by long-term loans secured by real estate.

State-chartered credit unions in half of the States report loans based on real estate, but those chartered by the Federal Government are not permitted to make loans for more than 3-year terms, and this in effect precludes real-estate or mortgage loans. Real estate loans in 1954 accounted for about 10 percent of the total volume of State and Federal credit union loans.

Table 5 shows the number, size, and volume of business of State and Federal credit unions from 1939 to 1955, omitting the war years. It also makes a comparison of the credit union loans with all loans made by financial institutions. Table 6 shows growth of savings in credit unions and other savings institutions with which they compete. Chart 1 presents data from tables 5 and 6.

During World War II, credit unions experienced some setbacks, because of restrictions on the extension of credit. After World War II, credit unions started to grow at an accelerated pace. All forms of consumer credit increased rapidly during this period, but the loans extended by credit unions showed a steeper rise than other types. The ratio of credit union loans outstanding at the end of each calendar year, to the loans made consumers by financial institutions, increased from 4.3 percent in 1939 to 6.9 percent in 1954 and 1955. ^{9/}

^{8/} Delaware, Nevada, South Dakota, Wyoming, Alaska, and Hawaii have no credit union laws.

^{9/} Credit union loans secured by real estate are not included in the Federal Reserve Board data for instalment credit. This omission accounts in large part for differences in loan volume reported for credit unions by the Federal Reserve Board and by the Bureau of Federal Credit Unions.

Table 5.--Number, membership, and assets of credit unions,
1939 and 1947-55

Item	1939	1947	1948	1949	1950	1951	1952	1953	1954	1955
Number of reporting credit unions:										
Total - - - - -	7,849	8,942	9,329	9,897	10,569	11,284	12,249	13,564	14,940	16,050
State - - - - -	4,677	5,097	5,271	5,402	5,585	5,886	6,324	6,986	7,713	8,244
Federal - - - - -	3,172	3,845	4,058	4,495	4,984	5,398	5,925	6,578	7,227	7,806
Number of members:										
Total (in thousands) - - - - -	2,309	3,340	3,749	4,091	4,609	5,196	5,888	6,636	7,356	8,154
State - - - - -	1,459	1,894	2,121	2,271	2,483	2,732	3,035	3,380	3,757	4,122
Federal - - - - -	850	1,446	1,628	1,820	2,127	2,464	2,853	3,255	3,599	4,032
Amount of loans outstanding, end of year:										
Total (in million dollars)- - -	149.0	279.9	398.4	515.6	679.9	747.1	985.0	1,307.5	1,552.0	1,935.8
State - - - - -	111.3	188.6	260.7	329.4	416.1	447.3	570.0	733.5	870.0	1,072.8
Federal - - - - -	37.7	91.4	137.6	186.2	263.7	299.8	415.1	574.0	682.0	863.0
Ratio to total financial insti- tutions' instalment credit ^{1/} (percent) - - - - -										
	4.3	4.5	4.7	4.7	5.0	5.2	5.4	5.9	6.9	6.9
Savings of members:										
Total (in million dollars)- - -	180.2	538.8	633.7	744.6	901.1	1,081.6	1,355.8	1,691.4	2,036.2	2,447.3
State - - - - -	136.9	346.4	398.7	459.6	539.2	624.2	758.4	923.8	1,104.8	1,312.1
Federal - - - - -	43.3	192.4	235.0	285.0	361.9	457.4	597.4	767.6	931.4	1,135.2

^{1/} Based on Federal Reserve Board data.

Source: Bureau of Federal Credit Unions, U.S. Department of Health, Education and Welfare; data prior to 1952 for State-chartered credit unions published by Bureau of Labor Statistics, U.S. Department of Labor.

Table 6.--Savings of individuals in credit unions and certain other financial institutions, 1940-55

Year	Total of selected items ^{1/}	Credit unions	Savings and loan associations	Mutual savings banks	Postal savings
Savings (in million dollars)					
1940 - - - -	16,527	235	4,332	10,618	1,342
1945 - - - -	26,110	400	7,365	15,332	3,013
1950 - - - -	37,930	901	13,992	20,002	3,035
1955 - - - -	64,820	2,350	32,305	28,175	1,990
Percent distribution					
1940 - - - -	100.0	1.4	26.2	64.3	8.1
1945 - - - -	100.0	1.5	28.2	58.8	11.5
1950 - - - -	100.0	2.4	36.9	52.7	8.0
1955 - - - -	100.0	3.6	49.8	43.5	3.1
Percent change					
1940-45 - - -	58.0	70.2	70.0	44.4	124.5
1945-50 - - -	45.3	125.3	90.0	30.5	.7
1950-55 - - -	70.9	160.8	130.9	40.9	-34.4
1940-55 - - -	292.2	900.0	645.7	165.4	48.3

^{1/} Not including time deposits in commercial banks, savings bonds, and other securities, and life insurance reserves.

Source: Federal Home Loan Bank Board (in U.S. Statistical Abstract, 1956, table 534, p. 457).

Table 7.--Share capital and dividends on shares of credit unions, 1950-55

Item	1950	1951	1952	1953	1954	1955
Total: Federal and State:						
Share capital - - - - -	\$850,207,504	\$1,040,437,234	\$1,308,521,505	\$1,638,007,350	\$1,981,965,873	\$2,380,172,204
Dividends - - - - -	\$ 22,734,063	\$ 27,928,866	\$ 35,143,633	\$ 47,294,099	\$ 60,443,738	\$ 74,123,101
Rate per share- - - -	2.7	2.7	2.7	2.9	3.0	3.1
Federal:						
Share capital - - - - -	\$361,924,778	\$ 457,402,124	\$ 597,374,117	\$ 767,571,092	\$ 931,407,456	\$1,135,164,876
Dividends - - - - -	\$ 10,161,109	\$ 12,619,643	\$ 16,596,430	\$ 22,577,430	\$ 28,425,599	\$ 35,383,216
Rate per share- - - -	2.8	2.8	2.8	2.9	3.1	3.1
State:						
Share capital - - - - -	\$488,282,726	\$ 583,035,110	\$ 711,147,388	\$ 870,436,258	\$1,046,233,073	\$1,245,007,328
Dividends - - - - -	\$ 12,572,954	\$ 15,309,223	\$ 18,547,203	\$ 24,716,669	\$ 31,866,944	\$ 38,739,885
Rate per share- - - -	2.6	2.6	2.6	2.8	3.0	3.1

Source: Bureau of Federal Credit Unions, U.S. Department of Health, Education, and Welfare; data prior to 1952 for State-chartered credit unions published by the Bureau of Labor Statistics, U. S. Department of Labor.

Strengthening of the movement in recent years is indicated by the fact that memberships and loans increased more sharply than the number of credit unions. The rate of dividend paid on share capital to credit union members has also risen steadily, indicating a stronger financial position (table 7).

The amount of individual savings accumulated in credit unions increased more rapidly in the postwar period than savings in other comparable institutions, but the total amount thus held is still low compared to the savings and loan associations and mutual savings banks; it is a little higher than deposits in postal savings accounts (table 6).

The State-chartered credit unions had a head start, since the first State law was passed in 1909 in Massachusetts, and have maintained a diminishing lead over the Federal credit unions in numbers, members, loans made, and members' savings. In 1955, Illinois led in number of State-chartered credit unions, and also in membership and loans, followed by Massachusetts, Michigan, and California.

Federal credit unions exist in all States and territories and in the District of Columbia. Pennsylvania, New York, California, Texas, and Michigan lead in terms of numbers of credit unions, but California stands first in membership, assets, and loans outstanding, because of the great size of the credit unions in the aircraft and petroleum industries.

More information is available on Federal credit unions since the Federal groups must report to the Bureau of Federal Credit Unions, which collects and publishes information on the credit unions to which it issues charters; the State-chartered unions report to 44 different State Banking Commissioners, with varying regulations and reporting requirements, and no specified obligation to assist the credit unions.

Information on federally chartered credit unions is shown in table 8. Among these organizations, 90 percent of the membership is found in groups of employees working for a common employer or under the roof of one establishment. Almost half of those with occupational or industrial ties are in manufacturing industries. Metal manufactures, automotive products, petroleum production and refining, electrical products, and aircraft are the industries with the largest credit union memberships. Together, the credit unions in these enumerated industries reported 1.1 million members; credit unions in Government (Federal, State, or local) reported 764,000; in transportation, 252,150; and in educational institutions, 154,000. Over 1,000 Federal credit unions, with a combined membership of 374,000, have been formed by labor unions, churches, and religious, fraternal, or professional organizations, or by cooperatives. These "associational" credit unions serve members, or patrons and employees of the associations. A small number of credit unions, with about 50,000 members, serve residential groups, chiefly in rural areas.

Table 8.--Federal credit unions by type of membership,
December 31, 1955

Group	Number of credit unions	Number of members	Loans outstanding	Average loans per member
Total - - - - -	7,806	4,032,220	\$863,042,049	\$214
Occupational or industrial groups	6,475	3,609,092	780,733,062	216
Associational groups - - - - -	1,166	374,022	72,409,996	194
Cooperatives - - - - -	192	66,818	17,057,607	255
Fraternal and professional organizations - - - - -	300	83,692	21,689,758	259
Religious organizations - - - - -	374	130,840	19,259,210	147
Labor unions - - - - -	300	92,672	14,403,421	155
Residential groups - - - - -	165	49,106	9,898,991	202
Rural community - - - - -	116	34,652	7,511,115	217
Urban community - - - - -	49	14,454	2,387,876	165

Source: 1955 Report of Operations of Federal Credit Unions (tables 10 and 17), Bureau of Federal Credit Unions, U.S. Department of Health, Education, and Welfare.

Loans are made by credit unions in varying amounts, and with security such as cosigner or collateral required for the larger loans but no collateral required for the smaller loans. The interest rates charged are usually the maximum permitted by the credit union laws, these being for the most part, 1 percent a month on the unpaid balance of the loan.

These rates are lower than rates charged by commercial credit agencies, although higher than the rates of some banks which maintain personal loan departments. However, banks can make a profit on their personal loan business at these lower rates only by eliminating the small loans and by setting high credit standards for their borrowers. Low-income families are generally ineligible for bank loans. 10/

The reasons credit unions can charge as little as 1 percent a month for the type of loans they make is that they do not aim to make a profit, but only to cover expenses and pay interest on shares. Their expenses are held down by the fact that free space is often provided on the employers' premises, or in the headquarters of the group among which the credit union operates. Often only one officer is paid and bonded, other officers serving without compensation. However, some of the largest credit unions employ staffs and have even constructed their own quarters. Expenses are held down by absence of formal investigations, or credit ratings (replaced by personal acquaintance among members); loan collections are aided by scheduling repayment in instalments due on paydays. Salaries constitute about half of all expenses, borrowers protection insurance 17 percent, examination and supervisory fees 5 percent. Credit union league dues, insurance bond premiums, and interest on borrowed funds are 8 percent. Miscellaneous expenses, including rent and social security taxes, supplies, and losses amounted to about 20 percent. Federal credit unions devote approximately 40 percent of their income to expense. These figures relate to 1955.

In spite of their lower interest charges for small unsecured loans, credit unions have by no means pre-empted the field of consumer credit as is shown by table 9. Their share of all instalment consumer credit issued by financial institutions and retail outlets was 5.8 percent in 1955; according to the Federal Reserve Board, and their share of instalment credit issued by financial institutions only was

10/ For a discussion of cooperative lending rates by different types of consumer credit agencies, see Consumer Credit Facts for You, Educational Pamphlet 1, Bureau of Business Research, Western Reserve University, 1955. The lowest rates shown in the pamphlet are those charged by credit unions (p. 17).

Table 9.--Instalment credit by type of holder in 1955

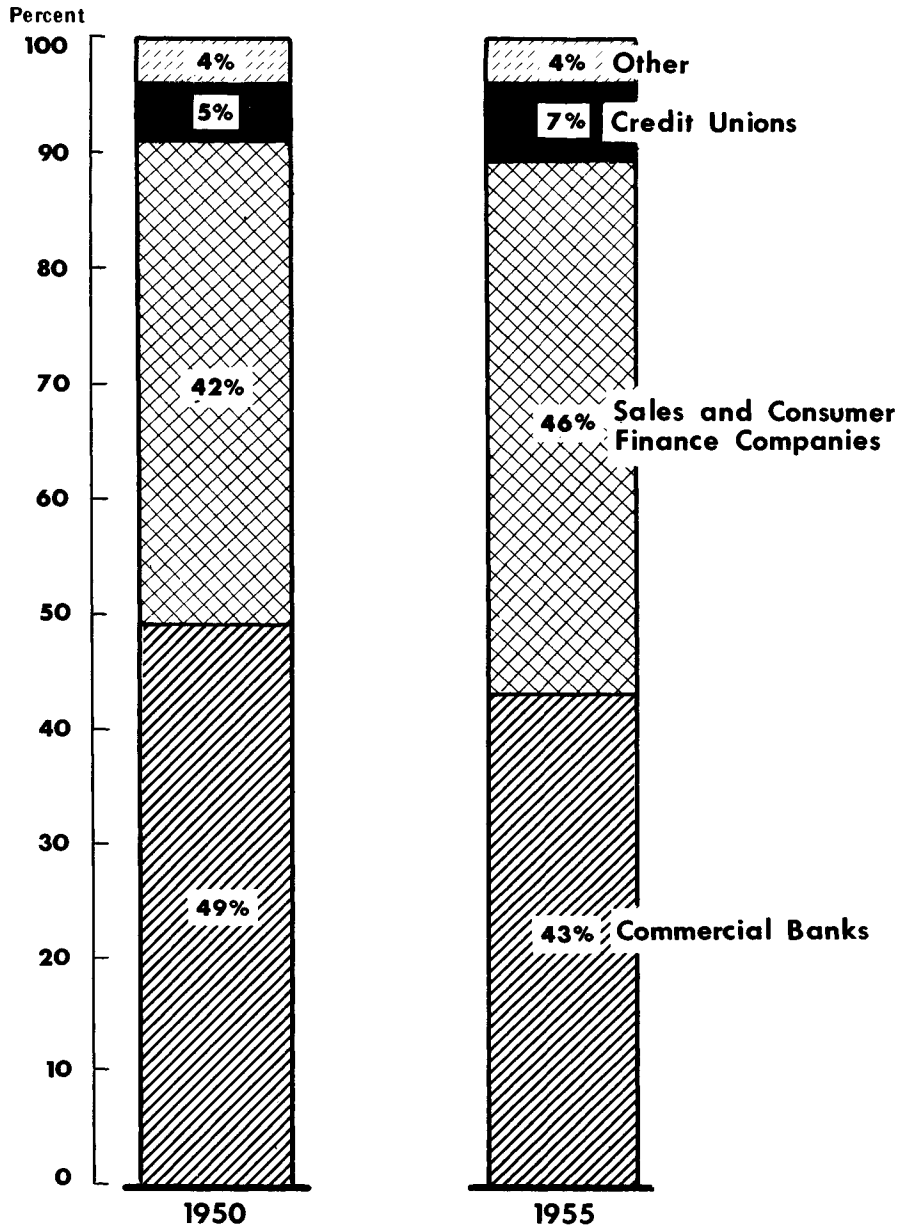
Type of holder	Total (in millions)	Percent of total consumer credit	Percent of total credit issued by financial institutions
Total instalment consumer credit -	\$29,020	100.0	-
Retail outlets - - - - -	4,579	15.8	-
Institutional credit - - - - -	24,441	84.2	100.0
Commercial banks - - - - -	10,601	36.5	43.4
Sales finance companies - - -	8,443	29.1	34.5
Consumer finance companies - -	2,656	9.2	10.9
Credit unions ^{1/} - - - - -	1,680	5.8	6.9
Other - - - - -	1,061	3.6	4.3

^{1/} Loans extended by State-chartered credit unions secured by real estate are not included.

Source: Federal Reserve Board Bulletin, December 1956 (p. 1352).

Chart 2.

CONSUMER INSTALMENT CREDIT BY TYPE OF FINANCIAL INSTITUTION, 1950 AND 1955



UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Source: Based on Federal Reserve Board data.

6.9 percent. (See chart 2.) The total instalment consumer credit does not include debts owed for professional and other services, single-payment loans, and regular charge accounts, because such debts are usually liquidated by a single payment. Mortgage and real estate loans are also excluded from these computations, both from the totals and from the credit union loans.

The reasons why individuals borrow more from other sources than from credit unions are in part lack of access to a credit union, the lower rates of interest which banks charge eligible borrowers, and the greater impersonality of the commercial agency. Borrowers may prefer not to discuss their personal or family affairs with coworkers.

Promotion of credit unions has, in recent years, devolved upon the Credit Union National Association (established in 1934), a cooperative voluntary federation with headquarters in Madison, Wis., composed of State or provincial leagues of credit unions. Credit unions in Canada and other western hemisphere countries may affiliate. The leagues, which exist in 45 States, the District of Columbia, Hawaii, Puerto Rico, and in 8 Canadian provinces, carry on legislative work; hold conferences, schools, and clinics for credit union officers; make available low-cost bookkeeping supplies, forms, and advertising material; and render assistance on bonding and on various operating problems.

The Credit Union National Association organized another cooperative, CUNA Mutual Insurance Society, to provide three types of insurance at group rates to members of credit unions which elect coverage: (1) Insurance of the loan in case the member-borrower dies or is permanently totally disabled before repayment (the credit unions pay for this insurance out of earnings); (2) life savings insurance, which may be purchased by a credit union on the lives of its eligible members in proportion to their savings held by the credit union, up to a maximum of \$1,000 (again the individual pays no premium; this feature has furnished members with an added thrift incentive and has helped credit unions increase their loan capital); (3) life insurance policies which may be purchased direct from CUNA Mutual by individual credit union members. At the end of 1955, loan protection insurance in force under CUNA amounted to \$1,433 million; life savings insurance, \$876 million; and individual policies, \$42 million. Together, these insurance policies had increased 27 percent over 1954. In the case of consumer credit furnished by other types of agencies, the borrower or instalment buyer is frequently required to carry loan-protection life insurance, and must pay for it as an added credit charge.

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Electricity and Telephone Cooperatives

The Rural Electrification Act of 1936 (amended in 1949) established an agency authorized to make "loans for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, and for the purpose of furnishing and improving telephone service in rural areas." Cooperatives, public authorities, and limited dividend associations were to have priorities on the loans made. As table 10 shows, more than 90 percent of the Rural Electrification Administration's (REA) electricity program has been carried out by cooperatives; cooperatives have built 95 percent of the powerlines through which electric current now flows and have connected 95 percent of the consumers now receiving current from REA-financed systems. Over 4 million consumers were served by the electricity cooperatives at the end of 1955, including 2.3 million farms--over half of all farms electrified.

The REA cooperatives are responsible for most of the great progress made since 1936 in bringing central station electric current to the rural population. In 1940, only 30 percent of all farms were electrified; in 1950, the percentage had risen to 77 percent, and in 1954, to 93 percent. Large as the rural program is, the electric current supplied by those systems financed by REA amounted to only 8 percent of all residential current consumption in the United States in 1955.

Practically no REA borrowers are delinquent in loan repayments and some of them are repaying ahead of schedule. At the end of June 1956, payments on loans in advance of the date due were 3.5 percent of the principal advanced to active borrowers, compared to 3.3 percent a year earlier. The amounts overdue more than 30 days were less than one-tenth of 1 percent of the amounts due. After the initial development periods, during which interest and principal are deferred, the schedule of repayments increases. The total amounts paid on the loans rose from 20.5 percent of total active loans in mid-1955 to almost 24 percent in mid-1956.

A comparison of the relative status of cooperatives in the REA program in 1955 with earlier years indicates that there has been an extension of facilities for which funds were approved some time ago, but that the proportion of funds currently approved and advanced to cooperatives is lower than in former years; therefore, the proportion of mileage built and consumers connected by them may fall in the next few years. Table 10 shows a comparison between 1955 and 1945. In 1945, the proportion of funds advanced to cooperatives was at a peak, although the amount was low.

Table 10.--Cooperatives in REA electrification loan program,
1945 and 1955

Item	1945	1955
Cooperatives borrowing - - - - -	883	979
Percent of all REA borrowers - - - - -	92.0	90.9
Cooperative borrowers energized - - - - -	776	934
Percent of all energized REA borrowers - - -	91.5	91.0
Distribution-type cooperatives - - - - -	767	907
Power-type cooperatives - - - - -	9	27
Loans outstanding to cooperatives December 31 (thousands)- - - - -	\$345,281	\$2,103,961
Percent of all REA loans outstanding - - - -	95.8	94.6
Funds advanced to cooperatives in year (thousands)- - - - -	\$55,164	\$141,507
Percent of all REA funds advanced- - - - -	96.8	92.3
Cooperatives' operating revenues (thousands) -	\$70,188	\$431,779
Percent of all REA borrowers' revenues - - -	95.4	94.8
Miles of line energized by cooperatives - - -	424,638	1,295,950
Percent of all mileage energized under REA program - - - - -	95.0	95.2
Consumers connected by cooperatives - - - - -	1,325,448	4,017,287
Percent of all consumers connected by REA borrowers - - - - -	94.6	94.8

Source: REA Statistical Services Division.

The electric current distributed by REA borrowers in 1955 originated as follows:

43 percent purchased from private companies;
32 percent purchased from Federal authorities;
7 percent purchased from other public authorities; and
18 percent generated by REA borrowers.

Most of REA lending has been for distribution lines, only a small proportion of the funds has been loaned for building powerplants, or for electric facilities at the consumers' end. Most of the loans for building powerplants have been made to cooperatives.

In order to strengthen those borrowing systems which were facing financial difficulties because their electricity sales had not yet reached their planned load capacity, REA administrators during 1954 and 1955 increased their emphasis on programs to develop the use of power in rural homes and on farms. Consumer loans for home and farm electrical equipment are made by some cooperatives direct, out of revolving funds. During 1955, one North Carolina cooperative financed 300 refrigerators, 301 electric ranges, 359 television sets, 179 washing machines, 66 home freezers, 70 water heaters, 4 milking machines, 1 milk cooler, 14 water systems for farm use, and 32 farmstead wiring installations.

On the other hand, some REA borrowers have found that customer demand has exceeded load capacity and they are searching for additional sources of power. In these cases, questions have arisen as to whether the added power should come from private or public sources, or from cooperatively owned generating plants. Such questions have not been resolved on their technical merits alone, because of differences of opinion as to the relative theoretical advantage of public power vs. private power, and cooperatives vs. other forms of business organizations.

In searching for new potential power sources, cooperatives have not overlooked the possibilities of atomic energy, but have assiduously sought to enter the field. In 1956, the Wolverine Electric Cooperative, Big Rapids, Mich.; the Chugach Electric Association, Anchorage, Alaska; and the Rural Cooperative Power Association, Elk River, Minn., started to explore with the Atomic Energy Commission the feasibility of developing atomic power production in these areas. By the end of 1956, the Elk River Cooperative had passed the preliminary stages, but it was still negotiating with AEC in an effort to find the most economic and practical means of building an atomic reactor.

The rural electric cooperatives belong to a national association, the National Rural Electric Cooperative Association (NRECA), organized in 1942, which closely follows governmental moves affecting its constituents, including their access to funds and power supplies, and technical assistance. It is a member of the Cooperative League of the U.S.A., and has been a vigorous proponent of federal power development, and of REA.

Thus far, Congress has taken no action on recommendations by the Hoover Commission on Organization of the Executive Branch of the Government which, in the view of NRECA and the Cooperative League, would sharply curtail the REA program. ^{11/} Noting the high percentage of farms now electrified, the Commission said that "the time had arrived to reorganize REA into a self-supporting institution securing its own financing from private sources." Cooperatives, and other borrowers for rural electrification, have been able to borrow at 2 percent per year from REA, and have had an initial 5-year delay on payment of interest. Meanwhile all interest rates have risen, as the money market has tightened. The Commission estimated that current growth and replacement rates would call for doubling the present investment in the next dozen years. The public utility industry also estimates a great increase in investment in the near future.

New uses of power on farms and in farm homes require heavier investment in generating equipment, power transmission lines, and in appliances and facilities using electric current. This means that the demand for REA loans will continue.

Some reappraisal of the act and its relation to the rural economy would, however, appear to be implicit in President Eisenhower's program for rehabilitation of depressed rural areas. The use of REA power to promote rural industries and diversification of the rural economy has been discussed and is to some extent now being done.

Telephone Program

Between October 1949 (when the program started), and November 1956, REA had allocated almost \$340 million in loans for new or improved dial telephone service to over 750,000 subscribers in rural areas. About half were present and half were eventual beneficiaries. The role of cooperatives has not been as predominant in extending telephone service as in farm electrification. On the basis of loans allocated, number of borrowers, funds advanced, and number of subscribers, the cooperatives form about half of the rural telephone programs of REA. (See table 11.) Only about 10 percent of farm

^{11/} Lending Agencies. A Report to the Congress March 1955 by Commission on Organization of the Executive Branch of the Government (pp. 71-76).

Table 11.--REA telephone program, 1949-56

Item	November 1956
Amount of loans allocated (thousands) - - - - -	\$338,069
To cooperatives (thousands) - - - - -	\$175,174
Percent of all loans allocated - - - - -	52
Total number of REA telephone borrowers - - - - -	500
Cooperatives - - - - -	202
Percent of all borrowers - - - - -	40
Funds advanced to borrowers (thousands) - - - - -	\$183,211
To cooperatives (thousands) - - - - -	\$104,419
Percent of all funds advanced - - - - -	57
Number of present subscribers - - - - -	387,982
Cooperatives - - - - -	154,124
Percent of total present subscribers - - - - -	40
Subscribers to be added (on basis of approved loans)- - -	364,665
Cooperatives - - - - -	180,885
Percent of total to be added - - - - -	50
Present pole miles of line - - - - -	22,380
Cooperatives - - - - -	5,621
Percent of total present pole miles of line - - - - -	25
Pole miles of line to be added (on basis of approved loans)	191,842
Cooperatives - - - - -	123,121
Percent of total to be added - - - - -	64

Source: REA Monthly Statistical Bulletin, Rural Telephone Program, November and December 1956.

families with telephones in July 1955, were served by cooperatives and mutuals. The other 90 percent were served half by the Bell System and half by independent companies. 12/

REA's rural telephone program is still very young, and the majority of borrowers are just beginning to make payments on their loans. During the developmental stage of both electric and rural telephone cooperatives, REA defers a substantial part of their debt service. (The deferment period on telephone loans, however, is only 2 to 3 years, compared with a 5-year deferral period on electricity loans.)

The number of subscribers served by cooperatives will rise as loans now allocated are translated into poles and lines, but the subscribers of the cooperatives are in more sparsely settled areas than those served by the commercial companies. There will be only 1.5 subscribers for every pole-mile to be added by the cooperatives, compared to 2.7 in the developments planned by commercial companies with REA loans.

In 1953, both the Congress and the REA Administrator announced a policy of extending telephone service in rural areas in cooperation with the existing commercial telephone industry. Only where these companies were unable or unwilling to expand, would REA loans and personnel training programs be used to aid local cooperatives in meeting the need.

The Cooperative League believes that in this program, not enough emphasis has been placed on the cooperatives. On the other hand, the REA staff points out that in most sections of the country, the commercial companies have worked closely with the REA and with the REA borrowers in developing modern telephone service. Manufacturers and suppliers of telephone equipment are also cooperating by developing line and other materials especially adapted to the need for low installation costs in rural areas, and to the special maintenance and operations problems of farm service. REA telephone borrowers may take advantage of joint-use contracts for the use of pole lines constructed by the rural electricity cooperatives and other utilities to reach distant or widely spaced subscribers, thereby reducing the cost of line construction. As a result of all of these factors, there has been an increase in the number of farms with telephones since the depression, when many of the small rural telephone companies went out of business. According to the U.S. Census of Agriculture, almost half of all U.S. farms (48.8 percent) had telephones in 1954, compared with 38.2 percent in 1950, and 25.0 percent in 1940. 13/

12/ Agricultural Marketing Service Survey, July 1955. According to the same survey, about 51 percent of farmers with telephones had dial service, compared to 45 percent in July 1954.

13/ The Rural Telephone Loan Program, an REA Staff article, Public Utilities Fortnightly, October 11, 1956 (p. 599).

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Medical Care Cooperatives

Efforts to provide comprehensive medical care on cooperative lines under consumer-member control have encountered many obstacles in the conservative attitude of the medical association concerning medical professional standards, and in the laws barring the corporate practice of medicine. The medical profession's desire to preserve professional standards from commercialism is understandable. The profession's unwillingness to publicize the names of cooperating physicians has however interfered with the promotional campaigns for membership staged by the health cooperatives. The American Medical Association also objected to consumer-control of cooperative medical care projects, which is a basic Rochdale principle. Gradually, however, opposition receded as it became clear that the doctors retained full control of the professional and technical standards in the cooperatives; many lay-groups sought and obtained doctor cooperation from the outset.

The distinguishing features of cooperative medical care plans may be summed up in the following principles: Prepayment, comprehensive care, group practice, ownership and management of facilities by a voluntary member-association, and democratic control of the economic and business aspects (leaving to the physicians the direction of the medical services). Not all cooperative medical care plans provide at the outset for group practice, although they generally aim to do so ultimately. Nor are all group-practice plans cooperative in form, i.e., controlled by their enrolled membership. Some are sponsored and controlled by physicians (for example, the Kaiser Foundation Health Plan on the West Coast).

The various types of prepaid service plans, in which consumers have some voice, are shown in table 12. In 1954, the total number of plans "with consumer voice" was 279; the numbers eligible for care, over 8 million; and some \$182.4 million in benefits were provided. These totals should be considered in the perspective of all persons covered by some type of health protection. In 1954, according to the Health Insurance Council, \$2.7 billion was paid out for hospital, medical, and surgical benefits or care by the medical expense indemnity plans of the insurance companies, the Blue Cross and Blue Shield plans, and all of the independent health service plans, including those shown in table 12. The number of persons covered as estimated by the Council was over 101 million for hospitalization, 86 million for surgical, and 47 million for medical expenses. 14/

In 1954, there were 24 health plans regarded as consumer-managed cooperatives, which made reports to the U.S. Department of Health, Education, and Welfare. The number of persons enrolled in

14/ The Extent of Voluntary Health Insurance Coverage as of December 31, 1954, The Health Insurance Council, November 1955 (pp. 8, 9, 27).

Table 12.--Medical care prepayment plans, "with consumer voice," 1949 and 1954

Type of association	1949			1954		
	Number of associations	Number of members	Expenditures for benefits (in thousands)	Number of associations	Number of members	Expenditures for benefits (in thousands)
Total - - - - -	222	3,128,630	\$50,700	279	^{1/} 7,768,451	\$182,400
Consumer managed (cooperative)-	47	294,300	4,800	24	333,451	6,800
Union sponsored - - - - -	14	433,650	4,400	71	2,427,233	65,200
Fraternal sponsored - - - - -	(2/)	(2/)	(2/)	19	221,900	2,000
Employer-employee sponsored -	46	434,480	12,600	63	727,000	} 54,100
Employee sponsored - - - - -	59	868,100	18,300	41	552,724	
Employer sponsored - - - - -	30	233,800	300	26	152,000	
Communitywide ^{3/} - - - - -	26	864,300	10,300	35	3,354,143	54,300

^{1/} Some plans report dependents covered, others do not. HEW estimates that approximately 625,000 dependents are served by these plans on a reduced fee basis. These are not enumerated in this table. Their inclusion would raise the total shown to almost 8.4 million persons.

^{2/} Not reported separately.

^{3/} Sponsored or managed by boards representing the public.

Source: U.S. Department of Health, Education, and Welfare, Division of Program Research, Office of the Commissioner of Social Security.

such plans was larger in 1954 than in 1949, although fewer plans reported. The number of persons enrolled for benefits of various types in 1954 were: 323,000 hospital, 319,000 surgical, 155,000 medical, 82,000 diagnostic (only), and 14,000 dental care. The unduplicated enrollment was about 333,450.

The Cooperative Health Federation of America (CHFA, founded 1946), had 20 member plans in 1955 in the United States and Canada. Some of these were the direct service type, others were the insurance type, and still others combined direct service and insurance. The Federation also had as associate members 65 cooperative, farmer, and labor organizations. ^{15/} Its program is to assist interested groups in setting up consumer-sponsored medical care plans; to urge favorable legislation and the removal of restrictions, legal or other; to collect funds to aid groups involved in litigation; to render technical advisory service on organizational and operational problems; and to set standards for consumer-sponsored health plans. CHFA seeks to remove restrictive legislation against formation of consumer-sponsored health plans, and tries to eliminate discrimination against doctors who associate themselves with group health plans.

In addition, the CHFA promotes health education by distributing articles about health; by publishing monthly newsletters containing items of interest on cooperative, union, and other group health plans, and by a column in which doctors discuss personal health problems. Since 1950, the Federation has also conducted an annual Group Health Institute, which brings together representatives of group medical plans in the United States and Canada. In 1956, the annual meeting voted to change the name of CHFA to Group Health Federation of America, in order to bring within its scope various prepayment group practice plans which are not completely consumer-controlled, but which are organized under the nonprofit corporation laws.

The common law principle prohibiting the practice of medicine by a corporation, which was incorporated in some State medical practice laws, was intended to prevent injury to the public by commercial exploitation and debasement of professional standards. The doctrine has been set aside in favor of group-practice plans under safeguarding conditions, in some States by specific permissive statute, and in others (notably Washington and California, and the District of Columbia) by court decisions, where it was shown that group practice of medicine was not operated for private profit, and complied with professional standards. Thus, a body of law that would except nonprofit corporate health organizations from the rule

^{15/} Associate members are individuals and organizations sympathetic to the principles of prepaid group medical care and practice but which are not themselves so organized.

against corporate practice is being built up. A recent case in point is the California Supreme Court decision, July 1954, in Complete Service Bureau v. San Diego County Medical Society, ^{16/} wherein the court found for the Complete Service Bureau, a group medical and hospital service plan.

In 1955, the Iowa District Court departed from this trend in a ruling which may have serious implications for group health plans and clinics, and which has been attacked by spokesman of cooperative health plans and unions. The court decided that it is illegal for hospitals to employ physician specialists on a salaried basis, and to charge patients for their professional services. The court concluded that the services of these specialists (e.g., pathologists, radiologists) constitute medical services, and under ". . . Iowa law the privilege of practicing medicine is a personal one requiring qualifications which cannot be met by a corporation," i.e., hospital or clinic. The court realized that the facilities of pathology and X-ray laboratories are essential parts of modern hospitals, and stated that while it is legal for the hospitals to charge patients for their use, the patients must be billed in the name of the physician for the professional services of the pathologist and radiologist.^{17/} This decision applies equally to nonprofit charitable hospitals and other hospitals. Spokesmen for cooperative health plans and for trade unions interested in medical centers have voiced their fears lest this decision interfere with the operation of these plans, in Iowa and elsewhere, should other courts follow the decision.

Nonprofit group health plans controlled by physicians (the Blue Shield plans) are permitted, or authorized by statute, in 28 States, but these laws have been labeled as hostile to lay-organized plans. However, according to testimony presented to Congress in 1954 by CHFA, only 15 of these laws were so restrictive as to preclude attempts by laymen to organize group health plans. In 11 States the possibility of organizing a consumer-sponsored plan under other statutes existed, although the plan might then encounter adverse rulings by courts or insurance commissioners. Eleven State laws were described as open to either type of plan, and 3 States had separate acts authorizing consumer-sponsored plans. The legislative situation can best be described as unclear. However, consumer-sponsored cooperative plans, for example, Group Health in Washington, D.C., and various group health plans in Minnesota, have found it possible to organize without specific enabling acts, where no statutory prohibition exists.

^{16/} 272 (2d) 497, California, 1954.

^{17/} District Court of Polk County, Iowa. Decision of November 28, 1955, Judge C. Edwin Moore; Iowa Hospital Association, et al. v. Iowa State Board of Medical Examiners, et al.

Although Minnesota still lacks a law authorizing cooperative health plans, a number of plans have been organized. During 1955 and 1956, notable expansions were underway in subscriber-owned health clinics in Minnesota. ^{18/} Group Health Association of St. Paul financed both the Arrowhead Health Center (West Duluth, Minn.) which opened in April 1955, and a new Group Health Building housing a medical and dental center for its membership in the Twin Cities, completed in 1956. Local medical society opposition delayed the staffing of these centers. In Milwaukee, plans for 1 or 2 health centers for labor union members and for the members of the Cooperative Health Insurance Plan were launched. The Two Harbors (Minn.) Health Cooperative collected \$115,000 out of an estimated \$130,000 needed for construction of a clinic to provide physicians' offices and laboratories. Each of the centers built is expected to serve as a nucleus for extending prepaid medical care programs to surrounding areas.

A suit entered by the Two Harbors (Minn.) Health Cooperative against the St. Louis County Medical Association in 1952 was dismissed, at the instance of the plaintiffs, in June 1956. Greater mutual understanding of the problems on both sides; recognition of good faith and sincerity of both parties; alterations in the manner of operating the medical care plan; and separation of clinic facilities, records, and funds from those of the adjoining hospital laid the basis for reconciliation and the request to dismiss the suit.

In addition to those medical care plans operated by and for a membership association formed for the particular purpose, some plans are sponsored by unions, fraternal organizations, and employer-employee groups (table 12). Certain organizational differences between these groups and the pure Rochdale-type cooperatives do not seem sufficiently important to warrant omitting a very extensive segment of the medical care organizations from this study. Groups of potential patients with a common bond of membership in a pre-existing association, or of common employment would seem to qualify as consumer cooperative groups.

Communitywide plans sponsored or operated by philanthropic boards have also been included with the consumer-sponsored plans in this study, for example, the Health Insurance Plan of Greater New York (HIP), covering 471,478 persons in 1956. HIP grew out of the experiences of the municipal employees' credit union, which found medical debts the most frequent cause for loan applications. The

^{18/} Minnesota has a "Blue Shield" law; however, this law, "designed for the exclusive use of professional-controlled plans does not require that all prepayment, medical care plans must be organized under this act," according to the CHFA.

plan was started by a citizens' group, headed by Mayor LaGuardia, with the financial assistance of philanthropic foundations. (The loan has since been repaid.) The organization is governed by a board of directors representing large groups of users, although not elected by them. It operates under the New York State insurance laws. Groups enrolled in HIP include employees of the municipal departments and the city's transportation systems; employees of the United Nations, and of certain State and Federal agencies with offices in New York City; employees of almost 500 private industries and businesses; members, and their families, of 24 local unions, including hotel and restaurant workers, department store workers, and painters; and tenants in certain cooperative housing projects. Half of the premium is paid by employers, except for State and Federal employees. The entire premium for union members is paid out of union welfare funds to which employers contribute; the tenants pay their premiums along with their rent.

General medical care in a clinic, at home, or in a hospital, as well as surgical and maternity care, are provided through health centers and panels of physicians and surgeons. For those living in outside areas served by HIP clinics, cash indemnity payments are made. At the end of 1955, subscribers were served by 30 affiliated medical groups with 950 physicians. Hospitalization is taken care of through additional premiums paid to Blue Cross. Dependents are eligible for coverage.

Union Health Centers

In 1955, about 50 union-operated health centers, serving their own members and frequently their families as well, were providing diagnostic services and medical treatment for ambulatory patients.^{19/} Very few, however, provided home and in-hospital medical care. The centers may be prevented from furnishing complete and comprehensive care because of the difficulty of obtaining and keeping a full-time medical staff, the opposition of local medical groups, and the difficulty of obtaining the large funds required to finance the expensive capital equipment and construction necessary for broader care. Moreover, it is reported that members of group health centers often do not fully utilize all the facilities of the clinic, preferring the family physician, thus making it uneconomical to carry certain services.

^{19/} Writing about all types of group health centers, not only union health centers, E. R. Weirnerman, in *American Journal of Public Health*, March 1956 (p. 305), reported that less than one-third of all health center enrollments are made up of family dependents, although family dependents incur some 75 percent of the average worker's over-all medical costs.

Funds to operate union health centers are now usually provided by the health and welfare funds to which employers contribute under labor-management agreements. About 12 million workers were covered by collectively bargained health and welfare plans in 1954, according to Bureau of Labor Statistics estimates. Not all those workers had access to union health centers. Most of them were covered by some type of insurance for hospitalization or medical and surgical care, or both, or received cash indemnity.

The health centers were in many cases operated by local unions, or groups of local unions, but sometimes by an international union. The executive board usually appoints the Medical Director, after consultation with an advisory medical committee. Union members through their local meetings or international conventions receive reports on the health centers and have an opportunity to voice suggestions or criticisms, in much the same manner as do the members of a Rochdale-type health cooperative. However, since a great deal of other business is also transacted at such meetings, and the membership attending the centers may not coincide with the members or delegates attending these meetings, the consumer-control is not as direct as in the case of the Rochdale groups. Benefits and savings may, however, be very similar.

The International Ladies' Garment Workers' Union (ILGWU) pioneered in developing a union health center, when it established a diagnostic clinic in New York City in 1913, only shortly after the union itself had been organized, as a part of its drive to eliminate insanitary workshops and to control tuberculosis. Starting with free health examinations for new entrants into the union, and certification of members receiving sickness pay, the Union Health Center in a few years added medical and diagnostic services, at a nominal charge. In 1935, the center moved to 6 floors of a 27-story structure owned by the International on Upper Broadway. In 1945, employers started making contributions (from 1 to 5 percent of payrolls) to a collectively bargained health and welfare plan. This plan then took over financing the center. Fees for most services were abolished and new facilities and equipment (costing over \$3.5 million) were added. In 1955, the center served 50,000 patients among the union's 200,000 members in New York City, at a total cost of \$1,750,000, through examinations, physical and X-ray therapy, various kinds of tests and diagnoses, nutrition services, and a pharmacy.

In addition to the center in New York, the ILGWU and its local organizations operate 12 other diagnostic centers in the United States and 1 in Canada on premises which they own; most of these have been established in recent years. In 7 other cities in the United States, diagnostic services are provided for the union membership in centers which are operated either jointly with other

unions (e.g., Associated Medical Center of Baltimore), or by arrangement with a private clinic (Minneapolis), or with a panel of doctors and technicians on a fee-for-service basis (San Francisco), or by other arrangements. In August 1956, the ILGWU outfitted a 35-foot long custom-built mobile health unit, at a cost of \$40,000, to provide medical services to garment workers in Puerto Rico. Until a health and welfare fund is established, the union will meet the costs of operating the unit.

The Amalgamated Clothing Workers of America operates 4 health centers, 2 in New York, 1 in Chicago, and 1 in Philadelphia; the 2 oldest were set up in 1951. Management and labor shared in financing the construction of the Sidney Hillman Medical Centers in New York and Philadelphia, and management contributes a percentage of payrolls towards maintaining the services. The health centers' board of trustees are composed of equal numbers of union and employer representatives. A medical advisory council, composed both of staff and outside physicians, sets the standards for the professional and technical services, reviews physicians' qualifications, and makes recommendations on appointments to the board of trustees. Ambulatory patients are provided with complete general medical, diagnostic, and therapeutic care. Medication is furnished at nominal charge. Workers and their wives are eligible for treatment. In New York, each worker pays \$10 per year or \$20 for himself and wife, after his local has voted to join. Clothing workers in Rochester, N.Y., and Allentown, Pa., are making plans for health centers to be opened in the near future.

Other unions which have furnished diagnostic and ambulatory medical care for their members and their dependents are the Central Labor Union of Philadelphia, which sponsored the AFL Medical Center in Philadelphia for 32,000 members of 27 unions and their 20,000 dependents; the Ladies Garment Workers' locals and several other unions in the Baltimore area, which are sponsoring a new Associated Medical Center of Baltimore; the Amalgamated Laundry Workers, who operate a Health Center in New York City, in April 1956, extended the services of this Center to pensioners covered by the Clothing Workers retirement plan; and 76 local unions in Arkon, Ohio, which opened an optical clinic to supply lenses and frames at substantial savings to members and their families--the clinic adjoins the cooperative supermarket.

The Labor Health Institute of St. Louis is one of the very few labor health centers that provides free comprehensive medical, surgical, and dental care in its clinic, at home, or in the hospital, for union members and their dependents. It serves 6,500 members of a teamsters' local (mainly warehouse workers) and 7,600 dependents. It is chiefly financed by employer contributions to a health and welfare fund of 5 percent of gross payrolls. This covers the cost of service to both employees and family dependents. A few companies have agreements providing for a contribution of 3½ percent of gross payrolls, but this covers employees only; family dependents are charged for services to them. Responsibility for formulation of

policies governing LHI, for general administration, and for supervision of all affairs of the corporation rests with the Board of Trustees, which is elected by the union membership. The Board may include representatives of management, labor, and the general public. The union is also planning to build a health and rehabilitation center for its members on a 218-acre tract near St. Louis, to be financed by the same fund.

The United Mine Workers Welfare and Retirement Fund, collected through a royalty on every ton of coal mined, pioneered in bringing modern medical service to the remote and backward communities in the coal fields. From the start of its operations in 1947, the fund sought the advice and cooperation of leading physicians and of the American Medical Association as well as its local societies. Local opposition and friction incidental to the program were gradually overcome. In June 1956, a chain of 10 new hospitals was dedicated. They were built, equipped, and staffed by the fund, to serve coal-mining communities in the Appalachian region stretching from southeastern Kentucky through Virginia and West Virginia, an area almost devoid of proper medical and hospital facilities. The receipts of the hospitals will be used to retire the loans made by the fund to build the hospitals.

All of the medical activities of the Mine Workers' health and welfare fund are directed by Dr. Warren F. Draper, former deputy surgeon general of the U.S. Public Health Service. In-hospital medical and surgical care (either in these hospitals or outside of the area in other hospitals), and certain limited services and drugs for outpatients, are provided by the fund for working miners, unemployed miners, or retired miners, provided the last employment was in a "classified" job in mines belonging to an operator who had signed the agreement; for their wives, children up to age 18, or 21 if physically or mentally incapacitated; for parents of the miner or of his wife if living with and dependent on the miner; and for widows and survivors while receiving authorized special monthly benefits. Employment outside the coal industry terminates eligibility and reemployment requires reinstatement subject to the rules and regulations of the fund.

The 1954-55 expenditures by the fund for medical and in-hospital care totaled \$42,774,000 for 95,800 beneficiaries; 23 percent were working or temporarily unemployed miners who received 31 percent of the benefits. About half of the total expense was occasioned by care for dependents. The remainder was spent for care of permanently disabled and retired miners and their dependents, as well as widows and orphans. The fund had already (in July 1950) discontinued ambulatory office medical care, and home treatment for miners and their families, because of the great expense.

The fund has 3 trustees, 1 each selected by the union and the operators, and 1 neutral member selected by the other 2. The present neutral trustee, Josephine Roche, also serves as director of the fund.

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Cooperative Housing

Housing developments built and owned by groups of cooperators are still rare in the United States. The costs in time spent by members, and the risks involved in planning and execution of a housing project from the ground up, are high for inexperienced would-be homeowners. In order to take full advantage of legislation passed to encourage middle-income housing at low cost, and in order to ensure a well-designed project, the services of architects, engineers, draftsmen, and legal experts must be employed. These expenses can be included in the cost of construction and covered by the mortgage. However, a sponsor must assume responsibility and provide experienced leadership. Such sponsors are frequently private builders, and also unions, civic and educational groups, veterans' organizations, or other cooperatives (e.g., certain very large credit unions). Assistance in organizing and in obtaining the technical services needed is provided on a nonprofit basis by the United Housing Foundation with its allied Community Services Inc., and by the Foundation for Cooperative Housing.

Legislation in aid of cooperative housing has been passed by Congress and by the State of New York. Section 213, added to the National Housing Act in 1950, and amended in 1954 and in 1956, authorizes the Federal Housing Administration to insure long-term mortgages made by lending agencies to cooperative corporations or trusts to provide housing for members; the Federal National Mortgage Association was authorized to purchase cooperative mortgages up to \$5 million per State, or a total of \$50 million to be used as a revolving fund.

In New York State, cooperative housing projects have been built under the urban redevelopment law (1943) or the limited-dividend housing companies acts (1926 and 1955). Under these laws, condemnation powers could be exercised and tax reductions or exemptions granted for a period of time, provided the project was supervised by a public authority.

In disposing of wartime housing projects, after World War II, preference was given, at the direction of the Congress, to groups of veterans organized on a mutual ownership or cooperative basis. More than 20 housing projects were sold by the Government to veterans' mutuals, as well as the town of Greenbelt, Md.

Of all of the cooperative projects with mortgages insured under Section 213 as of December 1956, sales-type cooperative projects, in which dwelling units are sold outright after construction to individual owners, accounted for 37 percent of both the dollar volume of mortgages and of the number of dwelling units. Management-type cooperative projects, in which a residents' cooperative manages the property (usually an apartment house), accounted

Table 13.--Cooperative housing projects under Section 213 of National Housing Act, 1950,
May 1953 and December 1956

Status	Number of projects		Number of dwelling units		Mortgage value (in millions)		Percent change in—		
	May 1953	Dec. 1956	May 1953	Dec. 1956	May 1953	Dec. 1956	Projects	Dwelling units	Value
Total applications received since 1950 - - - - -	673	1,472	82,855	121,963	\$788.9	\$1,198.1	119	47	52
Mortgages insured since 1950- Eligibility statements expired since 1950 - - - -	114	355	20,950	36,269	194.7	345.9	211	73	78
Cases withdrawn since 1950 -	248	281	20,080	21,285	198.4	209.3	13	6	6
Cases rejected since 1950- -	123	211	17,501	25,865	165.3	251.7	72	48	52
Commitments outstanding - -	10	173	1,619	5,204	16.3	65.5	1,630	221	302
Applications in process - -	118	197	18,032	12,166	171.1	138.5	67	-33	-19

Source: Federal Housing Administration.

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for the other 63 percent of mortgage value and dwelling units. The sales type units were heavily concentrated in California. Over 85 percent of the mortgage volume of the management-type was located in New York.

The cumulative status of the nationwide cooperative housing program under Section 213 as of the spring of 1953 and as of December 31, 1956, is shown in table 13. Mortgages worth \$346 million have been insured since 1950 on projects with 36,269 dwelling units. Mortgages and dwelling units increased 78 and 73 percent, respectively, since May 1953.

In 1955, new regulations were promulgated following amendments to the law in 1954, which were expected to assist labor and other groups to form cooperatives which will then negotiate with builders. But this has not yet occurred. The number of sales-type projects increased much more than the management-type, between May 1953 and December 1956.

A council of presidents of FHA Section 213 cooperatives, now owning and managing properties which were built under private-builder sponsorship, reports that the occupants of these apartments are well satisfied with the benefits they have derived from the Section 213 program, "even though the builders made considerable profits by building under that program." Builders' profits under Section 213 have been subject to more rigid controls, however, than those applicable to other sections of the act.

In the great majority of projects up to May 1953, the builder was the sponsor. A few projects, with about 10 percent of the dwelling units, financed under Section 213, were initiated or sponsored by consumers themselves, or by builders and consumers together, according to testimony presented by the Cooperative League of the U.S.A., in May 1953. ^{20/} Since that time, union and other nonprofit groups have come forward in increasing numbers as sponsors of large-scale cooperative developments; most are not under Section 213.

Many of these cooperatives sponsored by nonprofit groups are located in and around New York City. By October 1956, cooperative apartment developments built in the New York metropolitan area, under New York State's housing acts, could accommodate approximately 9,700 families. ^{21/} Cooperative projects still in the planning

^{20/} U.S. Senate Committee on Banking and Currency, Hearings on Housing Act of 1955, 84th Cong., 1st sess. Statement of Wallace J. Campbell, May 13, 1955 (pp. 210-221).

^{21/} See p. 50.

stage are expected to house about 14,000 additional families. 22/ A novel development is the sponsoring of a \$6 million cooperative apartment for 400 middle-income families by the Municipal Credit Union (New York City) and the State Credit Union League. The credit union has 40,000 members and assets of \$11 million. The project will be of the slum-clearance redevelopment type.

In addition, a total of 87 multifamily projects, with mortgages insured under Section 213 of the Federal Housing Act (1950), were built in and near New York City between 1950 and April 1956, housing 18,500 families. Extensive as were the completed cooperative projects, in the spring of 1956 they contained only about 20 percent of the 140,000 dwelling units in New York City which at that time had received some type of Federal, State, or city aid.

21/ The following list of cooperative apartment developments in the New York metropolitan area in 1956 may be incomplete, partly because different sources do not agree on which projects should be described as cooperative:

	<u>Number of dwelling units</u>
Amalgamated Clothing Workers of America - - - -	2,495
International Brotherhood of Electrical Workers, Local #3, Electchester project - - - - -	2,226
International Ladies' Garment Workers' Union - -	1,668
Veterans' mutual housing - - - - -	1,645
Harry Silver - - - - -	288
Ridgewood - - - - -	372
Queensview - - - - -	728
Kingsview - - - - -	290
Total dwelling units - - -	<u>9,712</u>

Source: Annual Report, New York State, Commissioner of Housing, 1954; New York Times, various issues; and United Housing Foundation, Coop Contact, October 10, 1956.

22/ Proposed cooperative apartment projects, in 1956:

New York Building Trades Council (5 projects) -	9,000
Bakery and Confectionery Workers' International Union (12 apartment houses) - - - - -	2,000
International Brotherhood of Electrical Workers, Local #3, Switchboard operators branch project	400
Credit unions - - - - -	400
Queensview West - - - - -	364
Park-Reservoir Housing Corporation - - - - -	289
Seward Park - - - - -	<u>1,704</u>
Total dwelling units - - -	14,157

Source: New York Times, various issues.

Trade Union Cooperative Housing Developments

The Amalgamated Clothing Workers of America and the Hosiery Workers pioneered in sponsoring and planning housing for wage earners and middle-income families, in New York City and Philadelphia, in the 1920's. Financing was provided by individuals, insurance companies, savings banks, and the Amalgamated Bank of New York. Tenancy in the projects is not limited to the union membership, and in the course of time either family or industry migrations have radically altered the occupational composition of the tenants. Slum clearance and provision of low-cost housing for wage and salary earners have been the primary considerations, with housing for the union membership secondary. Each of the 3 Amalgamated projects ^{23/} is a true tenants' cooperative, the tenants owning shares representing their equity investment but exercising 1 vote each regardless of the number of shares held. The 3 projects have as manager a long-time leader in cooperative housing and urban development-- Abraham E. Kazan. The Amalgamated Housing Consumers' Society (Bronx, N.Y.) operates a retail store, laundry service, milk distribution, a nursery school, and summer day camps for children. There is also a tenants' credit union.

The International Ladies' Garment Workers' Union Cooperative Village, in the Corlears' Hook section of lower Manhattan, was officially dedicated in October 1955. It houses 1,668 families (of whom about one-third are families of garment workers) in 4 structures 20 or 21 stories high, with its own playground and shopping center. The ILGWU holds a mortgage for \$15 million, and the owner-tenants provided about \$4.5 million. This project and the Hillman Houses of the Amalgamated were constructed under New York's urban redevelopment law, which provides for certain real-estate tax concessions in order to promote slum clearance.

The Industrial Union of Marine and Shipbuilding Workers sponsored a number of housing projects, of which a project at Camden, N.J., has been in operation since 1941; the United Rubber Workers, in conjunction with the Veterans of Foreign Wars, completed a 315 home unit in 1950 in Mishawaka, Ind.

The International Brotherhood of Electrical Workers, Local #3, together with their principal employers in the New York City area, through the industry's joint board, provided mortgage financing for a \$22 million housing development in Flushing, of which various sections were completed between 1950 and 1954. The New York limited dividend mutual-ownership housing program provided the project partial tax exemption. The apartments are tenant-owned. Covering 60 acres, some of the buildings are 3-story walk-ups, others are 6-stories with elevators; the project houses 2,200 families.

^{23/} Amalgamated Houses (Bronx, 1927 with later additions), Amalgamated Dwellings and Sidney Hillman Houses (Grand Street).

Unions with pension, and health and welfare funds to invest are showing increasing interest in cooperative low-cost housing developments:

The Switchboard Division of Local #3 voted in January 1956 to sponsor a 400 apartment cooperative housing project, working together with the United Housing Foundation, to be financed by its pension fund.

The New York Building Trades Council in January 1956, announced plans to build 5 cooperative apartment housing projects--1 each in Manhattan, Brooklyn, and Queens, and 2 in the Bronx--out of union health and welfare funds. The building unions have well over \$100 million in their pension and welfare funds. The units are to accommodate about 9,000 families.

The New York Millinery Workers Health and Welfare Fund, which finances certain medical services to its members, has decided to sell up to \$7 million in presently held Government bonds and use the money to develop cooperative housing in the New York City area. The union is the United Hatters, Cap and Millinery Workers International Union (AFL).

In March 1956, the Board of Estimates in New York City approved a \$27.5 million middle-income cooperative apartment housing project in the Bronx sponsored by the Bakery and Confectionery Workers International Union of America. The project, to be known as Sound View Park Homes, will consist of twelve 13-story buildings housing 2,184 families at approximate rental of \$26 a room a month.

The investment of union health and welfare or pension funds in housing programs presents several problems, which were discussed in the 1956 Report on Pension Funds and Housing Investment by the New York State Commissioner of Housing: "Can a way be found by which pension funds can be invested in housing at a rate of return high enough to be attractive, with a proper degree of security, and resulting in rents or monthly carrying charges low enough to enable middle-income families to afford it," he asks. He has found that many pension fund trustees are inexperienced in buying and servicing mortgages and reluctant to enter the field, particularly when the return on the investment is low, or when the project may benefit only a limited portion of the union's membership. Moreover, many of the funds are too small to finance large-scale housing projects, and legal limitations restrict the rights of trustees to purchase parts of mortgages or to pool such funds in order to invest in large mortgages. 24/

24/ Existing New York statutes limit trust funds to investing in first mortgages and only up to two-thirds of the value of the property.

To help overcome some of these difficulties, the New York State Housing Commissioner has recommended creating by special statute some type of quasi-public financing institution which would have the power to invest in mortgages up to 90 percent of the project's value and to combine its funds with those from other sources. Trust funds could be authorized to invest in debentures of this institution by adding it to the list of legally authorized investments, thereby encouraging the investment of these trust funds, without legal and practical obstacles, in middle-income housing.

In 1955, the State enacted a provision for direct loans to limited-dividend housing companies, by either the State or a city, of amounts up to 90 percent of actual costs.

The Cooperative League of the U.S.A. has repeatedly requested similar federal legislation authorizing direct loans to housing cooperatives. An amendment to the Federal Housing Act, introduced in 1956, sponsored by a group of Senators, proposed to create a National Mortgage Corporation to borrow in the private money market, and to lend to moderate-income families or to nonprofit cooperatives composed of such families. Moderate-income families were defined as those families unable to obtain (by rent or purchase) conventionally financed new housing with monthly payments amounting to 20 percent of their usual annual income.

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Part II: CONSUMER COOPERATIVES ABROAD

Introduction

Cooperatives are found throughout the world. Comprehensive coverage of foreign consumer cooperative movements was not feasible in this report. Therefore, those selected for inclusion were the ones with which the United States cooperatives have had the closest economic and cultural ties, namely, those in Canada, Great Britain, and the Scandinavian countries.

In other European countries, cooperatives have also had a long and significant history. In many countries of Asia, Africa, and in Latin America, the cooperative form of business organization is being put to economic and social uses in their developing economies. In many of the less developed countries, credit cooperatives have been the first type of cooperative organized and they are frequently the predominant form of cooperative organization. Both the International Labor Organization (ILO) and the Food and Agriculture Organization of the United Nations (FAO) have given technical assistance to governments interested in promoting cooperatives in Latin America, and the Far East. While many of these cooperatives are producer or community-service cooperatives, consumer cooperatives also have received attention.

Cooperatives in the United States are represented in the International Cooperative Alliance (ICA), now in its 61st year, by the Cooperative League of the U.S.A. and by the Consumer Cooperative Association of Kansas City, one of the large farmers' wholesales. The ICA has 73 member organizations in 38 countries, with total membership of 118 million persons. It holds triennial congresses to discuss matters of common concern and to receive the reports of committees appointed to study technical aspects of cooperation. Among recent reports are those on international trading by cooperatives, and national legislation and restrictive practices hindering retail trade (with particular reference to the trade of cooperatives).

The ICA was one of the first nongovernmental organizations selected to be a permanent advisor to the United Nations, with the right to propose items for the provisional agenda of the Economic and Social Council (ECOSOC). It received similar recognition from ILO, FAO, and UNESCO. It has worked with regional

commissions of the UN, in bringing technical assistance on cooperation to underdeveloped areas, and is aiding in the solution of economic and social problems in many countries at varying stages of development.

Cooperative leaders from the United States have participated in several international technical conferences on cooperation, and numerous teams of foreign cooperative administrators have visited cooperative supermarkets and farm supply and service cooperatives in the United States under technical assistance programs financed by the United States Government.

Through participation in the formation of an international cooperative bank, the first institution of its kind, certain leading American cooperatives 25/ have provided more tangible assistance to their counterparts in Europe. The bank was organized in Switzerland, in July 1956, for the purpose of making loans to member cooperatives to aid in more efficient distribution programs and possibly in production of needed goods and services as well.

Canada

Cooperatives in Trade

Cooperatives for the sale of merchandise to members have been organized chiefly by farmers in Canada. Overall statistics on urban retail cooperatives are lacking. However, consumer goods, such as food products and clothing, constituted almost one-third of cooperative retail sales in Canada in 1954 and 1955, a larger proportion than in the United States. Farmers' productive supplies accounted for 35 to 40 percent. Petroleum products, fuel, hardware, and electrical equipment (which are partly for household and partly for farm use) accounted for approximately another 30 to 33 percent of the Canadian farm cooperative retail sales (see table 14). In all categories except petroleum products 1955 sales were slightly below 1954 sales.

Among the leading urban consumer cooperatives in Canada, one at Sydney Mines, Nova Scotia, has been in operation for half a century. It serves its membership (4,300 in 1956) with 7 stores, a bakery, a milk plant, and 2 service stations. It is estimated that its sales for 1956 will reach the \$3 million mark. Patronage

25/ In addition to the central cooperative federations of 11 Western European countries, the Cooperative League of the U.S.A., Nationwide Insurance Co., Midland Cooperatives, Inc., the Mutual Service Insurance Co., and Group Health Mutual of the U.S., have subscribed to the bank's capital stock of \$300,000.

Table 14.--Canada: Cooperatives' retail trade, 1954 and 1955

Commodity	1955			1954		
	Number of associations	Sales		Number of associations	Sales	
		Volume (in thousands)	Percent		Volume (in thousands)	Percent
Total - - - - -	1,664	\$228,446	100.0	1,723	^{1/} \$234,583	100.0
Food products- - - - -	823	61,462	26.9	802	63,858	27.2
Clothing - - - - -	538	9,321	4.1	539	9,780	4.2
Hardware, electrical equipment, etc. - - - - -	979	17,935	7.9	1,061	21,682	9.2
Petroleum products - - - - -	606	38,451	16.8	694	32,127	13.7
Feed, seed, and fertilizer	839	75,070	32.8	828	77,063	32.8
Machinery- - - - -	330	8,257	3.6	391	12,088	5.2
Coal and wood - - - - -	650	17,950	7.9	646	17,985	7.7

^{1/} Cooperative stores handled 58 percent of all cooperative sales in 1954. The other 42 percent were handled chiefly by bulk distribution, or delivered from gasoline depots or coal yards.

Source: Canada Department of Agriculture, Marketing Service, Economics Division, Co-operation in Canada, 1954 and 1955 (Annual Summary).

refunds paid over a period of 50 years averaged 6.6 percent of sales annually. (This society also paid one-half million dollars in interest on invested capital during the same period.) Another leading urban consumer cooperative, located in Timmins, Ontario, also a mining community, reported 1954 sales of \$1 million for its central and 4 branch stores.

The total volume of Canadian cooperatives' retail sales, for which data are collected, is shown below for selected years:

	Sales by purchasing cooperatives (in thousands) <u>1/</u>
1939 ----	\$ 20,400
1946 ----	95,603
1947 ----	127,002
1950 ----	206,082
1951 ----	209,986
1952 ----	234,848
1953 ----	245,630
1954 ----	234,583
1955 ----	228,446

1/ Current Canadian dollars. The rate of exchange has always been close to \$1C = \$1US.

The elevenfold increase in cooperative sales since 1939 should be deflated by a change in price level. The prices of goods and services used by farmers increased $1\frac{1}{4}$ times in the interval, leaving a five-fold increase in cooperative sales, in terms of constant dollars.

Sales by cooperatives constituted the following proportions of all retail business in Canada in 1954: Sales of feed, seed, and fertilizer, 24 percent; gasoline and oil used in farm operations, 17 percent. Total sales of cooperative stores in Canada were 5 percent of the sales of all grocery and general stores.

There are 9 cooperative wholesales in Canada; all of them sell groceries, but only 3 handle clothing and dry goods. Most of them handle petroleum products, automotive and tractor supplies, farm machinery and other farm equipment, feed, fertilizer and sprays. Table 15 shows volume of business and its proportions, in 1954 and 1955. There was a slight increase in each category of sales over 1954, in spite of a reduction in the number of organizations.

Table 15.--Canada: Cooperatives' wholesale trade, 1954 and 1955 ^{1/}

Commodity	1955		1954	
	Volume (in thou- sands)	Percent	Volume (in thou- sands)	Percent
Total - - - - -	\$102,320	100.0	\$96,850	100.0
Groceries - - - - -	13,813	13.5	12,873	13.3
Clothing, dry goods - - - - -	921	.9	875	.9
Gas, oil, automotive supplies	23,431	22.9	22,167	22.9
Flour, feed, fertilizer, spray materials - - - - -	37,756	36.9	35,664	36.8
Machinery, hardware, equipment - - - - -	13,711	13.4	13,630	14.1
Coal, wood, building material	7,981	7.8	7,408	7.7
Miscellaneous - - - - -	1,023	1.0	626	.6
Retail branch outlet sales- -	3,684	3.6	3,607	3.7

^{1/} Nine cooperatives in 1955, eleven in 1954.

Source: Canada Department of Agriculture, Marketing Service, Economics Division, Co-operation in Canada, 1954 and 1955 (Annual Summary).

Service Cooperatives

Besides retailing, cooperatives in Canada serve such consumers' needs as housing, medical care insurance, transportation, recreation facilities, telephone service, restaurants, and boarding houses. The combined revenue of 418 service cooperatives (including such services as printing, custom grinding, seed cleaning, and trucking) was \$11.4 million in 1955, and their membership was about 200,000. These figures show an increase over 1954, whereas purchasing by cooperatives had declined. Medical care insurance was provided by 42 associations. In addition, life insurance was provided by 3 organizations, and 403 farmers' mutual fire insurance companies wrote policies amounting to \$3.3 million net (1953). In the province of Alberta there are 213 rural electrification cooperatives, for which data are not available.

Credit Unions

The credit union movement in Canada has maintained a continuous growth since 1939 (table 16). Between 1939 and 1954 the value of loans per credit union member rose by 112 percent (from \$64 to \$136), and the value of shares and deposits per member rose by 154 percent (from \$129 to \$327). In 1955, the volume of loan business declined sharply, both total and per member. The value of shares and deposits, however, increased almost 6 percent over the year to \$346 per member, an increase since 1939 of 169 percent. The proportion which credit union loans bear to all types of consumer credit in Canada, increased from 3 percent to about 12 percent from 1939 to 1954, but declined in 1955 to 9 percent. This comparison is more meaningful than the increases in current dollar value of loans and savings, shown on table 16, because prices, on the average, almost doubled in Canada during this period.

Expansion after World War II was rapid and continuous, although with some reduction in loan volume, in 1955. Between 1945 and 1955, over one million new members joined credit unions, bringing the total to almost 1,750,000. Canadian credit union membership equals 31 percent of the Canadian labor force, two and one-half times as high as the participation rate in the United States. Quebec, the first province in which credit unions were formed, still led the other Canadian provinces with 55 percent of total membership, 38 percent of all credit unions, and 41 percent of the total loans made in 1954. (1955 data by province are not yet available.)

Credit unions still serve chiefly rural areas in many parts of Canada, but with the increase in mobility during the past decade and the increased industrial activity, particularly in Ontario, Alberta, and British Columbia, credit unions are gaining ground in urban areas through the organization of credit unions in industrial establishments.

Table 16.--Canada: Credit unions

Year	Number of credit unions reporting	Membership	Loans during year	Shares and deposits
1939 - - -	1,008	151,554	\$ 9,710,627	\$ 19,508,525
1945 - - -	2,175	590,794	41,205,637	139,096,091
1946 - - -	2,326	688,739	53,219,419	178,704,909
1947 - - -	2,367	779,199	80,633,705	209,380,283
1948 - - -	2,482	850,608	90,285,237	239,361,416
1949 ^{1/} - -	2,705	940,427	99,537,166	263,827,715
1950 - - -	2,801	1,036,175	108,538,265	299,258,225
1951 - - -	2,952	1,137,931	125,088,949	334,063,443
1952 - - -	3,080	1,260,435	154,270,776	395,560,170
1953 - - -	3,413	1,434,270	203,189,045	457,207,212
1954 - - -	3,690	1,560,715	212,906,551	510,583,534
1955 - - -	4,108	1,736,817	186,967,421	601,263,084
Percent increase				
1953-54 - -	8.1	8.8	4.8	11.7
1954-55 - -	11.3	11.3	-12.2	17.8

^{1/} Newfoundland included for the first time.

Source: Credit Unions in Canada, 1949-54, Canada Department of Agriculture; Canada Year Books, 1940-48. Ottawa.

Credit unions are classified according to bond of association: such as membership in a parish, lodge, or labor union, employment in a plant or department, or residence in a rural or well-defined urban community. In 1954, the common bond was occupational for 43 percent of all credit unions, but in Ontario, 63 percent. In Quebec, the Maritime provinces, and in Saskatchewan, rural credit unions predominate.

In Canada, credit unions are authorized to make loans exclusively for "provident or productive purposes," i.e., for purposes that would benefit the prospective borrowers. Loans are made to farmers, fisherman, and others for the purchase and repair of producers' equipment and tools, including trucks, tractors, boats, automobiles, and for farm operating expenses. Lending for consumption purposes has played a minor role. However, the increase in instalment purchasing has called attention to a new need for credit union services.

While local credit unions are designed to provide primarily short-term loans to members, they accept applications for mortgage loans more freely as their assets increase. An example of this is Quebec, where the credit unions have made more mortgage loans than those of any other province, with approximately 80 percent of the loans made in 1954 granted on the security of mortgages.

In part, the credit unions have filled local gaps in the Canadian banking system. In Quebec and certain parts of the West in Canada, depositors may draw checks against their credit union deposits. Under 1954 legislation, the Government guarantees loans to fishermen made by credit unions, as well as those made by chartered banks. Similar provisions already apply to farmers.

The average size of a credit union loan for the Dominion in 1954 (based on 8 of the 10 provinces reporting) was \$438, \$3 higher than the previous year. (In the United States, loans by Federal credit unions, which make only short-term loans, averaged close to \$400.) One of the Quebec federations led with \$831, reflecting its higher proportion of mortgage loans. Saskatchewan followed with \$678, which represents borrowing by the farm population for building, improvement, purchase or repair of machinery, autos and trucks, land payments, and purchase of livestock, since 84 percent of the credit unions in this province are rural. Credit unions sometimes lend to other cooperatives, and in Quebec these loans often are large.

Information on share dividends is not reported annually by the Canadian Department of Agriculture. However, the usual rate of return was reported as 3 percent in 1945, which is similar to the average rate in the United States.

Canadian credit unions are linked in two types of federations: (1) Promotional and educational leagues, which also perform auditing and legal services for their members, and (2) central credit societies with banking functions. The oldest and strongest of the central credit societies are the 10 regional unions of "caisses populaires Desjardins" in Quebec, and the Saskatchewan Central Credit Society. The central societies receive deposits from credit unions with surplus funds, and in turn lend to credit unions and to other cooperatives.

Because some Canadian credit unions provide checking accounts, several of the provincial centrals provide a clearing house service for checks. Since the experience of the thirties, a great deal of emphasis has been placed by the centrals on maintaining the liquidity of the credit union funds, and surpluses are therefore invested chiefly in Government and municipal bonds.

There are 26 central credit societies in all Canada with combined membership of approximately 3,800, of which 3,300 were credit unions and 500 were cooperative societies. The amount of loans and mortgages outstanding by all centrals at the end of the fiscal year in 1954 was \$14.6 million, and the amount of other investments (chiefly Government and municipal bonds) was \$39 million, representing respectively 23 and 61 percent of the total assets. Shares and deposits held by all centrals in 1954 amounted to \$55.9 million, shares representing 15 percent and deposits 72 percent of total assets.

In 1953, steps were taken for the first time to set up overall dominionwide credit union organizations, designed to strengthen provincial credit unions in performance of their banking functions. Two laws were passed by the Dominion Parliament (the first Federal laws in this field), one authorizing interprovincial credit associations, and the other incorporating a Canadian Cooperative Credit Society, Ltd. Membership in the society is composed of 4 provincial central credit societies, the Saskatchewan Wheat Pool, and 3 other interprovincial cooperatives. The society may borrow money from member associations and banks, invest funds in bonds, debentures, and other securities, and make loans, but only to member societies. No loans may be made by this central society on the security of real-estate mortgages. The society's operations are subject to inspection by the Superintendent of Insurance and an annual report to the Minister of Finance is required. In the fall of 1956, the society was reported to be still in the organizational stage.

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Great Britain

Membership in retail cooperative societies in Great Britain has continued to grow, increasing 45 percent from 1938 to 1955, when it exceeded 12 million, compared to a 7-percent increase in population in the same period. (See table 17.) While the number of societies has been shrinking, average membership per society has grown. There has also been an increase in the number of sales outlets operated by the societies. In 1955, there were 24,500 fixed shops and 4,000 mobile shops run by retail cooperatives, each society averaging 26 sales outlets.

The cooperatives' share of all types of retail trade in Great Britain was about 13 percent during the first 10 months of 1956. In 1950, at the time of the last retail trade census, it was 12 percent (table 18). Cooperative trade continues to be predominantly in foods. In 1956, as in previous years, the cooperatives accounted for 21 percent of total food sales. (See table 19.) The value of total food sales by all retailers has increased since 1950 more than any other commodity group; an increase in which each type of retailer--the independent retailers, the chainstores, and the cooperatives--shared proportionately. The increases are attributable to decontrols of food and to price rises.

Outside of the food field, cooperatives account for only small proportions of total sales, although percentagewise they have made striking gains. The sales of household goods departments of the cooperatives were 69 percent higher, in the first 10 months of 1956, compared to the year 1950, whereas the increase for all retailers was 44 percent, yet the cooperative share of total trade in household goods rose only from 6 to 7 percent in the same period (table 19).

Over the 16-year period from 1938 to 1954 (including World War II and the postwar adjustment), cooperative sales more than kept pace with growth in the economy, when translated into constant prices. In 1954, sales as reported by retail cooperatives were almost 3 times as high as 1938 sales, and expressed in constant prices, they show an increase of about 15 percent. This is a little more than the increase in national consumer expenditures on food, tobacco, coal, clothing, and household goods during the same period, which was 13 percent (in constant prices). ^{26/} Similar comparisons for other retailers cannot be made because sales data are not available for the whole period.

^{26/} Central Statistical Office, National Income and Expenditures, 1955, table 22, Consumers' expenditures at 1948 market prices. (Using this table and table 23, index numbers of consumers' expenditures at market prices, an index number for food, tobacco, coal, clothing, and household and other goods was computed, which was used in adjusting actual cooperative sales to sales in constant prices for the years 1938 and 1950-54.) (Continued on p. 67.)

Table 17.--Great Britain: Cooperative societies' activities, retail and wholesale
1938, 1950-55

Type of society	1938	1950	1951	1952	1953	1954	1955
Retail societies:							
Number - - - - -	1,168	1,110	1,109	1,107	1,101	1,094	1,077
Members (thousands)- - - - -	8,358	10,528	10,745	10,932	11,065	11,316	12,143
Sales (£ thousands)- - - - -	262,400	599,865	649,772	704,245	747,910	774,447	825,418
Patronage refunds (£ thousands) 1/-	23,600	38,202	38,169	35,625	37,099	39,496	43,639
Percent of sales - - - - -	9.0	6.4	5.9	5.1	5.0	5.1	5.3
Wholesale societies:							
Sales (£ thousands)- - - - -	161,498	418,672	466,456	514,709	539,325	519,787	540,015
Patronage refunds (£ thousands) 1/-	3,321	8,977	8,001	6,544	8,527	8,826	9,295
Percent of sales - - - - -	2.1	2.1	1.7	1.3	1.6	1.7	1.7
Cooperative Wholesale Society (CWS)							
Sales (£ thousands)- - - - -	125,016	321,642	359,142	398,344	420,888	401,553	418,073
Patronage refunds (£ thousands) 1/-	2,500	6,663	5,778	4,171	5,999	6,174	6,524
Percent of sales - - - - -	2.0	2.1	1.6	1.0	1.4	1.5	1.6

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1/ In Britain, referred to as dividend on sales.

Source: Reports of Chief Registrar of Friendly Societies, 1952-55, Part 3, Industrial and Provident Societies.

Table 18.--Great Britain: Retail sales by type of shop and major commodity, as percent of all retail sales 1950 and January-October 1956 ^{1/}

Item	All kinds of business	Food shops	Clothing and footwear shops	Household goods shops	Other shops
<u>1950</u>					
All retailers - - - - -	100	45	20	11	24
Independent retailers -	59	27	11	8	13
Chainstores - - - - -	23	9	6	3	5
Cooperatives- - - - -	12	9	2	1	(^{2/})
Department stores - - -	6	(^{3/})	(^{3/})	(^{3/})	(^{3/})
<u>January-October 1956</u>					
All retailers - - - - -	100	48	16	12	24
Independent retailers -	57	28	9	8	12
Chainstores - - - - -	25	10	6	3	6
Cooperatives- - - - -	13	10	1	1	1
Department stores - - -	5	(^{3/})	(^{3/})	(^{3/})	(^{3/})

^{1/} The volume of trade has been calculated by applying Board of Trade index numbers to 1950 sales as shown in Board of Trade Journal, May 5, 1956. The percentage distribution of trade has been computed from the sales thus obtained.

^{2/} Less than 1 percent.

^{3/} Not available.

Source: Board of Trade Journal, May 5, 1956 (p. 562); December 8, 1956 (pp. 1201-1204).

Table 19.--Great Britain: Retail sales by type of shop, for cooperatives and all retailers, 1950, 1955, and January-October 1956 ^{1/}

Item	All kinds of business	Food shops	Clothing and footwear shops	Household goods shops
	(£ millions)			
<u>Retail sales:</u>				
1950:				
All retailers - - - - -	4,683	2,095	914	531
Cooperatives- - - - -	563	438	84	32
	(1950=100)			
<u>Indexes of retail sales:</u>				
1955:				
All retailers - - - - -	140	148	121	151
Cooperatives- - - - -	142	146	110	173
January-October 1956:				
All retailers - - - - -	142	153	119	144
Cooperatives- - - - -	149	156	106	169
	(Percent)			
<u>Cooperatives' sales as percent of all sales in each type of shop:</u>				
1950 - - - - -	12	21	9	6
1955 ^{2/} - - - - -	12	21	8	7
January-October 1956 ^{2/} -	13	21	8	7

^{1/} Statistics cover total sales of the shops concerned but do not cover sales of goods by establishments not classified as one of the types shown.

^{2/} The volume of trade has been calculated by applying Board of Trade index numbers to 1950 sales as shown in Board of Trade Journal, May 5, 1956. The percent of cooperative trade has been computed from the sales thus obtained.

Source: Board of Trade Journal, May 5, 1956 (p. 562); July 7, 1956 (pp. 13-17); December 8, 1956 (pp. 1201-1204).

The average rate of patronage refund paid by the retail societies has been close to 5 percent in each of the years 1952, 1953, 1954, and 1955, whereas it was about 6 percent in 1950 and 1951, and had averaged 9 percent in 1938.

In Britain, cooperative wholesalers supply the retail cooperatives with a large volume of their supplies, and the proportion was higher in the post-World War II period than formerly.

However, the business of cooperative retail societies maintained a steady growth from 1950 to 1955, whereas the wholesalers' business dropped off in 1954 and recovered in the next year, but scarcely surpassed 1953. The patronage refund 27/ paid by wholesalers has dropped, although not as much as that of the retail societies. Throughout the period from 1938 to 1955, it was at a much lower level than the retail rate, varying from 1.3 to 2.1 percent on the average. (See table 17.)

Both retail and wholesale cooperatives engage in production, the wholesalers on a larger scale. (See table 20.) Both operate principally in the food and tobacco industries, and in farming and dairying. To a lesser degree, they also engage in building and woodworking, in production of clothing, and in metal fabricating. Some wholesale cooperatives also operate textile mills. Retail and wholesale societies together produced 36 percent more goods (based on gross value 28/) in 1955 than in 1950, and the goods produced constituted a larger proportion of cooperative trade.

More than four-fifths of the cooperative wholesale trade and over half of the cooperatives' own production in Great Britain is concentrated in the English Cooperative Wholesale Society (CWS), which sells to about 1,000 member societies. The CWS, with its complex of production, insurance and banking enterprises, has been generally considered a "king-pin" in the British cooperative movement.

26/ (Con.) Comparisons with prewar for cooperative trade are made on the basis of returns filed annually with the Chief Registrar of Friendly Societies.

Sales data for cooperatives reported by the Chief Registrar for Friendly Societies do not exactly agree with those in the Census of Distribution; data on sales, membership, and number of societies reported in the Cooperative Review (on the basis of reports gathered by the Cooperative Union), also do not always agree with official data. The Government data have been utilized here.

27/ In Britain, patronage refund is called dividend; share capital receives interest, not dividend.

28/ Includes cost of materials and processing; corresponds to "value of shipments" in U. S. Census terminology.

CWS produces, in its factories and farms, one-third of the goods which it distributes, including almost 30 percent of the groceries and provisions sold to the retail societies, 86 percent of the drapery, and nearly 30 percent of the housefurnishings. ^{29/} It acts as a banker for its members, for trade unions and other organizations, and for individuals who choose to deposit funds with it. CWS is controlled by the member societies, and votes at the quarterly meetings are weighted by the value of purchases each member society has made.

The Scottish Cooperative Wholesale Society (SCWS) performs similar functions on a smaller scale for the Scottish retail cooperatives. The English and Scottish Cooperative Wholesale Societies have together formed a joint society, which owns tea plantations and engages in import trade for various items. Other small wholesale and productive societies, numbering 180 in 1955, together did about 6.6 percent of the wholesaling business done on a cooperative basis in Britain in 1955.

An Inquiry Commission was established by the 1955 Cooperative Congress to examine and report on the productive and marketing problems of the cooperative movement. Reasons for the appointment of the Commission were concern over the falling rate of patronage refund, the failure of the retail cooperatives to patronize cooperative factories sufficiently to keep them operating at capacity, and thus at lowest cost, and the failure of wholesaling, even at market prices which were quite stable in 1953 and 1954, to expand since 1953. The wholesale price level in Britain started a gradual rise in 1955.

The Commission of 8 members, with the Rt. Hon. Hugh Gaitskell as chairman, was asked to submit to the Central Executive, not later than 1958, a report and recommendations designed to secure the greatest possible advantage to the movement from its manufacturing, wholesale and retail resources, and to propose such methods and organization as may be thought best suited to achieve this. All membership societies will be invited to submit written statements on the problems to be studied and will also be given an opportunity for oral submissions.

The role of the cooperatives in Great Britain has been limited by resale price maintenance practices which in Britain have hitherto been enforceable by trade associations, as well as by individual manufacturers through contracts with retailers and wholesalers. Patronage refunds on "fair-traded" goods have been construed as illegal price rebates. (Cooperatives in the United States have encountered

^{29/} See Questions for the Co-ops (in The Economist, London, August 27, 1955, p. 713) for table on supplies sold and produced by CWS by commodity, 1952-54.

Table 20.--Great Britain: Cooperative societies,
gross value of production, 1950 and 1953-55

Item	Sales (in £ thousands)				Percent increase, 1950-55
	1950	1953	1954	1955	
Production (gross value)-	217,004	273,455	278,867	295,689	36
Retail societies- - - -	71,841	93,685	92,193	96,411	34
Wholesale societies - -	145,163	179,770	186,674	199,278	37
"The Big 3" ^{1/} - - - -	123,667	152,849	157,706	168,804	36

^{1/} Cooperative Wholesale Society (CWS), the Scottish Co-operative Wholesale Society (SCWS), and the English and Scottish Joint Co-operative Wholesale Society (E&SJCWS).

Source: Reports of Chief Registrar of Friendly Societies, Part 3: Industrial and Provident Societies.

similar problems raised by the State Fair Trade Laws and have in some cases not been able to stock "fair-traded" items. However, collective action by trade associations to maintain prices, in this country, encountered obstacles in the antitrust laws which do not exist in Great Britain.)

When an antimonopolies commission was set up in Britain after World War II, the cooperatives hoped for legislation ending these restrictive practices. But neither the Labor nor the Conservative Government was willing to go all the way. The latest in a series of governmental moves designed to curb restrictive trade practices in the public interest was a bill passed in Parliament in 1956. The bill, among other provisions, prohibits collective enforcement of resale price maintenance, e.g., by trade associations or similar groups, but it permits individual manufacturers and other suppliers to continue to set prices at which their own products shall retail. It also permits a supplier to take civil action against retailers selling his product for less, even though there is no contractual relationship between supplier and retailer. This feature of the bill may actually strengthen the restrictive practice, and has caused loud complaints to be voiced by the cooperatives' representatives in Parliament and outside. They fear that the cooperative trade in price-fixed items may be even more hampered than it now is, by the threat of law suits over patronage refunds based on such sales. However, there is a possibility that an order may be issued by the Restrictive Practices Court, created by the same bill, declaring that cooperatives' refunds lie outside the intent of the law.

Relationships between unions and cooperatives in Great Britain have been close, because of overlapping memberships and organizational ties. Union funds are to some extent deposited in the CWS banking department; during the strikes and lockouts of the 1920's, unions obtained financial help from the cooperatives--as was recalled at a recent cooperative Congress. Both the Cooperative Union and the Cooperative Party are represented, together with the Trades Union Congress and the Labor Party, in the National Council of Labor, as equal partners, sharing a common philosophy and common aims. Differences have arisen, however, concerning the extent of nationalization of industry--the cooperatives resisting state invasion of the fields which they have penetrated; the cooperatives emphasize what they call "socialization" which allows for various types of social ownership, e.g., municipal ownership or ownership by cooperatives.

Cooperative membership is more extensive than union membership in Britain, and not all union members belong to cooperatives. The salaried and professional group constitute a more important element in the British cooperatives than in the unions, and this has perhaps tended to weaken the earlier close ties.

Cooperatives as employers bargain with the distributive and other trade unions, to which their employees, up to and including the managerial grades, generally belong. The cooperatives are represented on 24 statutory Wages Councils, which set minimum rates for practically every phase of retail distribution. Negotiations and representation on Wages Councils are carried on by a labor department of the Cooperative Union.

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Scandinavia

Cooperatives are highly developed in all of the Scandinavian countries, both among farmers and city dwellers. Farmers have purchasing as well as marketing cooperatives. In the cities, consumer cooperatives run food and general merchandise (department) stores, operate bakeries, and build and operate apartment houses. A central federation and wholesale cooperative, in each country, supplies the member associations with a large part of their stock in trade and manufactures in its own factories some of the commodities which the member associations sell. These centrals also assist member societies with auditing and banking facilities and conduct educational classes and programs.

Consumer cooperatives in Norway, Sweden, Denmark, and Finland continued to increase their membership and their sales in 1954 and 1955 (1955 data are not yet available for all of the countries). Retail sales of consumer cooperatives have increased since 1951 by about 13 percent in Norway, Sweden, and Denmark, and by about 10 percent in Finland, after taking price increases into account.

The share of retail trade handled by the consumer cooperatives in Norway, Sweden, and Denmark varied from 10 to 12 percent in the early 1950's. In Finland, where the cooperative movement is somewhat more widespread, consumer cooperatives handled 33 percent of total retail trade in 1952, compared with over 26 percent of all wholesale trade handled by Finnish wholesale cooperatives. (Finland is the only Scandinavian country for which this proportion can be calculated for wholesale trade.)

Between 1951 and 1954, membership in consumer cooperative societies increased almost 13 percent in Sweden (there was an 8-percent increase in the societies affiliated with the central cooperative wholesale society), over 6 percent in Norway and Denmark, and 3 percent in Finland. 30/

Taxation of cooperatives differ considerably among the Scandinavian countries. With respect to taxes on property, cooperative and private enterprises are subject to roughly similar provisions. It is with respect to income tax that the differences materialize.

"Norwegian legislation entitles the co-operatives to deduct from their taxable income that part of the surplus which is due to their trade with members. In Sweden that part of the surplus which is refunded to members according to the volume of their purchases has been tax exempt since 1920. Danish co-operatives which traded exclusively with

30/ The data for both Norway and Denmark refer only to membership in societies affiliated with the central cooperative wholesale societies.

members were originally tax-free while co-operatives which also accepted non-members as customers were taxable on the basis of their entire surplus. However, legislation adopted in 1940 provided for taxation of all co-operatives. A reform in 1949 introduced a quite new principle whereby taxes on co-operatives are no longer based upon their surplus but solely upon their net capital (share capital plus reserves). ^{31/} In Finland the co-operatives were, until 1943, entitled to a tax-free deduction of fifty per cent of their surplus, but a tax reform in that year abolished this right; refunds to members are, however, still tax-exempt.

" As regards the right to deduct refunds to members, it should be noted that in Finland, Norway, and Sweden private traders enjoy the same right where they pay their customers a rebate on their total purchases at the end of the year. Particularly in Sweden this practice is very widespread. " ^{32/}

Modern methods of retailing have been hampered in many European countries, including the Scandinavian ones, by legal restrictions adopted on sanitary or hygienic grounds which now appear to be obsolete. ^{33/} In Denmark and Norway, regulations provide that milk and meat shall only be sold in special shops with a limited range of other foodstuffs. This restriction is also placed on the sale of fish in Norway. In Sweden, if a shop has a selling area of over 70 square meters, there is no restriction on the assortment of goods--food or nonfood--but if the area is less than 70 square meters, the store is restricted to selling foods only.

Danish legislation forbids a retailer to operate more than one shop within the same municipal area. Norwegian regulations prohibit any form of traveling shops, e.g., a boat-shop (a handicap in the areas of Norway where water provides the best means of access to the sparse rural population); Swedish regulations restrict shopping hours, and prevent the cooperatives from scheduling evening hours for the benefit of working housewives.

^{31/} For income tax purposes a certain percentage of the societies' capital is considered as income. The Danish Co-operative Movement, Danish Information Handbooks, Copenhagen, 1950 (pp.78-79).

^{32/} Freedom and Welfare, Social Patterns in the Northern Countries of Europe, Ch. III, The Cooperative Movement. Sponsored by the Ministries of Social Affairs of Denmark, Finland, Iceland, Norway, and Sweden; Copenhagen, 1953.

^{33/} Review of International Cooperation, June 1956, Vol. 49, No. 6 (pp. 135-139).

Scandinavian Joint Cooperative Activities

In addition to the individual national cooperative societies organized within each of the Scandinavian countries, there were two Scandinavian cooperatives which served all of these countries. These are the Scandinavian Wholesale Society, and the Scandinavian Cooperative Export Society.

The Scandinavian Wholesale Society, Nordisk Andelsforbund (NAF), was organized in 1918 by a committee composed of two members from each of the Scandinavian countries. This organization has made it possible for the Scandinavian wholesale cooperatives to consolidate their transactions for similar commodities, and to take advantage of the most favorable price. Individually, their foreign transactions are too small or too infrequent to enable them always to take advantage of the latest price developments.

NAF is administered by a general meeting composed of country representatives, and by an executive board of directors, which is also representative of the member countries. Chartered accountants audit the books of the society, but each member may also appoint his own auditor.

The capital of NAF consists of the shares paid by each member organization--at the rate of 25,000 kroner for each 10 million kroner, or part thereof, of its turnover. The reserves of NAF are held as separate accounts for each member, so that in case the society is dissolved, its assets can be distributed equitably and easily.

NAF has business connections with more than 600 foreign business houses in all parts of the world, and operates through 2 selling offices, 1 each in Copenhagen and London. Member organizations are not compelled to buy through NAF, and a large number of commodities sold by the cooperative societies are not handled by NAF. However, its volume of business has increased markedly since NAF was founded.

Scandinavian Cooperative Export Society. In November 1954, the Scandinavian consumer cooperative central organizations and NAF established the Scandinavian Cooperative Export Society. Temporarily it is managed by the representatives and officials of NAF. By providing foreign markets for the products of cooperative factories, and an outlet for any unsold commodities which the wholesales may wish to dispose of, it is hoped that the export society will stimulate production and contribute to lowering prices in the member countries. This society handles both consumer and producer goods, as well as farm products and supplies.

Sweden

Retail Societies

Sales of Swedish cooperative retail societies increased from slightly less than 2 billion kronor in 1951 to almost 2½ billion kronor in 1954 (an increase of 13 percent after adjustment for rises in the retail price index). The societies affiliated with Kooperativa Förbundet (KF), the central cooperative wholesale society, accounted for 98 percent of cooperative retail sales. Although the independent societies increased their sales by 31 percent between 1951 and 1954 (after adjusting for price increases), they did not increase their share (approximately 2 percent in both years) of cooperative retail sales. The societies affiliated with KF have paid refunds on purchases averaging 2.6 percent in recent years. (See table 21.)

In 1954, there were 688 general retail societies affiliated with KF, with a membership of 1,069,251. In addition, there were 101 general retail societies not affiliated with KF in 1954, called independent societies. Their business is much smaller than that of KF-affiliates, and their membership, generally drawn entirely from a single enterprise, profession, or branch of trade, numbered only 38,500 in 1954.

Many of these retail societies, both independent and KF-affiliated, carry on productive activities. For example, the cooperative societies either singly or jointly operate bakeries, meat processing plants, and mineral water bottling factories, as well as cafés and staff restaurants. The societies operate these bakeries and plants jointly, because they found that it was uneconomical for each small cooperative to perform these functions individually. KF also has numerous production facilities.

According to the Swedish Census of Production, Distribution and Services, consumer cooperatives handled almost 12 percent of all retail trade in 1950 (the latest date for which these data are available). They handled 25.8 percent of all retail trade in foodstuffs; 2.1 percent in textiles and clothing; 5.5 percent in shoes, leather, and luggage; 8.9 percent in glass and porcelain; 2.8 percent in fuel; 12.4 percent of department and specialty store sales; and 0.4 percent in all other fields of retail trade except wines and spirits.

Within the food group, which is the area of greatest consumer cooperative activity, the consumer societies handled 51.9 percent of the trade in combined food and milk shops, 54.8 percent of groceries and meats, and 57.7 percent of other food businesses.

Table 21.--Sweden: Sales, production, and patronage refunds of consumer cooperative societies, 1950, 1951, and 1954

Year	Total sales		Production		Patronage refunds of retail societies ^{2/}	
	KF ^{1/} Wholesale society	Retail societies ^{2/}	KF ^{1/} Wholesale society	Retail societies ^{2/}	Amount (in kronor)	As percent of sales
(In million kronor ^{3/})						
1950 - - -	1,022	1,674	533	122	43	2.6
1951 - - -	1,328	1,957	769	150	49	2.5
1954 - - -	1,506	2,432	799	183	63	2.6
Percent change						
1950-51- -	30.0	16.9	39.1	22.5	14.2	
1951-54- -	13.4	24.3	3.9	22.3	29.1	
Percent change after adjusting for price rise						
1950-51- -	^{4/} -1.4	^{5/} 0.9	^{4/} 5.6	^{5/} 5.8	^{5/} -1.4	
1951-54- -	^{4/} 14.2	^{5/} 12.7	^{4/} 4.6	^{5/} 10.9	^{5/} 17.1	

^{1/} KF (Kooperativa Förbundet).

^{2/} Affiliated with KF.

^{3/} 1 krona = 19.3 cents U.S. at official rate of exchange.

^{4/} Deflated by wholesale price index; between 1950 and 1951 WPI rose 31 percent and has remained steady since then.

^{5/} Deflated by consumer price index; between 1950 and 1951 CPI rose 16 percent and 10 percent from 1951-54.

Source: Swedish Official Statistics. Board of Trade, Cooperative Activity 1950, 1951, and 1954; Central Statistical Bureau, Statistical Yearbook for Sweden 1955 (for price indexes).

The Royal Social Board publishes quarterly indexes of changes in retail sales for various types of cooperative shops: Meat, milk and bread, fish, and self-service stores selling groceries and other items. Since 1953, cooperative self-service markets have been taking over more of the sale of bread, milk, and meat from the small cooperative specialty stores. It is not known whether this same development has occurred among independent retailers because the quarterly index of changes in independent trade in foods is published as a single index for food. In 1956, Swedish cooperatives were operating nearly 1,000 supermarkets, an increase of over 400 since mid-1955.

Wholesale Societies

The Swedish cooperative wholesale society, KF, increased its sales from 1951 to 1954 by 14 percent, after adjusting for increases in the wholesale price index, a slightly higher real increase than the increase in sales of the retail cooperative societies. (See table 21.)

KF's sales consist of (1) foodstuffs, (2) textiles and household goods, and (3) heavy goods (industrial and building materials, and agricultural machinery). KF sells goods to: Affiliated societies (about 60 percent of all these societies' sales); State and other institutions; and private Swedish firms for export.

One of the aims of the Swedish cooperative movement is to lower prices through market competition, by setting low prices and high quality standards on its own products. For example, in recent years, KF has been successful in lowering nationwide prices on a wide variety of products, from margarine, flour, and oatmeal, to such consumer goods as galoshes, soaps and other washing materials, and electric light bulbs, and to industrial goods such as agricultural machinery, fertilizers and building materials. Only recently, in early 1956, KF succeeded in establishing lower prices for rubber tires and synthetic soaps.

In addition to its wholesale and manufacturing activities, KF supplies advisory information to cooperatives, provides staff training, and sponsors educational activities. It also performs fairly extensive banking service for its affiliates' members. At the end of 1954, the KF savings bank had deposits exceeding 229 million kronor. KF and its subsidiaries employed 13,622 persons in that year.

At the end of 1954, KF had shares and reserves of 281 million kronor. Dividends on purchases due the affiliated societies (usually 1 percent) are transferred to the societies' share accounts, which contained 121 million kronor at the end of 1954. The share capital of KF pays interest at the rate of 5 percent, which can be withdrawn by the members.

KF, in collaboration with a specially organized society (Svenska Hushallsforeningen), administers member societies which are economically weak and assists them until they are able to handle their own affairs. KF also assists in the establishment of new societies.

Cooperative Housing in Sweden

In 1923, the Stockholm Tenants' Union formed the Tenants' Saving and Building Society (HSB), which, in 1924, joined with similar societies in other Swedish cities to form the National Association of HSB Societies. At the end of 1954, 180 local societies (called parent societies), with a membership of 95,000, were associated with the national HSB movement. Affiliated with these parent societies were about 1,200 local housing groups, which represent their owner-members. The national society supervises the administration and development of the local groups, helps them obtain loans, conducts a savings bank, and directs the actual building, which is done by private contractors. Mortgages are insured by the State and the municipalities, and the tenants, who must become members of the association, buy their apartments, making an initial deposit of 5 to 10 percent of the apartment's value. The tenants receive full ownership rights and elect a management committee to administer the buildings. HSB also owns and operates special buying agencies, a number of factories producing building materials, and a marble quarry. While most of the products from HSB factories are utilized within the HSB movement, many of its prefabricated houses are sold on the market and exported to foreign countries.

HSB, working closely with municipal authorities, has been one of the chief instruments for building and administering low-cost city housing projects for large families. In addition to building apartment houses, HSB has been active in developing single-family housing in suburban areas, also available to large families with low incomes, and through its town planning department, has supported and initiated urban redevelopment projects.

The Swedish building workers' trade unions in 1941, organized a housing society, Svenska Riksbyggen (SR), which at the end of 1954 had about 450 housing groups affiliated with it. This organization was founded to help the building trade workers find employment when the outbreak of World War II brought house construction practically to a standstill, and at the same time to help meet the demand for housing. Like HSB, SR also works with municipalities in building low-cost housing for large families and in building apartments for old-age pensioners. The buildings are financed and administered in much the same way as those belonging to HSB societies.

Like HSB, Svenska Riksbyggen also has a production company (it had 15 member companies throughout Sweden at the end of 1954) with special departments for building, central heating, decoration, electrical installation, etc. The company maintains a common bookkeeping system and valuation principles to which all of the member companies conform; a single auditing department audits all the books of members. These and other low-cost operating methods have made it possible for the local production societies to compete with private contractors and suppliers of building materials.

Funeral Societies

The first Swedish funeral society was organized in Stockholm in 1946 to do three things: (1) To establish reasonable prices for the services, (2) to influence traditional customs and habits in order to abolish gradually certain costly and unnecessary services, and (3) to seek the abolition of certain traditional charges within the cemeteries and to provide municipal maintenance and planning of cemeteries.

Since 1946, 21 such societies have been founded by the consumer cooperative movement and by other consumer groups. At the end of 1954, the funeral cooperative societies handled 12 percent of all funerals in Sweden. In the cities and towns where the societies are located, they handle an average of 33 percent of all local funerals in addition to many in their surrounding areas.

Norway

Cooperative Retail Societies

At the end of 1955, there were 1,148 cooperatives with 300,846 members affiliated with the Norwegian Cooperative Union and Wholesale Society (NKL), a small increase since 1951. Total sales of the affiliated consumer and other societies amounted to about 990 million kroner in 1955. The societies had a surplus in 1954 of almost 26 million kroner, of which 10.8 million kroner were repaid to members as patronage refunds. This refund averaging 1.4 percent of member sales was 6 percent higher than in 1951. (See table 22.)

Cooperative retail sales in Norway were a third higher in 1954 than in 1951; even when allowance is made for increases in the level of all retail prices, the gain was about 14 percent. In 1955, when prices remained steady, a further gain of 5.5 percent was registered. Norwegian patrons of retail societies belonging to NKL

Table 22.--Norway: Sales, production, and patronage refunds of consumer cooperative societies, 1950, 1951, 1954, and 1955

Year	Total sales		Production	Patronage refunds by retail societies ^{2/} on sales to members	
	NKL ^{1/} Wholesale society	Retail societies ^{2/}	NKL ^{1/} Wholesale society	Amount in kroner	Percent of sales ^{3/}
(In million kroner ^{4/})					
1950 - - - -	111	616	53	8.3	1.7
1951 - - - -	167	704	63	7.8	1.4
1954 - - - -	266	938	76	10.8	1.4
1955 - - - -	281	5/990	75	-	-
Percent change					
1950-51- - -	18.4	14.3	18.9	-6.9	-18.7
1951-54- - -	59.3	33.2	20.6	38.4	5.9
1954-55- - -	5.6	5/5.5	-1.3		
Percent change after adjusting for price rises ^{6/}					
1950-51- - -	-4.2	-2.3	-3.9	-20.4	
1951-54- - -	48.2	13.9	12.3	18.4	
1954-55- - -	3.6	5.5	-3.2		

^{1/} NKL (Norges Kooperative Landsforening).
^{2/} Affiliated with NKL.
^{3/} Total sales by retail societies includes sales to nonmembers. However, patronage refund is figured as percent of sales to members only.
^{4/} 1 krone = 14.0 cents U.S. at official rate of exchange.
^{5/} Preliminary.
^{6/} Sales of retail societies were adjusted by using the Norwegian consumer price index excluding trade union dues, gas, electricity, and rent; sales and production of NKL were adjusted by using the wholesale price index.

Source: NKL Reports for 1950, 1951, 1954, and 1955, and Cooperative Activity in Norway, 1950, 1951, and 1954.

received patronage refunds at a lower rate than either Swedish or Danish patrons (1.4 percent as compared with 2.6 percent in Sweden and 2.3 percent in Denmark). In addition to the societies affiliated with NKL, approximately 300 operate independently, most of them in rural areas, for which sales data are not available.

The Norwegian wholesale cooperative (NKL) during this same period, increased its sales by almost 60 percent (48 percent when deflated by the wholesale price index).

Agricultural Cooperatives

The marketing and purchasing of agricultural products in Norway is handled in large part by cooperatives. In 1954, the latest year for which data are available, there were 3,360 agricultural cooperatives, of which 2,108 were purchasing associations, and 1,252 were processing and marketing associations, with a combined membership of 359,233.

The agricultural marketing cooperatives handle a very large proportion of the agricultural products marketed in Norway. In some cases, they market the whole crop, in others from 50 to 100 percent. The purchasing pool handled 43 percent of all sales of commercial fertilizer and 61 percent of all sales of feed concentrates in Norway in 1952.

The agricultural and consumer cooperatives have separate federations in Norway, but there is a close working relationship among them. Consumer groups have occasionally become members of the agricultural marketing associations. In an effort to delineate more clearly the field of activity of each type of cooperative, the federations of consumers and agricultural cooperatives have elected a joint committee to arbitrate disputes and to define the area of their activities, with the result that farmers' cooperatives have agreed to relinquish the grocery business, and NKL, the consumers' federation, has agreed not to build more feed mills or slaughterhouses.

Fish Marketing Cooperatives

The sale of fish in Norway is handled exclusively by cooperatives. In 1954, there were 33 such cooperatives which were given exclusive rights to the sale of fish by special laws enacted in 1929 and later. These cooperatives have established factories for herring meal and for salting and processing codfish. The organization of these societies has helped the fishermen obtain reasonable prices for their catches, and has led to the elimination of speculation and unreasonable middleman profits, and to higher earnings for the fishermen.

Denmark

Cooperative Activity in Denmark

From 1951 to 1955, inclusive, the Danish consumer cooperative societies handled between 11 and 12 percent of all retail trade. The number of consumer societies has varied little since 1951, but the membership and sales have grown. The increase in sales made possible slightly larger patronage refunds. (See table 23.)

Danish consumers' societies purchase approximately 75 percent of their goods from the central cooperative wholesale society, Fællesforeningen for Danmarks Brugsforeninger (FDB); 34/a small percentage (3 to 5 percent) of these purchases are delivered direct from the central's own factories and the remainder from outside FDB. Half of the outside purchases are goods of types handled by FDB: dairy products, eggs, beer, etc., but many of these products are **obtained** from farm marketing cooperatives.

In 1955, cooperative societies ran 2,244 shops, of which 116 were self-service shops, compared with only 74 such shops in 1954 (44 societies had more than one shop).

Finland

The cooperative movement in Finland is larger than in any other Scandinavian country, with membership numbering almost one-fourth of the population. Since each member generally represents a family, the proportion of the Finnish population belonging to the cooperative movement is about 75 percent.

The Finnish consumer cooperative movement was formed at the end of the 19th century as an instrument to promote national economic independence. Unlike other Scandinavian cooperative societies, the initiative for establishing the Finnish movement came from "above," from a group of citizens interested in furthering cooperative activities for social and national interests.

In 1954, there were 493 Finnish consumer cooperative societies, including those affiliated with the 2 major wholesale cooperatives and the independent consumer societies, with 1,023,295 members. This was an increase in membership since 1951 of over 3 percent. These societies increased their sales from 118.5

34/ Information on sales and patronage dividends paid by FDB is not available.

Table 23.--Denmark: Cooperative retail societies, membership, sales, and patronage refunds, 1951-55

Year	Total number of societies	Number of members (thousands)	Total sales		Patronage refunds on sales (percent)
			Million kroner <u>1/</u>	Percent increase Actual Deflated <u>2/</u>	
1951 - - -	1,903	441	957	- -	2.1
1952 - - -	1,910	453	1,044	9.1 5.8	2.1
1953 - - -	1,908	459	1,085	3.9 3.4	2.2
1954 - - -	1,909	468	1,132	4.3 2.9	<u>3/</u> 2.5
1955 - - -	1,908	476	1,188	4.9 .6	<u>3/</u> 2.5
1951-54- - -				18.3 12.9	

1/ One krone = 14.492 cents U.S. at the official rate of exchange.

2/ Adjusted for increases in the consumer price index after rent, fuel, and light have been taken out of the index.

3/ Not comparable with previous years, because a new system of accounting was introduced in 1954. Under the old system the refund paid was 2.3 percent in 1954.

Source: Brugsforeningerne (annual), 1955 and earlier years.

billion markkaa in 1951 to over 135 billion markkaa in 1954, an increase of 14 percent, or about 10 percent after taking into account a rise of almost 4 percent in the Finnish cost-of-living index from 1951 to 1954. (At the official rate of exchange, one markka was equivalent to \$0.4348 U.S. in 1951 and 1954.)

The Finnish cooperative wholesale society, Soumen Osuuskauppojen Keskuskunta (SOK), was formed in 1904. In 1916, the urban branch of the Finnish Consumers' Cooperatives left the SOK and subsequently established its own wholesale society, Osuustuokku-kauppa (OTK). The two societies compete vigorously with each other. Farmers dominate the SOK group and urban workers the OTK group; however, even in the farmer-dominated SOK, wage earners comprise two-fifths of the membership.

The two groups are about equally strong, with SOK leading in number of affiliated societies and shops, while the number of members and the sales are about the same in both groups. In 1954, SOK had sales of 40 billion markkaa and OTK had sales of 37.1 billion markkaa, increases since 1951 of 15.3 and 13.8 percent, respectively. During this period, the index of wholesale prices of domestically produced goods declined almost 5 percent.

An important feature of Finnish farmers' cooperatives is that in most fields, activities are carried on by two distinct groups of organizations, the larger one Finnish-speaking and the smaller one Swedish-speaking.

Credit Cooperatives

In many rural districts, the credit societies are the principal financial institutions. A central credit cooperative was first organized in Finland in 1902 by the founders of the Finnish cooperative movement, who were concerned about the farmers' heavy interest charges which often forced foreclosure. Local credit societies as they were established affiliated with the central society, which provided them with funds to lend their members. These funds were obtained partly from the State and partly from the sale of bonds. Today, the central society is a joint stock company owned and managed by the local credit societies, the State still holding a portion of the capital.

Since World War II, the cooperative credit societies have administered the main part of the large agricultural loans granted by the State; this is a function which is unique to Finnish credit societies. These loans comprise 30 to 40 percent of the total loans of these societies. Altogether, agricultural credit, both from the State and from the credit societies, accounts for over half of the total volume of business of the credit cooperatives.^{35/}

^{35/} These societies are concerned primarily with short- and medium-term credit, although long-term real-estate credit is also important.

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