A Short Course on Cooperation[1]

A.V. Chayanov

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Peasant cooperative movement was one of the most important topics in Alexander Chayanov's scientific, organizational and pedagogical work. He wrote many articles and books on agricultural cooperation, and had hundreds of classes with students at universities and with peasants to explain and discuss various cooperative issues. Finally, Chayanov presented his conception of the ways to develop agricultural cooperation in his famous book *Basic Ideas and Forms of Peasant Cooperation*[2]. At the same time, Chayanov was a talented and passionate popularizer and propagandist of cooperative knowledge among the wider population. Thus, on the basis of his lectures for the Old Believers' Agricultural Courses "Friend of Land" in Moscow in 1915, he published a booklet *A Short Course on Cooperation*, and in the next 10 years it was reprinted four times and became a desk book on cooperation for many Russian peasants, agronomists, and activists of rural development. This short course presents clear and unambiguous definitions of cooperation and its aims; each chapter is illustrated with popular historical and contemporary examples of the cooperative movement and of the interaction between peasant farms and specific types of cooperatives. This booklet reminds of two great genres of world literature. On the one hand, it is a propaedeutic *ABC of Cooperation*, like Leo Tolstoy's *ABC for Children*. On the other hand, it is a political-economic *Cooperative Manifesto,* similar to Karl Marx and Friedrich Engels *Communist Manifesto*, in which Chayanov describes a fascinating struggle of the Russian and international cooperative movement for the new just social world. Under the current rural development, Chayanov's *Short Course on Cooperation* is not only of a historical interest; it is an outstanding example of the unity of cooperative thoughts and deeds aimed at improving the lives of the broad strata of rural workers all over the world. This Chayanov's work was translated into English from its fourth and last lifetime edition of 1925[3].

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2. The abridged English version of this book was published in 1991: Chayanov A. (1991) *The Theory of Peasant Cooperatives*. Columbus: Ohio State University Press.
3. Chayanov A.V. (1925) *A Short Course on Cooperation*. 4th edition. Moscow: Central Partnership "Cooperative Publishing House".

Chapter 1. What is cooperation?

When people talk about the future of the village, they usually pin their hopes on cooperation. The very term "cooperation" has become one of the most popular words in our everyday language. In any newspaper one finds it dozens of times; the pages of books are full of it; it is heard at meetings, conferences, and congresses. After V. Lenin's last two articles on cooperation, it has become one of the foundations of our economic policy.

V. Lenin declared the exceptional significance of cooperation in the political and economic conditions of Soviet Russia and emphasized with particular insistence: "Now we must accept, realize, and provide extraordinary support for the only social order, which is cooperative order."

However, despite all of this and the fact that there are several and not just one cooperative in every one of our *volost* [small rural municipality], not everyone — even those who are practically familiar with cooperative work — clearly understands its essence and is fully aware of its key ideas and organizational principles.

Thus, we have to pay special attention to clarifying the very nature of cooperation in the agriculture of the Soviet republics. We have to consider in detail its possible role in our villages and what it can do for the future of our agriculture.

We know that the most characteristic feature of the economic life of our time, which distinguishes it from the old times of our grandfathers, is the improvement of production machinery and a new, scientifically based organization of industrial and commercial enterprises. Huge steam and electric engines of thousands of horsepower, giant retorts of chemical plants, multi-ton steam hammers stamping metal products with tremendous speed, automatic scales weighing hundreds of samples per hour with apothecary accuracy, and thousands of other instruments and machines that affirm the power of human genius — those are the features of our time.

And this technical equipment is supplemented by the skillful organization of enterprises. The contemporary factory assembles hundreds and sometimes thousands of worker; it coordinates and unites their efforts in such a way that enables five workers to do the work that would require fifteen workers under bad organization. No less than the contemporary, production technology, workshops, factories, and enterprises of various kinds form production groups, trusts, and syndicates, thus, winning in the coordination of production and overhead and reducing costs. The entire strength of the industrial, capitalist countries of Western Europe and North America and all their economic power over the rest of the world depend on the skillful use of these two great principles of our time — advanced technology and the proper organization of enterprises.

However, until now, both principles have been applied primarily in urban manufacturing, mining, and transport. Agriculture remains somehow unaffected by these achievements of human culture. Almost everywhere, farming followed the old path of thousands and millions of individual small farms scattered, unrelated to each other, and in general, not using much advanced machinery.

Certainly, such "backwardness" in agriculture is not because of accidental reasons but is because the production in farming depends primarily on land, crops, and livestock. Therefore, in many respects it differs from purely mechanical industrial production. Thus, the advantages provided by large size farms and improved machinery in farming are not as great as in industry. Small, technically weak farms in agriculture can show significant resistance to their larger competitors, which is absolutely impossible in industry. The recent, scientific studies (of V. Lenin, P. Lyashchenko, and other economists) of American and Russian farming prove that capitalism develops even in agriculture, mainly in the form of the exploitation of the small producer of agricultural products by all kinds of trading companies and enterprises that provide him with credit at high interest rates. The peasant wishes to preserve his economic independence but is, in fact, entirely at the mercy of financial and commercial capital, because he owes this capital a lot of money and cannot ignore it either to sell the products of his labor or to buy the necessary means of production.

All this makes the organization of agriculture on a new basis a most difficult and complex task.

When considering the millions of small, peasant economies — unorganized, dispersed, developing on their own accord like the course of a large river — any organizer of agricultural production can sometimes give up in despair. He can ask himself: Is it possible to organize agriculture like industry on new principles of modern technology and scientific organization? Are there any paths and ways to accomplish this?

We know that we have a large number of improved methods of agricultural technology: improved livestock breeds; improved machinery, fertilizer, and tillage techniques, livestock feeding, and primary processing of agricultural products. The question is how to implement these techniques in the very heart of the village; how to organize the peasantry so that all scientific and practical achievements usually accessible for only large-scale production would become available for the peasantry too.

This question is the most important one for agriculture! And the answer can be given by the application of cooperative principles to the organization of the village.

The basic idea of agricultural cooperation is extremely simple. If we carefully consider the structure of the peasant economy, which is quite complex, we will easily see that, for a number of industries, its larger form will immediately ensure a greater direct benefit. Moreover, it is almost always possible to quite easily identify huge works

and combine them into one common, big activity of neighbors without disrupting the work of other parts of the economy and without destroying the labor of the family economy.

A few examples will explain the essence of this statement. For instance, everyone knows the advantages of separators and mechanical churns over home butter making. However, separators and mechanical churns are inaccessible to a small peasant economy that has only one or two cows. For the separator to pay for itself, it is necessary to start processing as much milk as can be collected from twenty or thirty cows.

It is obvious that no single, peasant economy possesses such a herd and, consequently, no single peasant economy can afford the use of a separator. However, it is equally clear that nothing prevents twenty or forty farms from uniting into a union and building a small dairy factory together after refusing to make butter at home. Nothing prevents them from bringing their milk to the cooperative factory entrusted not only to make butter but also to sell it.

This simple idea has long been recognized by the peasant masses; in different regions of the USSR and Western Europe, dairy partnerships were established many decades ago. Today there are more than four thousand of them in Western Siberia, the Vyatka, Vologda, and other provinces of the North and in the Kuban. We see that they have united into local unions, which, in the summer of 1924, formed the All-Russian Butter Union entrusted to sell their butter in the domestic markets of the USSR and also in England and other foreign markets. This Union combines the production of butter from the milk of two million cows and is one the largest global companies on the butter market. Thus, it is natural that the Union can use all the technical achievements and all the organizational improvements available today.

The cooperative basis of processing and marketing of butter nearly always determines cooperative work in improving livestock and the conditions of animal housing, the development of partnerships for the joint use of breeding bulls, and for livestock insurance against mortality. In other words, soon after a dairy cooperation starts, all the foundations of peasant dairy production turn out to follow the principles of the largest production and most perfect organization.

The same cooperative principles can be used by the peasant to organize other branches of his economy. For example, if peasants in the potato areas are not able to sell their raw potatoes, they may cooperate to create a network of potato-processing factories that produce starch and finally a syrup. This allows them to make full use of all the advantages of this profitable crop and of factory machinery to process it. At the same time, by creating fields for producing improved varieties of potatoes and by supplying the production through potato cooperatives with the improved means of production, peasants organize the whole potato business at the highest technical level without destroying the peasant economies that form the basis of it.

The potato cooperation established the All-Russian Union, abbreviated as *SoyuzKartofel* [Soviet Potato], which unites many thousands of peasant economies.

An even more powerful organization was created by the flax-growing peasants who united the peasant cooperatives of fifteen provinces in a union called *L'noCenter* [Flax Center], which was recognized in the world market as a company selling fiber of immaculate quality and sorting.

It is especially important that, despite the most difficult economic conditions of life in our Soviet country, despite crop failures, and lack of funds and credit, wherever we look — even in the most remote districts of the USSR — there are the same organizational processes in the production of many agricultural goods — bread, sugar beets, poultry, cotton, viticulture and horticulture, agricultural machinery, fertilizers, seeds, and different items of peasant, everyday life and consumption.

Certainly, almost everywhere there are only the first and often timid and uncertain steps, but they convince us that the cooperative path is the only one and the right one for our peasantry. These steps show us that agricultural cooperation really allows the organization of the previously scattered peasant masses by connecting them directly to the centers of the economic and cultural life of the Soviet state and enabling them to use all the advantages of the large economy and improved machinery. Moreover, it is especially important that these large and organizationally perfect enterprises are forms of the social economy, i.e., in the social perspective, they are the highest form of organization.

However, let us consider what is necessary for peasant economies to form a cooperative, so that the joint venture will be really cooperative; what distinguishes cooperatives from private, commercial, and industrial enterprises with which they are often unfortunately confused.

We have already mentioned that the cooperative is primarily a union of farms and that the economies forming such a union are not destroyed but are still small labor economies.[4]

However, in cooperatives, only a part of production forms a union, i.e., the part in which the large farm has an advantage over the small one, the agricultural co-operative is a supplement to the independent peasant economy, serves it, and makes no sense without such an economy.

In its further development, cooperation will increasingly turn different branches of the peasant economy into a public cooperative

4. Agricultural cooperatives usually include the so-called "complete agricultural cooperatives", i.e., agricultural communes in which individual farms are completely dissolved in the social economy. Due to their importance, a special book is devoted to "complete agricultural cooperatives", and we do not consider them at all in this essay.

economy. Such elements of the social economy create in the peasant economy the foundations of the future, socialist organization of farming.

To more clearly understand the very essence of cooperation, let us compare two dairy factories — a cooperative one created for their own needs by peasant cattle-breeders, and a private one owned by a capitalist entrepreneur who rented it from *GubSovNarKhoz* [Provincial Council of National Economy]. Let us ask ourselves whose interests guide and manage the work of both factories.

A brief observation is enough to understand that the private factory will pursue the benefits of the capital invested in its turnover. Its main aim will be to organize the whole business in such a way as to obtain the most money, the highest net profit on the capital.

We see a different situation at the cooperative factory. Peasants invested the same capital in its organization and turnover as the private entrepreneur, but the interests of this capital and the task of obtaining the greatest net profit are secondary. The heart and the soul of the whole enterprise is the benefit of the peasants who deliver milk to the factory and who jointly created it in the interests of their economies. The cooperative factory can ensure a zero penny of profit on the capital spent on its construction, but it will still be profitable for peasants if it allows them to get more revenue for their milk than if they sell it into the wrong hands.

Let us further consider the structure of a consumer cooperation in which peasants unite for the joint purchase of products necessary for the household. Here we find the same differences from a private shop as we saw in the dairy *artel*.

The entrepreneur-shopkeeper puts the interests of his capital first. He tries to get the biggest profit from his trade by any means, to the detriment and at the expense of his customers, but, in the consumer cooperative shop, the net profit on the capital invested in the goods is a secondary task. Certainly, capital is necessary for the consumer community, and economic turnover is impossible without capital. However, it is not the interests of capital that manage the business but rather the interests of consumers, of those peasant households that joined efforts to create a consumer shop for their own needs.

For an ordinary shopkeeper, it is beneficial to sell bad products at high prices and to get the highest net profit. For a cooperative shop, profits can be very insignificant, but the products must be good and cheap. No cooperator would like to increase the profitability of his shop by adding sand to his bread and water to the milk for his children.

The most important part of cooperation is such a transfer of attention from the interests of capital to the interests of the peasants who united and created the cooperative enterprise for themselves. Cooperation will always use capital and very large capital, because economic life is impossible without it. However, the interest from this capital

does not come first in cooperation but rather the interests of the economies it serves. In cooperation, capital is a servant and not a master. Therefore, management of the cooperative is arranged in such a way that it is controlled not by representatives of capital and not by those who gave a lot of money for the cooperative trade or production, but by the labor economies by which the cooperative was created and which it exists to serve. Thus, it is clear that the activities of rural cooperation are guided by peasant interests, and all its work is determined by them.

According to V. Lenin's letters on cooperation, in the capitalist society, the peasant cooperative movement was powerless to solve these tasks. Only after the transfer of power to the working people does cooperation with the support of state power acquire a completely different meaning and become the basis of a new social system of the village.

Therefore, cooperation cannot be limited to trade or industry. Interests of the peasantry are broader. Peasants are interested not only in buying cheaper and selling higher but also in many issues of spiritual life, issues of the mind and heart. Cooperation is not only to help the peasant to get greater benefits in his economy but also to help him in enlightenment, in the organization of his spiritual life. Cooperation can give a lot here, perhaps even much more than in other aspects of the village life.

We know that besides the opportunity to purchase a good agricultural machine inexpensively, one should be aware of the existence of such machines and be able to use them. To provide the peasantry with this knowledge, cooperation supplements trade with cultural-educational work in the village.

These are the differences between cooperative production and private entrepreneurship and trade.

After describing them we should also consider the differences between cooperatives and state enterprises, and we should find out why recently the government agencies have transferred and continue to turn a significant number of state agricultural enterprises into cooperatives.

The village is supplied with seeds and agricultural machinery, rental points, breeding bulls, and local potato-processing factories. Last year all dairy enterprises of *GosMoloko* [State Milk] were transferred to the hands of agricultural cooperatives. After the 13th Congress of the Communist Party declared a state policy of agricultural cooperation, we believe that such a transfer of economic activities from the state to the cooperative's shoulders will become more widespread.

Why is this so? Why is a cooperative system considered more perfect for the needs of the village than state enterprises?

In a republic of working people, both the state and cooperative are the governing bodies of the same working masses and serve the same needs of the working people. Therefore, the decision about which of these bodies to entrust with economic work is made every time, depending on which of these bodies is technically most effective.

The elected representatives of the working people manage the cooperative in its smallest structures under the daily vigilant control of the members of cooperative who elected them. It is not governed by administrative orders of the center. It is flexible in economic activities and allows the fastest and most free manifestations of the beneficial local initiative. Therefore, cooperation is the best decision if organized, local, self-activity is required, if every individual case demands a flexible adaptation to the local conditions, and if one should take into account the smallest features of every place and every month of work.

All of these requirements — the necessary initiative of the masses, flexibility in organization and activities, ability to adapt quickly, and exceptional sensitivity to the needs of the working masses — are necessary for work in the village. That is why in our Soviet state, whenever cooperation becomes strong enough, it captures — one after another — the different branches of economic work in the village, which was previously dominated by state enterprises consisting of specialists and employees appointed by the center.

Readers can express concerns that after transferring the economic work to cooperatives, it will no longer be controlled by the governing bodies of the Soviet state. Thus, such a transfer will destroy all planned considerations that are absolutely necessary under the current, difficult conditions of our national economy. However, this fear is completely unfounded, because agricultural cooperation represented by its financial and trade centers and local unions is so deeply integrated into the general system of the government agencies of the USSR and works in such a close connection and coordination with them that there can be no contradictions in their work. On the contrary, it is due to the transfer of all economic work in the village to a cooperative that the whole village is being drawn into the mainstream of the planned economy, which became possible only thanks to cooperation.

Cooperation reorganizes the scattered, individual, peasant economies into higher forms of social economy, which is the main task of creating a new village.

What we have already said is quite sufficient to understand what the development of cooperation can mean for the village and what a great future cooperation has. All this makes every village worker pay special attention to the study of this new phenomenon of rural life.

In the following chapters, we will consider the history of cooperative ideas and will examine in detail the organizational forms of these ideas in every branch of cooperative work.

Chapter 2. A history of the cooperative movement

The history of cooperation can be traced from the mid-19th century. In the early 19th century in England, there was a man named Robert Owen, who was an industrial figure and, while observing the life of

the working people, often thought about how to improve their hard fate.

Robert Owen believed that the human world was not arranged in the right way and too many things in people's lives did not correspond to reasonable grounds. He said that people should help each other to live with friendly joint efforts and should establish special communities to jointly organize their economic life.

His lofty doctrine on new life foundations very soon attracted many supporters in England, but the attempts to implement the ideas he preached in real life failed. Robert Owen based his doctrine on the spiritual unity of people, but he paid little attention to the development of a form for the practical implementation of his ideas and to how they corresponded to the development of the economic life of his time.

However, despite the small success of their practical implementation, the ideas of Robert Owen became widespread in England. A few decades later, in the 1840s, in a small English industrial town, Rochdale, a group of weavers, who considered themselves Owen's followers, founded the first cooperative, which became a model for others and started the practical implementation of the great teacher's covenants.

1) Foundations of consumer cooperation established by the Rochdale weavers

The cooperative founded by the Rochdale weavers in the small Toad Lane of the provincial town was not the first consumer community. In history, there were many attempts to arrange the public sale of essential goods for the benefit of people. However, all such undertakings very soon failed and perished due to the unsuccessful arrangement. And only simple Rochdale weavers, who had long thought about how to improve the life of the working people, managed to find the grounds that allowed their cooperation to develop instead of failing. Therefore, the Rochdale weavers are rightly called the founders of consumer cooperation and of the great cooperative movement.

What were the main principles implemented by the Rochdale weavers? Everyone understands that if you buy any goods from a wholesaler in a retail store not in small quantities but in large quantities, the purchase will cost less and the quality will be better. Therefore, every buyer who wants to get good products at a cheap price should buy them not in *arshins* [0.71 meters] or pounds but in big pieces, wagons or *poods* [16.3 kg], and not in a small shop but directly at a factory or in a large wholesale store.

However, no matter how beneficial this advice is, the question unwittingly arises: can our peasant, worker, or simple townsman store up for the future use butter in barrels, flour in wagons, and textile in bales? It goes without saying that any consumer cannot do that individually. First of all, he never has enough money to pay for these

large purchases, and the needs of his household are not measured by wagons or barrels but by pounds of bread and a few pieces of herring, by *arshins* of chintz and not by bales of it.

However, if tens, hundreds, and thousands of buyers unite to buy the goods they need together, they will immediately get the opportunity to buy goods in the largest quantities and will turn into one very large, wholesale buyer. Then the goods purchased will be cheap and of good quality.

This simple idea is the basis of consumer cooperation, and it is clear to any person who has ever thought about his economy. Certainly, this idea was known long before the Rochdale consumer shop in Toad Lane. However, despite numerous attempts, the idea failed previously to be put into practice. Obviously, it is not always easy to realize even a clear and simple plan. We will try to find out the reasons for it. Why did only the Rochdale weavers manage for the first time to establish consumer cooperation?

The simplest way for a joint purchase is when several families knowing each other decide to buy, for instance, some fabric for the summer, raise money together and make a joint purchase, let us say, at the factory of the Bogorodsky Trust, and then divide the purchased bale of chintz or *sarpinka* [printed calico] according to their orders. However, such a joint purchase is not yet consumer cooperation.

It goes without saying that if you buy all the products you need for the household in this way, you will have to gather every day, collect money for the joint purchases, take turns to go shopping. There will be no time for anything else, and the trouble will be extremely burdensome for everyone.

Therefore, people have long sought a good way for the joint purchase of all necessary goods — collecting money, establishing a small working capital, and electing a trusted person to open a small shop from which they can get the jointly purchased goods. Such a community that opens a shop of goods it needs for joint money was named a consumer cooperative. Such shops were opened long before the enterprise of the Rochdale weavers, but they managed to find only the right principles for consumer cooperation. What were they?

In the first unsuccessful attempts of joint purchases, the public shop bought goods at wholesale prices, added the overhead costs of transportation and maintenance of the shop and warehouse, then calculated the price of goods by weight, and sold them at this price to the members of cooperation. The goals of the community were achieved. The goods were of good quality and much cheaper than in private trade. However, such communities very quickly weakened and perished.

The cheap public sales irritated the neighboring shopkeepers who drew such a weak and fragile community into fierce competition by dropping their prices much lower than the cost prices. They suffered some losses but achieved their goal of using the irresponsibility of

buyers and turned them away from the public shop and, thus, destroyed the cooperative. There were even cases when traders bought up the goods of the public shop at cheap prices with the help of unscrupulous members of the cooperative and then sold these goods in their shops at a good profit.

However, the huge disadvantage of selling goods at cost prices was that the cooperative could not increase its capital. Its current assets, composed of meager share contributions, had always been insignificant, and the economic strength of the cooperative was negligible. The cooperative did not have profits from the sale, could not increase its current assets, and often did not have money when there was an opportunity to buy a cheap and good product. Even with the smallest losses, its capital and the cooperative itself were destroyed.

To avoid these adverse consequences, the Rochdale weavers decided to sell goods in their public shop not at cost prices but at the same market prices as the neighboring traders.

When trading at market prices, the still weak cooperative was not involved in a struggle with rich traders, which was unbearable for the cooperative in the beginning. The profits from market prices significantly increased its economic power, replenished its meager working capital, and strengthened the viability of the cooperative union. That is why the principle of selling goods to members of the community at market prices, which was established by the Rochdale weavers, is considered one of the most important foundations of consumer cooperation.

However, one can ask what the benefits are for the consumer from bustling about and opening a cooperative shop, if it sells goods at the same prices as private shopkeepers?

The answer to this question can be given by another rule introduced by the Rochdale weavers: in the cooperative, the profits from the consumer, determined by the market prices and forming the income of the shopkeeper in private trade, are returned to the consumer at the end of the year.

Suppose that this year, our consumer shop sold goods for 10,000 rubles and received 800 rubles of profit. This profit is received from members-consumers and must be returned to them. Per every ruble taken by the shop, eight kopeks were the profit and ninety-two kopeks were the cost price of goods with all the overhead. Thus, if I bought goods in our shop for 100 rubles, then the shop received eight rubles from me as a profit, which will be returned to me at the end of the year. For instance, if you bought the goods for 800 rubles this year, then the shop received sixty-four rubles of profit from you, which will be returned. If your neighbor bought the goods for 125 rubles, then at the end of the year he will receive ten rubles back.

Thus, when trading at our shop not at cost prices but at market prices, we, the consumers, do not lose anything, because all the profits of the shop will be returned to us at the end of the year. Moreover,

we benefit greatly from the profits of the shop. If our shop traded at cost prices, then every day we would buy small things and would get a small profit of fifteen or twenty kopeks per day or even less. Such a benefit would be little appreciated and completely lost in our everyday life.

The situation changes completely if our shop takes these kopeks and ten-kopeck coins as its profit. This will strengthen the shop and, at the same time, our ten-kopeck coins of one day will be added to the ten-kopeck coins of other days. The shop will turn into our caring piggy bank and a savings bank that will accumulate for us and give us a few dozen rubles at the end of the year. And this amount of money means a lot to the peasant, worker, or employee with a modest income. In any case, such an amount received in a lump will immediately bring much more benefit than penny savings made during the year.

That is why the return of profits to consumers according to their purchase of goods is considered the second great foundation of consumer co-operation.

However, if we study the life of our Russian consumer cooperation, we will see that even the best consumer communities usually do not distribute all their profits among customers. First of all, big money is spent to expand and strengthen trade, i.e., this money is added to the fixed or reserve capital.

We already know that without a lot of capital the public shop can be weakened, things in the shop will go badly, there will be few goods and few choices, the members-consumers will not be satisfied with their shop and will go shopping in private trade. Therefore, it is in the interest of the consumer himself to ensure the most extensive development of public trade possible and to accumulate such capital that the shop will never lack working capital. Collecting such money by share contributions is very burdensome for members-consumers, and it is much easier to get money from trade, i.e., by allotting a part of the profits.

Cooperatives also allot considerable funds for so-called "cultural-educational purposes".

Cooperation gets stronger when it attracts more members and when they hold on more firmly to their cooperative. Therefore, the more widespread the right knowledge about cooperation, the stronger the cooperation.

Moreover, cooperation should not forget that "man shall not live by bread alone." When selling cheap bread, sugar, nails, and textiles, cooperators should not ignore the spiritual life of a person. Together and under the guidance of the local departments of public education, cooperatives strive to provide their members with good, entertaining, and useful books, to establish folk theaters, libraries, folk houses, and tea houses, and to organize public readings to teach their members of the ways to farm to make two ears grow where currently the labor of the peasant makes only one grow. All this requires large ex-

penditures and consumers-cooperators who willingly allot them from their profits.

Thus, the profits of cooperative trade are partly returned to the consumer, whereas the rest of them are spent to expand trade and for cultural-educational purposes, e.g., forming public and socially useful capital. Such an accumulation of public capital by allotting a part of the profits is considered one of the most important foundations of not only consumer but also of all other types of cooperation.

However, the above mentioned rules do not exhaust the covenants of the Rochdale weavers for us.

According to the next rule, which is often forgotten by Russian cooperators, the cooperative shop should sell goods for cash only. Taking goods on credit is not allowed in the cooperative, according to the founders of consumer cooperation. This requirement is perplexing and seems especially difficult to fulfill for the working people who support cooperatives. It may seem that the very public shop should come to the aid of the worker when he does not have enough money for daily bread. However, the Rochdale weavers strongly insisted that this rule should be strictly followed.

Why is that? Why can a shopkeeper sell his goods on credit, whereas a consumer community cannot? We will consider this issue in detail and very carefully.

Certainly, a shopkeeper selling goods on credit does not do that from a kind heart but rather for his own benefits. But what kind of benefits?

It has long been said not to look a gift horse in the mouth! Similarly, one should not be picky and demanding of goods taken on credit. Therefore, when selling goods on credit, without money, the shopkeeper gets rid of all the shelf warmers and products of poor quality, and, at the same time, increases their prices compared to the sales for cash. Thus, the losses of the shopkeeper from the delay in money return and failure to pay debts are covered by the profits from high prices and from the expensive sale of bad goods.

Public trade cannot do this; it cannot slip a buyer a bad product instead of a good one, cannot give short weight or inflate prices by selling goods to the poor buyer on credit. Therefore, public trade cannot cover the losses inevitably determined by the failure to pay debts, which can lead to other significant losses and destroy the whole consumer cooperation.

It should also be noted that when selling on credit, the public shop will always be short of cash and forced to take goods on credit, i.e., the shop will receive goods less regularly, they will be of worse quality, and the shop will repeatedly miss good chances to buy cheap goods of the best quality. Therefore, no matter how hard it is for the labor cooperator, if he values his consumer community and does not want to bring it to ruin, he should completely refuse to sell goods on credit. If there is a very great need for sales on credit, then it is possible

to accumulate special capital by allotting a part of profits, which will be used for loans to poor consumers, while the main trading capital of the cooperative must make its turnover only for cash.

Thus, there are three main foundations of consumer cooperation.

1) The selling prices of the consumer cooperative should be the prices of the usual retail trade and not the wholesale prices, because this is the only way to get a sizeable profit. Small allocations from it will allow an increase in the working capital of the cooperative and will provide the consumer community with free cash that will significantly strengthen its economic power.
2) All profits of the consumer shop should be distributed among individual buyers, not according to the money contributions made at the opening of the shop, but based on how many rubles they spent on purchases during the year.
3) To preserve the integrity of public cooperation and ensure its sustainable organization, we must refuse to sell on credit, because, without usurious interests, sales on credit are too unprofitable.

It is also necessary that every consumer makes a labor contribution to the organization of the shop, that consumers-members work as cashiers and even as countermen, i.e., that they participate in the cooperative with their own labor.

These are the foundations of the great undertaking of consumer cooperation which were laid in 1844.

A lot of water has flowed under the bridge of history since then. The structure of economic life has changed in many way. Capitalism has developed its new forms, and the social revolution in Russia has put forward a number of new ideas of economic organization. And, certainly, the principles of the Rochdale weavers, while remaining the same in essence, have been partly modified and partly supplemented according to the eighty years of changes in the conditions of economic life and especially under the new forms of its organization in our Soviet state.

The necessity to revise and supplement the Rochdale principles was recognized long ago. Recently this question has been put in line by the conference of cooperators-communists. It should be assumed that in the coming years the theoretical cooperative idea will manage to establish the basic principles of consumer cooperation relevant for the new forms of our economic life.

It is said that Moscow was burnt down by a penny candle. Similarly, from a small shop in the basement of a small house in Toad Lane, a huge social movement began and developed so quickly that after a few decades it had spread to all countries of cultural humanity. The development of this movement did not always go smoothly. Many cooperatives perished, and, in most cases, not because the Rochdale rules were bad, but because they did not follow them.

Today, a few decades after the modest attempt of the weavers, consumer cooperation has managed to remove from its path a shopkeeper,

a trader, and other intermediaries, to unite tens of millions people, to build huge warehouses, its own factories and plants, ocean steamers and railroads, hotels, hospitals, libraries and schools... Great seeds planted by Robert Owen have begun to bear fruits.

2) Raiffeisen principles

A quarter of a century after the first consumer cooperative was established in England, in a small German village, a local *volost* foreman proposed the creation of a first, credit partnership — the most important type of village cooperation.

Raiffeisen, the founder of credit cooperation — its "father" — as German cooperators like to say, was born in 1810 and died in 1888.

He devoted all his long life to selfless service to the peasantry. As the *volost* foreman, he knew the village's needs very well and often thought about how to free the German village from the hands of usurers. In those times, usury was exceptionally widespread in the German village. Just like greedy leeches, the usurers sucked all the power out of the working peasantry. At first Raiffeisen tried to help the trouble by creating special unions that bought cattle for their poorest members. However, these unions were based on charity; they existed for a while but were gradually weakened, the flow of donations ceased, and the unions perished. By the end of his life, Raiffeisen realized that charity could not help poor peasants and began to think about helping peasants not by charity but by principles of mutual help for the working peasantry. Raiffeisen knew very well the main causes of rural poverty, and, after long years of reflections, he found a way to fight against them and described this in 1866 in the book, *Credit Partnerships as a Means of Eliminating Poverty*. On April 25, 1869, in the small village of Geddesdorf near the town of Neuwied, he managed to establish the first credit partnership.

What were the foundations of this first credit partnership laid by the "father' of credit cooperation?

Raiffeisen knew very well that every peasant often needed money for his economic turnover, especially if he had extended or improved his economy. However, it was often impossible for him to get money. The peasant tried different ways and, in the end, he still had to turn to his village's *kulak*-usurer, who willingly lent money at a monstrous interest rate. He would lend twenty rubles, and a month later demand thirty rubles.

Under such loan conditions, one could never make any improvements in the economy, because the monstrous interest paid to the *kulak* would negate any profit that a new cow, thresher, or a seed drill would bring.

At the same time, quite a lot of free money accumulated in cities is put into banks and very willingly lent at small interest rates based on reliable ideas and on good securities.

It would be very good for every peasant to go to the city to a bank and borrow the money needed. However, this is hardly possible. One

cannot go to a distant city to get twenty, thirty, or even fifty rubles, because one must pay for the train ticket and will have spent much more than he will get from the borrowed money.

Moreover, the bank will never lend money to an unknown person. And even if the peasant offered to secure the loan with his livestock, buildings, and the entire harvest, the bank cannot check his capital. This is because the money borrowed is so insignificant that no interest will cover the expenses of the bank inquiries about the peasant's property and especially the expenses of sending a special person to collect non-payment. Therefore, there is no point for banks to lend money to peasants in small quantities. The bank will not even consider loans of fifty, a hundred and fifty, or two hundred rubles.

Raiffeisen had long thought about everything mentioned above. Finally, he suggested that the peasants of his *volost* establish a union that would borrow money in large amounts secured by the mutual responsibility of its members and by all their property.

Five or six hundred peasant families united usually need a few tens of thousands rubles for their economic turnover. This amount of money is so large that even a very small interest will pay for special trips to the city and correspondence with the bank. And, for the bank, such a large loan is sufficient to cover with interest the costs of inquiries and possible collection of non-payment. The property of five hundred peasant households is more than sufficient to secure a loan.

Therefore, the first principle of Raiffeisen — a joint money loan of many peasants united, which is secured by mutual responsibility and by all the property of members — ensured the inflow of capital into Raiffeisen communities and became the basis for the development of credit cooperation.

However, this rule cannot be considered the most important one for credit cooperation. It was introduced by Raiffeisen not so much as the basis of cooperative credit but rather as a well-known security for banks and other institutions and individuals that loaned money to the cooperative. The mutual property liability of cooperative members was understandable and inspired the respect of all capitalist and financial figures of the time.

However, Raiffeisen considered the true basis of cooperative loan not how it would be secured but who would get the borrowed money and on what it would be spent. Therefore, according to the most important Raiffeisen's rule, if a partnership gets money secured by mutual responsibility, this money should be given to its members only for productive needs.

Money cannot be taken from the cooperative for a dress or food but only for such expenses that affect economic turnover and, at the end of this turnover, return to the owner with a big profit. That is, money may be taken for such expenses that justify themselves and allow the owner not only to repay the loan but also to get a good profit.

This is the most important Raiffeisen principle that determines all others.

If the basis of cooperative credit is the loan for productive purposes, it is obvious that the credit partnership must keep a watchful eye on the borrowed money to ensure that it is not wasted in vain but is spent exactly for the productive purposes for which it was taken. To make such an observation possible, it is necessary to know the borrower very well and to not lose sight of his economy. First of all, it means the requirement to lend money only to the members of the partnership, i.e., to the people well known to share mutual property liability.

In order for the board of the partnership to watch its borrowers, it is also necessary that their economies are under the constant supervision of board members. This is possible only when all the economies of partnership members are located near each other, i.e., when the municipality in which the partnership works is small, the number of its members is small, and its turnover is not big.

In fact, if we unite a whole *gubernia* or *uyezd* [district] into one partnership, there will be no way to control its members' economies, its economic turnover, and the purposes for which the borrowed money is spent. Many believe that even a *volost* is too large for activities of the partnership; it is better for every five or six villages to establish their own credit partnerships. However, with such a small size, the turnover of the partnership cannot be big; therefore, all kinds of expenses — travel, bookkeeping, and record-keeping costs — become burdensome overhead expenses per every ruble lent by the partnership.

Suppose that the management costs are 1,000 rubles. If the partnership loaned 100,000 rubles this year, then, per every ruble loaned (without the interest paid by the partnership) it will have to take one kopek from its borrowers. If the partnership lends only 10,000 rubles per year, then it will need ten kopeks per every ruble lent to repay its overhead expenses.

Raiffeisen believed that it was not possible to expand the area of activities and the number of members in order to increase the turnover of the partnership. He recognized the need to reduce overheads and interests on loans; that is why he tried to somehow reduce the costs of maintaining the partnership. His most important suggestion was to consider the work of members of the board, the treasurer, and secretary-accountant as public duties and honorary positions, i.e., not compensated. Such a definition of the work of the board as honorary and unpaid workers significantly reduced the overhead expenses and the interest on loans, which made the credit more affordable.

These are the main rules introduced by Raiffeisen, the "father' of credit cooperation.

We know five of them:

1) Mutual property liability of all members of the partnership for its debts.
2) Loans for productive purposes only.
3) Loans to members of the partnership only.
4) Small area of activities of the partnership.
5) Declaring the work of the partnership board honorary and, therefore, unpaid.

Raiffeisen fervently preached these principles. That is why he not only found the Geddesdorf partnership but also took a trip to the villages of his neighborhood, where he managed to establish twelve more credit partnerships.

Their exceptional success and the incessant preaching of the "father' of credit cooperatives contributed to the wide dissemination of new ideas. When he was dying in 1888, Raiffeisen was left with a feeling of deep satisfaction and could count up to 400 German partnerships based on his rules.

This is how the two most important cooperative ideas emerged and developed, showing the working peasantry the ways of revival.

Subsequently, as the cooperative movement spread, rural cooperation expanded far beyond its initial tasks. In addition to credit and joint purchases, cooperation began to organize joint sales of the products of peasant labor and often combined them with the processing of agricultural products. Cooperation was also responsible for some special undertakings in cattle breeding, machine use, land improvement, etc.

In its basic idea, each of these new types of cooperation in one way or another followed the principles described in this chapter. However, the new forms of cooperation, its unprecedentedly wide scale, and especially its new tasks that came to the fore, such as some tasks of the state-planned economy, have put forward new ideas for cooperation, which we will present in the final chapters of the book.

Chapter 3. The rural consumer community

We will begin our narrative about different types of cooperative organizations with the rural consumer community.

Among all other types of cooperation, consumer cooperation is the most well known, due in part to the fact that this kind of cooperation is also practically known to all townspeople. It is also known even more so because, until 1921, in the economic life of Soviet Russia, almost all cooperative work consisted of consumer cooperation, and *E.P.O.* [UCC — United Consumer Community] was almost the only cooperative cell in local cooperative work. Other kinds of cooperative movement began to evolve only with the development of a new economic policy and new forms of our economic life. Today the organizers of rural life focus primarily on the following production forms

of cooperative work: dairy, flax, credit and other types of agricultural cooperation. This focus is quite understandable, because these are the sectors that can increase the income of the peasant economy and well-being of the village and ensure the reorganization of farming and animal husbandry on new principles.

However, when focusing on these issues, the organizer of rural life should not forget the consumer cooperative work, because the properly organized co-operation leads to savings from cooperative purchases of consumer goods and provides the peasant with huge savings for improving his economy.

This is especially true now, when in many provinces and districts, even close to Moscow, our lack of cooperative skills and organization allows the private shopkeeper to dominate again. Therefore, the funds, which could be used to increase production and strengthen the peasant economy under a strong cooperative organization, again today increase the profits of private capital.

The figures of the drop in village prices in the very rural hinterland in the years before the war, when consumer cooperatives first appeared there, show how large these profits can be, provided the weakening of consumer cooperation. For instance, in the Stavropol district of the Kursk Province, in the years when consumer shops first opened, prices of tea and caramel fell by 10 percent; of sugar — by 13; of matches and buckwheat — by 20; of biscuits and rice — by 15; of lemons and other snacks for tea — by 25; of vinegar and herring — by 25; and of yeast and soda — by 50, i.e., by half. And this happened at such a brisk place in the Kursk Province where it is not difficult to get to the city. We see a quite different situation on the outskirts. What was done by cooperation in the Cherdynsky district of the Perm Province can be called fabulous. [Dmitry] Bobylev, who studied the Perm cooperation, pointed out that with the development of cooperation, the prices changed in the following way: the price of sugar fell by 60 percent; of kerosene — by half; metal scissors, the price of which is 60-50 kopeks, cost up to 1 ruble 20 kopeks; velvet, which costs up to 3 rubles, was sold at 7 rubles. However, the prices for different little things, especially of nails, increased the most. As soon as consumer shops opened in the district, everyone began to buy goods on average at half price. Bobylev calculated for the Cherdynsky district that, thanks to cooperation, an 800,000-rubles purchase of peasant economies would save them 400,000 rubles, i.e., an amount that exceeds all local and state taxes and leaves a huge sum of money for the improvement of the peasant economy. In recent years, there have been many equally good examples, when consumer cooperation supported by the state has repeatedly prevented the frenzied speculations of private traders by fixed moderate prices.

These are the results of cooperative work in the districts where consumer cooperation confidently stands on its feet.

As the above example shows, consumer cooperation provides the population with large savings and, thus, has a great industrial sig-

nificance, because it allows the conversion of these savings into agricultural machinery, livestock and improved seeds. This is the consumer cooperation's deep "production significance'.

However, it should be noted that there are no other cooperatives that are so much in danger of perishing as consumer shops. They are the weakest cooperatives. They are weak not by their foundations established by the Rochdale weavers, but by the fact that members of the consumer shop often forget their cooperative interests and break cooperative rules.

Moreover, consumer shops more than any other have to withstand a heavy rural struggle with shopkeepers and small traders. When opening a credit partnership or a dairy cooperative in a rural municipality, we add to the local economy new sources of income, which were not previously available and can now be used to varying degrees by all local people. And by ensuring incomes for many people, we do not make enemies.

The situation is different in consumer cooperation. The consumer shop immediately makes enemies among local shopkeepers. Its struggle is for life and death, and cooperation triumphs only if it manages to completely oust shopkeepers completely. Therefore, it is no wonder that the latter use all their influence and money to undermine cooperation and turn local peasants from it. Often cooperation fails, because its members do not buy goods in their own shop and prefer other shops.

However, no matter how many consumer shops fail, if we consider the reasons of failure, we will see that they are not the rules of cooperation but the cooperator himself who is not responsible and does not follow these rules.

In Russia, already in the 1860s, after the peasant liberation, there were first attempts to spread consumer cooperatives, but they were established in cities among workers and petty officials. For instance, in 1878 in Kharkov, there was a large consumer shop that even had relations with cooperatives of Western Europe and sold English cooperative cloth. When time passed and the wave of broad social interest had subsided, consumer cooperation was forgotten, and, only in 1897 with the first normal charter of consumer cooperation, did its new development start. However, before the war, consumer cooperation was growing slowly, and only during the revolution did it quickly develop and acquire exceptional power.

What rules do we have for cooperatives, and how do we establish a cooperative shop? We need a few peasants who clearly understand the benefits of consumer cooperation and wish to establish a consumer community for themselves and their fellow villagers. The founders should draft and adopt the charter of the consumer community. A standard charter can be found in any cooperative union. The signed charter is sent for registration according to an established order, and the consumer community can start its activities.

In the previous chapters, we have already mentioned the main differences between a consumer shop and a commercial enterprise. Let us consider how these differences are presented in the charter.

For greater clarity, let us compare the organization of a consumer, cooperative community with the organization of a private, joint-stock company that sells the same goods. Suppose that some people have agreed to contribute their shares, formed the capital, and begun to trade. The number of shares was fixed and limited, and our partners, while trading and receiving profits, have no longer accepted anyone into their company, because any increase in the number of shareholders would reduce their profits.

In the consumer shop, the number of members and shares is unlimited: every worker has the right to demand to be included in the consumer union, and the more members, the stronger the consumer community. This is the first difference.

Furthermore, in all private enterprises, the right to vote and the right to influence the course of the enterprise always correspond to the share contributions: if one partner contributes a large number of shares and another partner contributes a small number of shares, then the former has more influence over the activities of the trading company than the latter, according to the capital contributed. The situation is completely different in a cooperation, because its every member, regardless of the amount of money contributed — 10 or 100 rubles, has one vote.

The biggest shares in the consumer community are small, usually no more than 10 rubles. Therefore, everyone can become a member of the community, especially because shares can be paid by installment. However, it is highly desirable that the wealthy members contribute not one but two or more shares, which will significantly strengthen the consumer community. Nevertheless, as we have already learned, the profit is distributed not by shares but by purchases.

Thus, in a trading company, the capital is the owner, and it makes profit on the consumer, whereas in the cooperative shop, the consumer is the owner. He unites with other members of cooperation and, thus, makes the capital to serve his consumer needs.

Let us now consider the structure of the consumer community.

According to the recent decrees about consumer cooperation, its membership is completely voluntary and accessible to all.

The activities of the consumer community are managed by a general meeting of all members. If there are too many members, then they are managed by a meeting of authorized representatives. The meeting solves all key tasks and elects the board that manages all activities of the shop. To control the work of the board, the general meeting elects a special audit commission, which monitors the correctness of the board's work. It is the responsibility of the board to develop a budget, obtain working capital, purchase all goods, set sales prices for goods, and, finally, to carefully keep records and books.

To sell the goods at prices set by the board, every consumer community hires a responsible clerk with whom it signs a detailed contract on how the goods should be stored and sold.

As practice has shown, to be successful, the consumer community needs at least 100 members. With a smaller number of members, the consumer shop cannot pay off: usually a shop of 200 members has approximately 8-10 thousand rubles of turnover, and its capital has time to turn over approximately ten times per year.

Therefore, such a store, with a 10-thousand-ruble turnover, needs at least 1,000 rubles of capital. In other words, if the peasants who established the consumer community do not want it to constantly suffer from lack of money and owe suppliers, they should collect 1,000 rubles as its share capital. Every consumer should contribute shares in the amount necessary to supply the consumer community with goods. If I buy products for 200 rubles at the consumer shop, of which half is bought by the consumer community for cash, then under the ninefold turnover of capital per year, I have to contribute ten rubles to the consumer community capital share.

When the necessary capital has been accumulated and the responsible clerk has been hired, the board should take care of purchasing goods. The consumer community entrusts purchases to one of the members of the board, the "purchaser'. He acquires most of the goods from the city Cooperative Union (textiles, flour, tea, sugar, etc.), but finds it much more profitable to buy good local products at home (sauerkraut, dried mushrooms, meat, handicrafts, etc.).

What goods and how many of them should be bought? The answer to these questions is given by buyers. Obviously, the consumer shop must have the goods that the consumer who created it needs — the goods that he needs for everyday use in his household. Therefore, the range of goods in the city consumer shop will be different from the village shop, because the needs of townspeople are different from the needs of peasants. The city shop in workers' quarters will sell one range of goods, whereas the city consumer shop organized by wealthy townspeople will sell another range of goods. A village shop in the Poltava Province is unlikely to sell bread and cereals, because its peasant members have a lot of them. But, in the villages of the Moscow Province and Vladimir Province, bread and flour are very important products because peasants do not have enough bread for the winter.

The board should have in the shop all the basic products for which there is a constant demand among its members. Certainly, it is desirable to simplify the situation and to not have too many varieties of goods. At the same time, it should be remembered that, unfortunately, our peasants' cooperative consciousness is still not strong enough, and the private shopkeeper can ensnare the peasant from the cooperative with goods that are more to his taste. Therefore, the cooperative shop should have a more or less diverse range and such goods

that, despite being to some degree luxuries, are sometimes used in a peasant's everyday life — artfully painted cups, scented soaps, expensive sweets, etc.

How many goods should be bought? The amount of goods should correspond to the demand, so that they are always necessary goods. At the same time, one should not create stocks that are too large, because the cooperative needs capital that is taken out of turnover, which determines considerable losses for the community, i.e., constrains its already meager funds.

If the product can always be bought at a cheap price, it should be stocked in the smallest amounts. If it is difficult to find some goods or you need to go far to buy them, then you should willy-nilly acquire large stocks of such goods.

Large stocks should also be made for goods the prices of which fluctuate during the year (hay, oats, etc.). Their stocks should be made at the lowest price, and the stocks should be stored in the shop and warehouse.

The shop should be well equipped. There should be a basement with ventilation, a cellar for perishable food products, and all sorts of other warehouses; there should be scales, a counter, cash register and cabinets with shelves for goods. The goods should be put on shelves not randomly but reasonably: the most saleable articles often demanded in small quantities should always be at the clerk's hand so that he does not need to rush from corner to corner to get them. The goods should be presented neatly and beautifully to make a good impression on the buyer. The shop should be clean; its walls should be decorated with cooperative posters. The price of goods in the shop should be set before they go on sale.

The price is set in the following way: first, the goods are weighed and counted, and their future shrinkage taken into account; the weight and losses determine the purchase price of the pound, *arshin*, or piece. Then different overhead expenses are calculated — for keeping the shop and its staff, the interest on capital if the goods are bought on credit, and the profit wanted from these goods.

If the goods are saleable, the capital turns over quickly: the goods were bought today and are sold tomorrow or the day after tomorrow, so the charge should be small. For instance, if we charge two kopeks per ruble for bread with a daily turnover of the capital, then for the year of 250 trading days, the gross profit will be 50 percent.

If the goods are unmarketable and turn over only twice a year (perfume, paper, etc.), then the overhead charges should be significantly increased. For instance, if with the capital turnover is twice a year, and we add at least 10 kopeks per ruble, we will get only 20 percent of the gross profit from which, to calculate the net profit, we will deduct the overhead expenses for keeping the shop and its staff.

Moreover, charges are high for the goods that are perishable or luxuries. The charge increases if, due to a profitable purchase, the

calculated price turns out to be much lower than the regular retail price.

The goods with set prices go on sale. However, it is often necessary to change the prices. The prices grow when there is a shortage of goods and the product increases in price in the market. The prices fall if, for some reason, the goods are not saleable and threaten to form large stocks, thus, burdening the warehouses of the consumer community. In general, large stocks in the consumer shop harm trade, so, if there are large stocks, it is better to sell them at a cheap price, even at a loss, than to let the current assets rot in the goods stuck in the warehouse.

For good trading, it is of great importance to ensure the right order, convenient hours for the consumer, and other seemingly insignificant terms of sale. If the board ignores them, it can disperse its members, who will find it more convenient to buy goods in a neighboring private shop.

We have already talked a lot about the distribution of profits from cooperative trade. Now we stress that when distributing profits between members of the consumer cooperative, the board should carefully calculate the cost of the purchases of all its members. The need for such records complicates the calculation and gives the countermen a lot of work.

The cooperative practice shows three ways to calculate the purchases of cooperative members. The first and the most troublesome is to record all purchases in the special clerk's book and on the membership card of every consumer. The second way is much simpler: at the time of payment the shop cashier gives each buyer special stamps for the amount of purchase. The total purchase of all members is calculated by the number of stamps given, and, at the end of the year, every member presents all his stamps received for individual purchases so as to calculate his purchase contribution. The third way is very beneficial for cooperatives and is called "advance payment". Every buyer pays some amount of money to the shop in advance and receives a checkbook with tickets-checks for different amounts. When shopping, the buyer pays not with money but with these checks. Thus, the amount of advances paid is the total cost of purchases minus the unspent checks.

When the annual profit is calculated, a part of it is used to pay off the shop itself and its equipment. Another part is divided among the members of the consumer community, as we have already learned, according not to share contributions but to purchases in the shop. Suppose the calculations show that the profit for every 10 rubles of purchases is 2 rubles; during the year you took goods for 50 rubles, so you get 10 rubles; if you took goods for 100 rubles then you get 20 rubles. Thus, you use profit not as a representative of the capital invested in shares but as a consumer.

When dividing profits, there is often an interesting question. In most consumer shops, the goods are sold to everyone interested.

Therefore, the buyers of the consumer shop are not only its members but also outsiders. The goods sold to them bring a profit. The question is how to distribute this profit. Certainly, non-members will not receive profits on their purchases; so the profit from a free sale goes to the benefit of community.

However, can we say that in such a way the community profits at the expense of outside consumers? We think that this cannot be said. According to the charter, everyone can join the consumer community, and its task is to ensure that the residents of all neighborhoods become its members. To attract them, it is necessary to ensure that each person joining the community clearly understands its benefits.

If non-members of the community could make a profit too, then what would be the point of becoming a member of the partnership: why pay fees, why buy shares, why watch and enter the board or revision commission, if you can profit from cooperation without being its member? The fact that no free buyer can profit from cooperation is determined mainly by the intention to make all free buyers become the members of a consumer community.

The profit collected from outside buyers is often used for cultural-educational purposes and to popularize and promote cooperative ideas, i.e., to attract new members to cooperation. It is this desire to make everyone a real participant of the common cooperative business that is one of the most important features of cooperation.

If the capitalist buys stock of some trading company, it is important for him to get the highest return on his shares, although he can have absolutely no interest in the business itself. Despite receiving a return on shares, he can never visit the joint stock company in which he has shares, and he cannot even know where it is located.

In cooperation, the situation is completely different: it is a common business, and it needs to be monitored by the public; thus, every member of the consumer shop is morally obliged to participate in this public control. A member who is not interested in the work of the shop is a bad member: every disruption should interest him; he must watch everything; and often the consumer shop arranges the shift duty of its members. Such constant monitoring is necessary to ensure that the common business really pursues common benefits.

The cooperation's attitude to various fakes, falsifications, admixtures to, and spoilage of products is also quite different from the private trade. Many shopkeepers benefit from spoiling their products by adding sand to flour, water to milk, etc., because they get profit from such admixtures. However, they cannot be beneficial to the members of the consumer shop, because the profit here is distributed not by the number of shares you have but by the amount of goods you buy per year. If by admixtures you get a higher profit, then you will also eat more sand and more water added to your food.

If you want to eat sand and water for the sake of greater profits, you will falsify products, but every consumer will probably refuse

such profit. Thus, the very essence of cooperative work makes falsification impossible, because it will immediately affect interests of all consumers as the owners of the common business.

Moreover, every trader, if he correctly understands his interests and wants to make a big profit, should keep in secret the prices at which he buys products, the places and companies from which he gets the goods profitably, and hanging and combinations of goods that increase their profitability. This is because, for his own profit, it is necessary to deprive his competitors — neighboring shopkeepers — of all the benefits that he enjoys.

The cooperative shop does not need to keep secrets because it has no competitors. Its members-buyers, if they correctly understand the common business, cannot go to a private shopkeeper after being lured by some bait. If the cooperative shop is bad, if its work does not get better, its members should rather reorganize it than run to neighboring shopkeepers to buy goods from them.

Therefore, in a private shop, traders strive to keep useful information only for themselves, but in cooperation, all good ideas realized in one shop become known to all other shops, and, thus, everything useful and indeed good gets widespread.

Recently, when cooperators-consumers want to achieve a larger turnover and to save more on overhead costs, they quite often do not organize small rural shops serving one or two villages. Instead they unite the population of dozens of villages in the consumer partnership, and, to serve these villages, they open not one but a whole network of shops of the same consumer community. Such large consumer associations, unlike petty ones, are called multi-shops.

Although the above-described small consumer community, not to mention the multi-shop, has a many times larger turnover than the peasant family, after eliminating a small trader it cannot buy all goods first-hand in large lots. In other words, a small shop does not achieve the main goal of consumer cooperation by eliminating intermediaries between the consumer and the producer. Therefore, to enlarge their turnover, small, rural, consumer shops create unions to make joint purchases for many tens and hundreds of thousand rubles.

In the USSR, such unions of cooperatives now exist in every district. They also unite in provincial and regional unions, which unite all the Russian consumer cooperations in the Central All-Russian Union of Consumer Communities located in Moscow and having a huge turnover.

This union with a turnover of hundreds of million rubles not only manages to buy all goods first-hand but also has many of its own factories, procurement stations, and other commercial enterprises.

Centrosoyuz [Central Union], as it is abbreviated, helps its members, local unions, and cooperatives not only to make purchases but also to manage the local cooperative work. There is a special instructor department in *Centrosoyuz* whose members study cooperative is-

sues, visit local cooperative unions, help them to keep records, and reveal their mistakes. In contrast, one of the tasks of the non-trading department of *Centrosoyuz* is promotion of the ideas of consumer cooperation. *Centrosoyuz* publishes books, calendars, and booklets on cooperation, and constantly publishes magazines and newspapers.

This is the everyday work of consumer cooperation. However, when doing this seemingly unenviable small work, our rural cooperators should not forget that they are at the forefront of the village struggle against commercial capitalism. The success of their daily work determines the victory on this front. This victory should and can be achieved not by prohibitions or administrative persecution of the private shopkeeper, but only by the power of cooperative organization and the ability to organize the rural commodity turnover better than the private entrepreneur.

Chapter 4. Agricultural and credit partnerships

Agricultural cooperatives are much more important for our village than the above-described consumer partnerships, because they organize agricultural production and help to ensure that in the near future two ears will grow on a spot of ground where only one is growing now. This is the agricultural cooperation's exceptional national and state significance, and it was precisely this cooperation that we meant when we considered the reorganization of our agriculture on the basis of scientific knowledge and large-scale production. This significance of agricultural cooperation makes us pay particular attention in describing it.

The basic unit of agricultural cooperation in the USSR is an agricultural partnership acting on territory that usually does not exceed one *volost*. The agricultural partnership aims to help the peasant economy primarily in its cooperative reorganization. That includes helping in (1) the cooperative purchase of agricultural machinery and implements, mineral fertilizers, seeds and other means of production; (2) in sales of those products of the economy that are produced for sale as commodities; and (3) cheap loans for production purposes.

Besides the above-mentioned main cooperative operations, the agricultural partnership usually organizes repair shops, rental points and grain-cleaning stations, seed plots and breeding grounds, experimental and demonstration fields. In general, it seeks to cooperatively satisfy all the needs of the peasant economy, which technically do not require special organizations with a smaller area of activity.

Let us consider each type of the agricultural partnership's work separately.

We will begin with the description of the work to supply the peasant economy with means of production. In its simplest form, this operation is reduced to the peasants' joint purchase of needed supplies

and implements. When the time for flax sowing approaches, peasants know from experience that the homegrown seeds' yield is always much worse than of the purebred Pskov seeds. Therefore they collect the necessary money by banding together, send their authorized representative to the Pskov village to buy a wagon of good, selected, flax seed of high germination and purity and, when sharing a purchase, also share its overhead costs.

In exactly the same way, when preparing for mowing, a group of peasants can band together to buy some scythes directly from the factory that produces them.

Sometimes the partnership agrees to band together in advance, but takes from its members the earnest money and gets a loan for a few months from the seller of the goods. It settles accounts with its members only after providing them with the ordered tools and supplies.

When the operations of the partnership expand to ensure a sufficient turnover, and, after collecting share fees and making deductions from its purchases, the partnership acquires a more or less substantial public capital, it ceases to work only on orders. It then establishes a permanent warehouse of agricultural implements and machinery, fertilizers, seeds and fodder and keeps for sale all the supplies that the peasant economy usually needs.

The organization of such an agricultural warehouse on a cooperative basis should follow the same principles of the Rochdale pioneers that we described for the consumer cooperation. In other words, the purchasing cooperative should trade at average market prices. At the end of the year, it should deduct profits per ruble given by its members and use a part of the profit to create public cooperative capital or for public agricultural needs. Finally, it should not sell its goods to its members on credit.

We have already described the work of the consumer community in such detail that there is no need to repeat the same about the purchasing cooperation. An agricultural warehouse is organized in the same way as a consumer shop but with the obvious differences determined by the nature of goods that require other storage rooms and equipment.

However, in supplying the peasant economy with means of production, the agricultural cooperation cannot be limited to the purchase of implements and supplies. Cooperation should not be limited to replacing the shopkeeper or trader; the nature of its social-economic tasks makes cooperation enter deeply into the organization of the peasant economy's means of production.

First of all, after providing the peasant with agricultural machinery, co-operation should ensure the future replacement of spare parts and repair. A repair shop or even a network of workshops scattered around the area of the partnership's activities is a necessary part of the machinery supplies. The spring, repair campaigns of recent years

prove the full possibility not only of using one's own facilities for seasonal repairs but also of making special agreements with all mechanical workshops of the district (at factories, railway stations, and so on) to ensure the quick repair of the implements.

Besides the repair of implements in individual use, the agricultural partnership can also organize the joint use of large agricultural machinery — threshing sets, soil-tillers, multi-hull plows, Randall harrows, seeders and tractors. Such joint use can be organized in three forms: 1) by creating on the basis of the partnership a network of rental points scattered around the cooperative's area of activity; 2) by propagating and organizing small machine partnerships that unite one to two dozen householders and have a small set of machines, which the individual, peasant economy cannot afford; 3) by organizing joint tillage and harvesting by mechanical means, i.e., by tractors and complex, agricultural machines.

The rental points of the partnership should pursue a twofold goal: on the one hand, to promote among its members by practical experience the improved machinery and implements; on the other hand, to allow small economies to use the machines that can be repaid only by large economies. With the development of the cooperative movement, the latter task should be transferred to small partnerships scattered around the villages, because all machines should stay near the fields on which they work. For these small machine cooperatives, the agricultural partnership should play the role of a union and a supplier for its rental points of such rarely used machines that cannot be used in small cooperatives: sward-removers, soil-tillers, meadow harrows, up-rooters, and sets for land improvement.

Finally, the cooperative organization of means of production can assume an even more complete character by turning the joint use of implements into joint tillage, i.e., by combining all arable lands of the partnership's members and their joint tillage with complex machines and tractors.

We believe that in the areas of land surplus and extensive grain economy, this method of farming has a great future and will become widespread.

We do not focus on another and even more complete socialization of means of production in agricultural communes and *artels*. There are special courses and books on this important issue of the agrarian policy of the USSR, which is broader than our topic and beyond it.

The partnership should do exactly the same work in the organization of seed improvement as with the implements. The agricultural cooperation in seed improvement aims to solve three tasks: the elimination of weediness, the provision and constant renewal of excellent seeds to households, and the improvement of old varieties and the introduction of new ones. Moreover, all three tasks should be solved on a mass scale, because their very nature allows their solution only in this way.

The struggle against the weediness of fields should be waged not only by supplying peasants with purchased seeds but also by putting all peasant seeds through special grain-cleaning stations established by the partnership. Made aware of the benefits of sowing clean seeds, peasants will willingly bring their seeds to the grain-cleaning stations equipped with different kinds of sorting facilities, triers, cockle-separators, etc.

Peasant seeds, especially flax, often reach 15-20 percent weediness, which makes their cleaning exceptionally profitable for the economy. However, it is necessary at all grain-cleaning stations to promote other purely agronomic measures to fight weeds (for instance, by plowing fallow land, etc.).

The second task of organizing seed improvement –constantly supplying peasant households with excellent seeds — becomes an increasingly important measure that will gradually reduce the peasants' use of home-grown seeds — non-purebred, mixed, and constantly degenerating. In the future, all work with seeds of some crops should be limited to special seed farms with special conditions of purebred production that will supply all agriculture with seeds. The organization of such farms, the testing of different varieties of seeds, and the selection of new varieties is the third task of agricultural cooperation in seed improvement.

However, it should be noted that today in many regions of the USSR, we still witness large under-crops, the reduction of some crops due to the lack of seeds, and intermittent crop failures. Therefore, a simple mass transfer of seeds to the regions with shortages is the primary task of agricultural cooperation.

The organizational work of the agricultural partnership in seed improvement and machinery supply can be adopted in other areas of supplying activities: delivery of fertilizers, pest control agents, etc.

When considering all the operations of the cooperative supply, one should remember that they not only allow to save on purchase but also pursue the much broader task of the most perfect organization of the means of agricultural production on a mass scale and in public form. This is the difference between purchasing cooperation and consumer cooperation, which does not solve agronomic tasks.

Cooperative work in the organization of the means of agricultural production with a persistent, year-to-year plan of compliance opens exceptional perspectives. In five to ten years, it can free the village from backward implements, buildings, and seeds by completely replacing them with the best ones technically. A significant number of complex, large machines and buildings should remain in public use.

These are the supply tasks of agricultural cooperation, but its tasks in the sales of agricultural products are even more significant and important. However, because not only agricultural but also other special cooperatives take part in sales, we believe it is necessary to consider sales cooperation separately in a special chapter.

Therefore, when speaking of the further work of the agricultural partnership, we will focus on the most important part of this work at the present time — small loan operations. We have every reason to consider the restoration of cooperative credit as one of the most important tasks in the development of our agriculture.

During the war and the revolution, the peasant economy has considerably worn out its production equipment. There are not enough horses, cattle, and pigs, and, in many areas, flocks of sheep have been nearly destroyed, and, in some places, there is a huge shortage of equipment. However, even if the means of production of the peasant economy were now the same as before the war, we would consider them insufficient. Our task is not to restore the previous, three-field farming but to create a new agriculture based on new technology and organization.

Such a new agriculture requires more and more financial costs. Now we plan a number of major agronomic reforms. And it is necessary to clearly understand that each of these reforms primarily requires new expenses.

The still weak, peasant economy cannot save money from its meager income and has no source to obtain money. Thus, the only way to satisfy this financial need is to get help. For its development, agricultural production needs loans, and the long history of crediting in the village shows that these loans are possible only on the Raiffeisen principles, which we have already considered.

This credit is so important for the developing agricultural country that, for example, before the war in Russia, credit cooperation was the main branch of the village public works. All other activities of cooperatives were in addition to credit in the small cooperatives.

Today, due to the lack of a stable monetary unit until 1924, credit operations within agricultural cooperations are still underdeveloped, and the main cooperative network consists of general agricultural partnerships. However, this does not reduce the value of cooperative credit. According to the charter, the agricultural partnership can conduct credit operations, and we have no doubt that in the coming years, cooperative credit will be among the key branches of cooperative work.

We will try to study in detail the economic foundations of cooperative credit and its organization.

According to the Raiffeisen basic principle, cooperative credit is primarily a productive loan. Let us find out what this means for our village. When we speak of a productive loan, we want to say that a peasant who took a loan in the cooperative does not spend it on a fur coat or tea and sugar but on economic turnover and, moreover, on such a turnover that ensures an income sufficient not only to repay a loan with interest but also to make a profit for the economy.

A few examples will explain this idea. Suppose that a peasant does not have oat seeds and does not have money to buy them. He takes

a loan of twenty rubles, buys forty *poods* of oats and sows them. In the autumn, he gets a 180-*pood* yield, which he sells for ninety rubles, so he easily takes twenty rubles to repay the loan plus two rubles of interest and retains sixty-eight rubles for his labor and other costs. Thus, the loan is fully secured by the expected harvest and is easily repaid by its sale.

Let us consider another example. Due to the very large yield of grass, the peasant gets 600 instead of 400 *poods* of hay. To feed his two heads of livestock, 400 *poods* are sufficient, but to sell the excess 200 *poods* is not profitable, because, under the large yield, the price for hay fell to fifteen kopeks per *pood* and is not recouped in harvesting. The peasant takes a loan of 100 rubles to buy a second cow with an autumn calving. During the winter, the cow eats 200 *poods* of hay and gives eighty buckets of milk, which the peasant sells to the dairy for 120 kopeks per bucket; therefore, he gets ninety-six rubles. In the spring, he sells a cow for the same 100 rubles. From the revenue, he pays ten rubles of interest and gets eight-six rubles for fodder and labor. If he had sold hay in the autumn for fifteen kopeks, he would have received only thirty rubles for hay. But he took a smart loan and used it in the production turnover, which allowed him not only to repay the loan easily but also to increase his income by fifty-six rubles.

In this example, the loan was secured primarily by using the money for buying a cow, the sale of which always repays the loan, and the payment of interest on the loan is justified by the correct calculation of the difference between the cheap price of hay and the more expensive fodder at the cooperative dairy.

Despite some differences, the examples are very similar. Let us consider a third example that is somewhat different from them. In the autumn, the peasant needs money for his family's food and has the opportunity to sell 100 *poods* of oats at low, autumn prices — fifty kopeks per *pood* or fifty rubles in sum. He considers this revenue to be too small, so he brings his oats to the cooperative warehouse to get a loan of forty-five rubles to support his family during the winter. In the spring, the price of oats rises to seventy kopeks per *pood*. The peasant sells his oats in May, earns seventy rubles, of which he pays the forty-five rubles of loan plus four rubles of interest, and gets eleven rubles of profit. At first glance this loan seems purely consumer but, in fact, it is based on the correct economic calculation of the use of the seasonal price difference and is reliably secured by 100 *poods* of oats harvested.

In all three examples, the economic turnover ensured by the loan did not exceed six-eight months; the loan was taken for the same period and can be called a short-term loan.

A loan taken for the economic turnover of several years is somewhat different. Suppose that our peasant needs to drain his meadow, which is waterlogged and produces only 120 *poods* of hay from three *desiatinas* [1.093 of hectare]. Digging ditches, laying down the fas-

cine drainage, levelling the hillocks, plowing and sowing a mixture of herbs, besides the peasant's own work, would cost 210 rubles or seventy rubles per *desiatina*. As a result, instead of 120 *poods* from three *desiatinas*, the meadow gives 330 *poods*, i.e., 210 *poods* more, or, at the price of forty kopeks per *pood*, eighty-four rubles more than before the reclamation. Taking into account the increased costs of the larger harvesting per *desiatina*, we can be sure of the increased income of seventy-five rubles from the meadow's reclamation. Certainly, despite the profitability of reclamation, the loan of 210 rubles taken for it cannot be repaid from one year's income, and it is necessary to distribute the payment on the loan over at least four years. Thus, the loan should be taken for at least four or five years, i.e., this should be a long-term loan. Calculation of the land reclamation costs proves that this loan is quite secure by the increased income from the meadow.

The above examples show perfectly, on the one hand, the benefits that the peasant can get from the proper and reasonable use of a productive loan, and, on the other hand, the grounds for the creditworthiness of the peasant economy, which constitute the small production loan based on the Raiffeisen principles. It is not without reason that in the countries with developed cooperative credit, investments in Raiffeisen partnerships are considered the most reliable ones!

Thus, having identified the economic essence of cooperative credit, we can now consider its technical organization.

The crediting procedure in agricultural partnerships is usually as follows: every member of the partnership who wants to get a loan provides the cooperative board with the information about himself and his economy, such as the number of buildings, equipment, livestock and the size of arable land. This information should be checked to become the basis for issuing loans together with the evaluation of the peasant's personal qualities, his work capacity, ambition, and conscientiousness. The partnership decides on the extent to which it is possible to give a loan to this peasant without risk. Before the war, the average open credit to a member of the partnership was about eighty rubles.

If the partnership has approved giving credit to the member of the cooperative, then, if he needs money, he can ask the cooperative board for a loan by indicating in his application the purpose of the loan, its size, and maturity date. The purpose of the loan should be productive and loss-free, its size should be consistent with the purpose, and, if possible, not exceed the open credit limits, and its period should not exceed six months. A loan for longer terms can be provided only if the partnership has special capital for long-term loans and for a special order.

If the partnership has cash and the peasant's request is economically reasonable, the loan is issued in full or in part, and the interest is deducted in advance for the period declared in the application.

For instance, if a peasant gets a loan of 100 rubles for six months at twelve percent per annum, then he actually receives only ninety-four rubles but should repay 100 rubles.

The loans are issued under a three-fold collateral: 1) the personal trust of the member receiving the loan, 2) the guarantee of some other member, 3) security of the product or livestock.

Personal trust is enough for relatively small loans indicated at the opening of credit. If the requested loan exceeds this amount, it is issued only if some other member of the partnership gives his guarantee for its return. Under such a guarantee, in case of non-payment, the money is collected primarily from the debtor, and only then from the guarantor, if the debtor cannot repay the loan. It should be noted that, when opening credit, the partnership should set not only the maximum size of the loans available to the member under personal trust and guarantee, but also the size of the loans that this member can guarantee for others.

The amount of a loan issued on bail should correspond to the collateral and be no more than 3/4 or 2/3 of it. Products of agriculture can be accepted as the security of the borrower — bread, flax, leather, etc., or cattle. The pledged agricultural products are usually transferred to the warehouse of the partnership, which often organizes their joint sale; the pledged cattle stay in the stable of the owner but become "prohibited', i.e. the owner is deprived of the legal right to sell, give away, or take these cattle anywhere without the special permission of the cooperative.

The loan can be issued both in money and in kind in the form of a warrant for the warehouse of the partnership. Such an issue of agricultural machinery, fertilizers, seeds, and other things does not violate the Rochdale principle of trading only for cash, because the necessary amount of money is immediately transferred to the account of the warehouse from the credit department of the partnership, which constitutes a cash payment. Thus, this is a combination of two types of operations — purchase and credit.

Because the loan is provided and the borrower gave a debt receipt to the partnership, its board has the right to check if the money was used for the specified purpose. If the borrower lied, the partnership can demand an immediate return of the loan and exclude an unscrupulous borrower from the partnership. If the economic turnover for which the loan was taken is not over by the time of the repayment, or if the calculations of the borrower were not fully justified, he can ask the board to defer payment. After careful consideration of the circumstances and validity of the request, this can be allowed for usually no longer than six months.

If the borrower delays return of the loan for a few days without notifying the board, a special penalty is imposed on him for each day past due.

This is the crediting technique of credit cooperation.

Where does the partnership get funds for issuing loans to its members? These funds consist of 1) the fixed capital of the partnership, 2) the reserve capital of the partnership, 3) some special capital, such as long-term, loan capital, 4) the partnership's loans for different periods, 5) public deposits transferred to the partnership on different terms, and 6) the money saved by the partnership for different periods. Let us consider each of these sources separately.

The fixed capital can sometimes be made up of the share fees of members of the partnership, but, according to the Raiffeisen principles, it is usually borrowed as a long-term loan, which is gradually repaid by annual deductions from the partnership's profits. Such a method of accumulation ensures that, in a few years, the partnership will turn the fixed capital into the social capital accumulated in the course of its activities.

Today in the USSR, there is no final procedure for small credit organizations to accumulate fixed capital. However, it is most likely that the Central Agricultural Bank of the USSR will take the responsibility for financing the fixed capital of agricultural partnerships and will rely on local agricultural credit communities and local cooperative unions.

The Agricultural Bank as the center of all agricultural crediting should devote a significant part of its work to issuing all types of loans to the peasant economy through cooperatives. Issuing loans for the fixed capital of local partnerships should become the main bank's activity because of the simplicity of this work, on the one hand. On the other hand, only this bank can solve this task on a mass scale with the help of large and long-term state funds. In all likelihood, a part of state savings banks' funds and some insurance capital will be used to finance cooperative credit.

The reserve capital is accumulated by the partnership gradually — by deducting a part of profits — and serves as collateral for all the obligations of the partnership and as a source to pay accidental damages.

Special capital for different special purposes is accumulated either by special loans or by deductions, fees, and even donations. When it is already on the accounts of the partnership, special capital can be temporarily used for credit purposes. A special long-term loan capital can be used for direct crediting, and its accumulation is extremely important because of the very acute need of our village for long-term loans.

Loans are taken by the partnership when there is a lack of funds: usually these are short-term loans from other cooperative organizations, local banks, and even individuals. Provided the proper organization of the partnership's activities, such loans should not play an important role in its funds, because this is the most disadvantageous and expensive form of getting money.

The main source of funds for the cooperative credit should be the community itself, i.e., the peasants — both members of the partner-

ship and all willing local people — should turn their available funds into the partnership's deposits. Under the developed and trusted cooperative movement and during the noticeable well-being of the population, the inflow of deposits to cooperative partnerships is usually so great that it ensures their crediting work.

When people are convinced of the strength and complexity of cooperative organizations, they usually transfer to them at a quite low interest rate all their savings "for a rainy day', which were previously stored in thrift-boxes, stockings, and chests. People make deposits from spare cash that they cannot invest more profitably for some reason, and they temporarily make deposits from their working capital if it is not needed for production purposes for several months during the dead season.

Deposits can be time and non-fixed/on-call. If the person has a non-fixed deposit, he usually pledges to inform the board of the partnership a few days before he will reclaim it, and. in the case of a large deposit — a few weeks before reclamation, so that the sudden withdrawal of a large sum will not damage the partnership's business.

The amount of deposits made by the member of the partnership is kept secret. They can be recovered or prohibited to be used only by order of the judiciary.

The interest paid by the partnership on time deposits cannot be changed before the maturity of the deposit. The interest on on-call deposits can be changed any time by a resolution of the board.

These are the sources of funds for the crediting work of the partnership.

To finish the description of cooperative credit, we should focus on the very important circumstances of crediting work.

1) When considering the crediting activities of the partnership we said nothing about how the interest rate on its loans is set. We could not explain this without having described the sources of the partnership's funds. Now we can indicate that the interest rate on loans is determined entirely by the interest rate at which the partnership can get funds as loans or deposits. Having received the funds for deposits, for instance at eight percent per annum, the partnership adds to this interest another two or three percent to pay the board members and to create profit, and issues loans at ten or eleven percent per annum. The difference between loan and deposit interests is called – percent stress', and, in a well-developed partnership, it should be as small as possible. Profits and funds for salaries of the board should be increased not by higher "percent stress' but by the growing credit turnover.

2) When issuing loans, the partnership has to take into account not only the available amount of cash but also the terms on which they were given. Four-month deposits cannot be given for seven months, because, when the time comes to return the deposit, there will be no

way to get this money from the borrower. In other words, the terms of loans should always more or less correspond to the terms of deposits and taken loans, because any disparity can put the partnership in an extremely difficult situation.

3) The distribution of profits from credit operations deserves special attention. Because credit partnerships have no shares, their members cannot receive profits on shares. Similarly, there are no profits on the credit or deposited ruble, which is typical for other cooperatives. All profits of the cooperative credit are usually turned into social capital. Before the war, usually in credit partnerships, forty percent of profits were deducted for the fixed capital, twenty percent for the reserve capital, and the remaining forty percent for the various agricultural and cultural needs of the local population and sometimes also for special capital.

In short, this is how the cooperative credit works. If you take a deeper look at this work, you will easily see that the cooperative credit is much more important than just helping individual economies. As credit cooperation develops and strengthens, it inevitably absorbs all the spare cash of the village as deposits and supplements them with public funds and capital received from the banks. Thus, a credit cooperation makes loans cheap and accessible for every peasant and introduces them into ordinary life. In agriculture, just as now in industry, most of the working capital will be invested and borrowed mainly from cooperatives. Dairies and potato-grating plants, stud farms, machine and grain-cleaning stations, mills, and other cooperative facilities will be built and organized on cooperative capital, in these cooperative buildings and all sales, purchases, and processing operations will be implemented on the same cooperative capital. In other words, provided the wide scale of all the above-mentioned operations, we will see a gradual cooperative socialization of all capitals in agriculture and in the marketing of agricultural products.

Contemporary capitalism is usually called financial, because its main owner and organizing and leading force is the bank capital, which finances industry and trade and provides funds for their entire turnover. Provided the development of cooperative credit and a powerful inflow of funds to the peasant economy with its help, the financial capital will gain a governing and all-determining role in the countryside. However, this capital will not be the capital of bankers but rather public, cooperative, and state capital.

The above considerations give an entirely different connotation for the modest work of our cooperative partnerships. Despite its everyday character, they make it the most important work in the creation of a new, social-economic system by providing the whole system of agricultural credit — from local agricultural partnerships and their unions to the agricultural bank of the USSR — with an absolutely exceptional value in the socialist construction of our country.

Chapter 5. Cooperative sales of agricultural products

We have already mentioned the benefits of cooperation for peasants in getting cheap loans and purchasing goods. However, cooperation is even more beneficial in marketing the products of peasant labor. Those who visited our northern flax fairs before the revolution understood quite well the losses of the peasantry from such sales. When the peasant got to the fair with his flax bundles, his flax was pulled and broken, which confused the peasant. By agreement, dealers beat down the price, defamed the goods, and, finally, gave the peasant short weight on the hop. The flax gathered by the dealers was bought by a county trader and then sold at a wholesale price. It was bought by a foreign company and sent to England or other countries by sea to finally appear on factory spindles.

The peasant was selling flax clean and dry at a cheap price; the factory received it with impurities and damp at a high price. Only the dealers and traders profited. It seemed very easy to send flax directly from the peasant to the factories' spindles, and many Russian public figures have long thought and talked about this. However, it is easier said than done. There were much greater obstacles to cooperation in marketing agricultural products than in purchasing them.

These obstacles were primarily determined by the technical organization of marketing. Consumer cooperatives received their goods from factories and wholesale enterprises as sorted, weighed, and packaged. The marketing cooperation dealt with the raw product and had to do all the sorting and packaging by itself, at first without proper skills and knowledge and only gradually learning the technique.

In the most difficult part of trade — the sales — the consumer society had to compete with the small rural shopkeeper, who was quite weak and did not have much capital. But the sales cooperation selling the goods abroad had to compete with the largest, old companies in the world with huge capital, many years of experience, and excellent knowledgeable employees.

It was difficult for a cooperation to break into the big market, especially because the buyers had become so used to the falsified Russian flax that, at first, they paid the same price for the pure, cooperative flax as for the flax with impurities, because they did not trust its purity. However, after long efforts, the cooperation managed to win the competition and gradually arrange cooperative sales of flax, eggs, and hemp. Perhaps soon we will manage to arrange the mass cooperative sale of bread, to which serious steps have already been taken.

The grounds of sales cooperation are very simple.

An agricultural partnership or a special sales cooperative, which wants to arrange cooperative sales of, for instance, flax, rents convenient warehouses, gets a press for packing flax into bales, invites an experienced sorter, who knows how to work with the fiber, sets the days and hours for accepting the goods, and proceeds to work.

Every peasant, a member of the cooperative, brings his flax fiber to the cooperative, the sorter examines it, identifies its quality, divides the fiber into varieties if it is not uniform, weighs it and, after accepting it , gives the peasant a receipt stating that the cooperative has accepted from him, for instance, "5.5 *poods* of the first grade flax at the price of 10 rubles per *pood*, and 10 *poods* of the second grade at the price 8 rubles per *pood*, i.e., in total 15 *poods* for 130 rubles." The prices are set by the board of the cooperative according to the market situation and are posted for everyone to see together with the samples of sorting.

The flax accepted from the peasant is sorted in special warehouses by specified varieties and mixed with other peasants' flax of the same varieties. Thus, as they say, flax is "depersonalized', i.e., each strand of the fiber loses its connection with its owner, mixes with other similar strands, and, in the future, the owner has the right not to the flax that he produced and brought to the cooperative, but only to the same amount of the same varieties of flax or rather to the cost of them.

Impersonal flax is pressed by varieties into bales and goes on sale.

Usually the peasant who brought his flax to the cooperative needs money and cannot wait for the cooperative to find a buyer for his goods, which often takes three to four months. Therefore, the cooperative usually provides the peasant immediately with a loan secured by his goods and constituting 60, 75, or even 100 percent of their estimated price. After the goods are sold, the cooperative takes the amount issued from the proceeds, and the peasant gets all the surplus except for a small commission percentage.

We should never forget that the money given by the cooperative to the peasant for his flax at its acceptance is nothing else than a loan secured by flax and not a payment for flax. We have two operations here — 1) joint sale of flax, and 2) issuance of a loan secured by flax, and not just one operation of purchase and sale. Therefore, if under the confluence of adverse circumstances, the joint sale of flax provides less revenue than the loan issued, and the proceeds from the sale do not repay the loan, the cooperative can and should demand from the peasant payment the loan balance in cash.

Such a payment is unpleasant for the peasant's empty pockets and can determine distrust in the cooperative. That is why cooperatives do not usually issue the entire loan but only three-quarters or another part of it, so that, even in the case of a cheap sale, the loan will not exceed the amount received from sales. This part will increase if the cooperation does well, and if it can get higher prices in the wholesale market than at the agricultural fair.

It goes without saying that, for the sales cooperation that is striving to sell its goods on the largest foreign market, the transformation of an association of small cooperatives into powerful cooperative unions becomes especially important. Only huge batches of flax of different qualities will allow a cooperation to take a strong position in

the market. The larger its turnover, the greater influence it exerts on the level of prices, thus, ensuring the peasant a high payment for his agricultural labor.

In its first years, the flax cooperation united its cooperatives into dozens of unions and merged these unions into its center called the Flax Center. It is the All-Russian Union of peasant flax-cultivators and hemp-producers. It meets all the needs of the flax-growing economy, sells peasant flax for tens of millions of rubles, supplies peasants with good seeds, and leads the entire, local flax cooperation.

Many peasants followed the path of flax-cultivators: for instance, the hemp-producers in the Chernihiv and Orel Provinces, who organized the hemp cooperation; the peasants of the Kostroma and Vladimir Provinces, who organized the sales of potatoes; the cotton-growers of the Turkestan Province, Voronezh Province peasants, who organized the joint sales of eggs, and, recently, steps have been taken for the joint sale of bread.

Thus, it should be noted that sales cooperation does not only increase the incomes of the peasant by selling his products at higher prices but it also has a great impact on the organization of his production. By paying higher prices for good varieties and by informing the peasant of the market demand, a cooperation sometimes makes him change the whole organization of his economy and develop it on new, improved principles. That is why, although at first glance sales cooperation looks just like a trade, we always consider it the first step in the organization of production and call it production cooperation.

However, it should be noted that many agricultural products have to be processed in order to be sold in a good, distant market at a high price. These are milk, vegetables, potatoes, and fruits. They are very heavy and difficult to transport. They become profitable and non-perishable goods only when processed into cheese or butter, into dry vegetables, starch, or syrup and preserves. Therefore, when arranging a cooperative sale of these products, we should, at the same time, arrange their cooperative processing. The model of such a cooperation for marketing and processing is the most widespread type of cooperative — the dairy, the organization of which will be described in the next chapter.

Chapter 6. Dairy artels and other animal husbandry cooperatives

Among all cooperatives, dairy partnerships are of the greatest importance. They are models for cooperation, in which marketing is combined with processing.

The artisanal method of butter making consists of simply settling the milk in wide cans, and about one-quarter of the butter remains in the skim milk and is lost. If cream is separated by a machine — separator, then only 0.01 instead of one-quarter of the butter will be lost,

and the creaming itself will be much faster. Such a transition from manual creaming to a mechanized process allows one to win about ten kopeks per bucket of milk.

The usual milk yield of a good cow is 180 buckets per year, so the replacement of a simple paddle with a separator gives us more than twenty rubles per cow in gold.

It should also be noted that when we use a paddle to make butter at home, we can make only Russian melted butter that is usually quite cheap. Moreover, it is important to note that one *pood* of Russian melted butter requires thirty-thirty-two *poods* of milk. But when we skim the cream off with a separator and use it to make butter, then we can make the best, so-called Parisian butter, which requires only twenty-one *poods* of milk per *pood* of butter and is more expensive than the simple Russian butter.

All these advantages encourage the transition from manual creaming and manual bottle-butter-making to the mechanized method. However, to pay off the separator and other machines necessary for mechanical butter-making, we need to process at least 200 buckets of milk per day or most of the time the machines will stand idle, and their work will cost more than manual processing. Thus, for the dairy to operate quite profitably, the owners have to unite in a partnership with at least 200 dairy cows. Obviously, no single peasant economy can have so many cows, so, to take advantage of machine processing it has to unite with its neighbors. Besides the technical benefits of using the separator, such a union allows peasants to sell their butter not in small amounts through the buyer-up but in large quantities and independently in the wholesale market.

In Russia, such dairy unions first appeared in Western Siberia not as cooperative but as private and industrial. Mainly the foreigners built small dairies that quite profitably sold butter to England and other markets. Usually such dairies had small food shops. In fact, it is difficult to understand how these small dairies survived. They bought milk from peasants and paid for it with their shops' food products. You can guess the prices of these goods. Moreover, the shop often traded on credit at high interest rates, which often determined a much higher profit for the dairy's shop compared to the profits of the dairy itself. However, such small industrial dairies played a great educational role in Western Siberia. They allowed the local population to see with their own eyes that technical improvements and the collection of large quantities of milk led to great profits for the dairy and showed the benefits of a cooperative shop. Such private dairies and small shops determined the development of Siberian dairy *artels*.

The *volost* scribes were primarily the first leaders of the Siberian cooperative organizations. They represented the most intelligent group of the population, read a lot, had connections with Russia, and were the first to talk about the possibility of organizing dairies on a partnership basis. The organizer of dairy cooperation in Siberia, [Al-

exander] Balakshin, began to develop this business. Soon in Western Siberia there were dairies that paid the population forty-fifty kopeks per bucket of milk and managed to take the place of private, industrial enterprises.

Entrepreneurs started the Siberian butter-making industry. Now the population has taken this business into their hands in dairy cooperatives, which, from the very first step, followed the path of the partnership. The well-known Siberian Union of Dairy *Artels* was founded and began to develop rapidly.

Following the example of Siberia, dairy cooperation spread into the Vologda, Vyatka, Yaroslavl, Moscow, and other provinces. Today it seems that we will not find any province without some dairy cooperation.

Dairy *artels* are established by a contract of participants or by a charter and its registration.

The necessary machinery and devices for a small factory to process 200 buckets of milk cost about 600 rubles. The premise can be rented; if you want to build your own factory in the forested part of Russia, it will cost about 600 rubles, so the whole factory will cost between 1200 and 2000 rubles in gold.

A good icehouse is the main expense. A cellar is to contain at least 2000 *poods* of ice. According to the practice, the calculation is very simple — one *pood* of ice per five *poods* of daily milk.

How is the dairy established? Where can we get the necessary 1000-1200 rubles? The separator and other machines can be bought on credit through local cooperatives. The loan is usually issued for nine months, and, if the general assembly of the *artel* decides not to take money for milk until its members pay off their debts and the cost of the dairy equipment, then nine months are more than enough for any *artel* to repay this debt with interest.

Let us consider an example of one *artel* in the Vologda Province. It started business with 165 rubles, and, for nine months, none of its members took money for milk. In a year they had produced 1002 *poods* of butter for fifteen thousand rubles, which allowed them to repay all the costs of the dairy equipment with interest and gave them a huge profit that was divided between shareholders at the end of the year.

What are the organizational principles of the *artel*? They are the same as in the consumer shop. The *artel* also needs capital, and this capital is also exclusively of service. This means it serves the interests of the united owners. All profits are also not included in the dividends on the capital invested but are distributed according to the amount of milk that each member delivers to the partnership.

In most cases, the partnership does not have any shares. Because of the nine-month loans, almost all partnerships were established on credit. However, sometimes the share capital is collected by members. Equipment on credit is repaid in the very first years, and without any initial capital, the partnership is on its feet.

After the organization of the cooperative, the dairy members of the *artel* begin to deliver their daily milk. Their daily milk is weighed and recorded in a special book. At the end of the week the *artel* pays its members for the delivered milk at the prices set by the board.

These prices are set in such a way that the *artel* gets some profit after the sales of products. As was mentioned above, this profit at the end of the year is calculated in the same way as in the consumer shop, i.e., according to the amount of milk delivered by every member of the *artel*. Suppose that we have ten kopeks of profit per bucket, and you delivered 200 buckets of milk this year, i.e. you get twenty rubles of profit. If you delivered 100 buckets, then you get only ten rubles.

When delivering milk to a private dairy, it is in the interest of the peasant milk-supplier to sell milk at the highest possible price under the weekly calculations. However, a peasant working for the cooperative dairy can agree to a small payment for each bucket of milk, because he is sure that he will get the profit from his milk in the partnership: the profit will be used to repay all the factory equipment, and the remaining part of the profit will be distributed between members at the end of the year according to the amount of milk they delivered. Thus, eventually you will receive not less but much more for milk than the private entrepreneur gives.

In other words, the income in the *artel* consists of two parts: the member receives one part weekly and the other part at the end of the year. Which of these parts should be larger? Some say that it is better to receive a larger weekly part, and others say that it is better to get a large amount at once at the end of the year, with which one can do much more than with small payouts.

We think that it is better to make weekly payouts at a low price and, at the end of the year, to pay the resulting profit. This method allows the partnership to always have a large amount of capital in cash for any unexpected extraordinary expenses. If this capital is not sufficient, the partnership deducts one or two kopeks per bucket from weekly payouts and very soon accumulates a large amount of capital.

These are the general principles of the cooperative dairy's work.

In Western Europe, payouts and distribution of income and expenses are sometimes more complex. In fact, concerning dairies, we are interested not in milk but in butter. But if milk is taken from different cows, then the fat content of milk of each of them is different. The Russian cow gives milk with 4.5 percent of fat, and the Western-European cow gives milk with 3.25 percent of fat, although its milk yield is higher. If the cows of the *artel's* members give different milk by fat content, we should change the method of calculation and take into account not the amount of milk but its fat content.

From the milk delivered by each peasant, small amounts are taken as a sample to identify the fat content. Those who have more butter per bucket get a higher price, because the bucket of their milk gives more butter. This calculation is more correct, although it requires the

constant checking of the fat content per bucket of milk. Such checking allows the owner to know for sure which of his cows are profitable and which are not, so he can sell the unprofitable cows and make up his herd of only the most profitable cows.

However, one should not limit oneself to identifying fat content. It is also necessary to know the total amount of milk and of fodder. Sometimes your cow eats a lot of hay, but its yield is small or its fat is very low. Sometimes its yield is large, but the cow is still unprofitable for it eats too much. Sometimes the situation is opposite: the milk yield is small and the cow does not eat much, so the cow is profitable for it gives enough milk for a small amount of fodder.

Today in Western Europe, and after the revolution the same applies to us, to identify the profitability of cows in peasant partnerships, a special clerk called the control-assistant is often hired to calculate milk yields, production of butter, and amount of fodder per each cow based separately on the records and instructions of the owners. Having obtained all these data, the control-assistant calculates the profitability of each cow per *pood* of fed hay. If a cow gives little milk per *pood* of hay, it is unprofitable and should be sold. By rejecting such cows and replacing them with better ones the peasant can gradually make up a herd in which each cow ensures high yields per fed hay.

These calculations are also very useful to identify the cheapest and most profitable fodder for the cattle.

Unions of owners that hire control-assistants for such calculations are called control unions; recently they have spread in Western Europe and now are starting to develop in our country.

Besides control unions, there are also other animal-husbandry partnerships n Western Europe, for instance, the so-called "bull union'.

To have a good animal-yield, one needs a bull of a good breed. However, such a bull is very expensive, and the individual owner cannot afford it. One bull can service twenty to twenty-five cows, so a few families can form a partnership to buy a pedigreed bull and have a good animal-yield from it. Such unions are widespread in Western Europe and are of great benefit to the peasantry.

Among other cooperative partnerships that are of great importance for animal-husbandry, we will focus on livestock insurance partnerships.

One of the biggest disasters for small peasant economies is the death of a horse or a cow. In the annual cash turnover of 150-200 rubles, of which three-quarters are spent on the most urgent needs, fifty rubles for the purchase of a new animal are an extraordinary expense. Especially in the months long before the harvest, such a purchase can destroy peasant economic well-being.

Quite often a peasant economy that lost a horse does not have money to buy a new one and finds itself in a painful situation of a

horseless economy, which is difficult to get out of. We believe that every peasant who lost his livestock and cannot afford a new one will be very happy to be offered to buy one on credit for five or six years. We think that no peasant would refuse this, but the problem is that horses and cows are not sold on credit in the market. If this sometimes happens, the trader sets an onerous interest.

Meanwhile, peasants can change the situation in such a way that the money necessary to replace a dead animal would be paid in installments and not in two but in twenty years. This possibility is provided by livestock insurance.

One can confidently say that an economy with one horse will inevitably face at least one unexpected infectious disease and death over twenty years. So, the owner insures his horse just as he insures his house and barn, and pays two rubles per year. In case of a death, he will receive forty rubles from the insuring institution to easily replace the dead, farm animal with a new one. Thus, a heavy lump sum is paid in installments during twenty years.

The profitability of livestock insurance is particularly evident for the Russian peasant economy, whose entire annual cash turnover does not always reach 100 rubles. Therefore, an unexpected lump payment of forty rubles would almost always destroy its economic well-being.

The only question is how can we insure livestock in Russia?

We believe that cooperation can be of much help to the peasant economy here, because its partnership basis has already played an outstanding role in providing the village with cheap credit and in organizing the sales and purchase of the agricultural means of production. So, we think, and the example of Western Europe completely convinces us, that peasant economies willing to insure their livestock can very successfully unite in a special insurance partnership.

In fact, every peasant knows that the herd of 200 cows loses no more than five to eight cows per year, i.e., no more than 400 rubles (certainly, we do not take into account the years of terrible epidemics). If these 400 rubles are divided by 200 heads, we get two rubles per head. If individual owners of these cows unite in an insurance partnership and pay an insurance fee of two rubles per head, the owners whose cows will die this year will get new cows bought by the partnership. If the number of dead cows is less than eight, the collected surplus can form the reserve capital to pay the expenses in exceptional years, when the number of dead animals exceeds eight.

In Western Europe, especially in Belgium, such partnerships have become very widespread and contribute greatly to the well-being of animal-husbandry. Most of them unite in extensive unions that help partnerships in case of an excessive loss of livestock. Such mutual help is possible due to the collected surplus of the partnerships with insignificant deaths in the same year.

In Russia, the first peasant partnerships for livestock insurance appeared before the war in the Vladimir and Ryazan Provinces. We hope that in the future cooperative insurance will develop rapidly.

Besides the detailed analysis of animal-husbandry cooperation, we showed the gradual deepening of cooperation from marketing into production — step by step it penetrated into all its branches, one after another, and introduced the principles of socialization everywhere, where a large form of production has undoubted advantages over a small one, thus, creating new forms of farming.

The value of cooperation in all branches of agricultural production is much more than just a reconstruction of individual peasant economies. By socializing rural capital and the means of production and marketing and by penetrating step by step into the very organization of production, cooperation develops higher forms of large economies in the same way that trusts and financial capital have organized industry in capitalist countries. But it has done so with one difference — our cooperative capitalism from the very beginning had social forms and was under the control of the working masses.

Chapter 7. Conclusion

Our short course on cooperation is about to end. Certainly, in such a small book we could not describe with sufficient completeness all types of cooperation that already exist or can exist. However, we hardly need such a description. We outlined the main principles that cooperative workers use to develop cooperation. We also described such methods and cooperative enterprises that allow peasants to get a better future.

Everyone looking at the vivid rural life and knowing the great principles of cooperation will easily see where and how cooperation can help the peasantry.

In rural life, there are many cases, in which cooperation is a true helper to the working man. The same principles that form the basis of dairy partnerships can be used in processing agricultural products — in drying vegetables, canning, potato-grating, and even sugar production. The same cooperative principle as in the bull union can be applied in the partnership for the joint use of machines. Great cooperative principles can help a lot in the handicraft industry, in land issues, and in soil improvement. Thus, almost all aspects of life can take advantage of cooperation.

Sixteen years ago, in 1908, when Russian cooperators first met at the All-Russian Cooperative Congress, our cooperative movement timidly took its first steps, modestly learning from its foreign fellows — cooperators of England, France, and Germany. Today, by the scope of work, Russian cooperation is the first in the world. There are tens of thousands of cooperatives in all regions of the Soviet Union,

which unite millions of members — peasants, workers, and townspeople: hundreds of unions have linked cooperatives into a single whole and given it exceptional power.

As of January 1, 1924, the agricultural cooperation of the RSFSR consisted of 12,000 agricultural and credit partnerships, 1,500 dairy *artels*, 500 other types of cooperatives, and about 11,000 agricultural communes — approximately 25,000 cooperatives of all types.

The whole cooperative network includes as members approximately 1.5 million peasant economies representing mainly the middle and poor strata of the village. However, in the general mass of peasant economies, the number of economies participating in the cooperative movement is still small — about twelve percent. Nevertheless, in some regions, the cooperative movement is much more successful, for instance, in the Kimry district of the Tver Province or in the potato Shunginsky district of the Kostroma Province, where the overwhelming majority of the local population is involved in cooperation.

To perform large-scale trading operations and technical management, thousands of scattered cooperatives unite in local county or district unions, the number of which is more than 300. For certain operations, especially if they are located remote from the center, these unions form provincial or even regional unions. All this cooperative structure has a common center — the All-Russian Union of Agricultural Cooperatives, or *Selsksoyuz*, and a number of special centers, such as the Flax Center, Soviet Potato, and the very young Butter Center and the Fruit-Wine Union.

In addition to these special agricultural centers, there are three auxiliary co-operative centers: *Vsekobank* (All-Russian Cooperative Bank), *Strakhsoyuz* (Cooperative Union for Insurance), and the All-Russian Cooperative Publishing House. These centers unite not only agricultural but also consumer cooperation.

This is the complex scheme of the current state and organization of agricultural cooperation, which is nothing but a form of economic organization of 1.5 million peasant economies that make up its basis.

All this represents a strange and unprecedented economic power and promises a bright future to the Russian peasant provided... that he will not change his cooperation for the lentil soup of an obliging shopkeeper or dealer, just like Jacob sold his birthright for a mess of pottage.

Russian peasant, your future is in your hands! There is no other way for you to achieve the bright happiness of working life than through cooperation. Know that this way is the only way! To lose it means to die.

In the first chapters of our book, we mentioned that to develop and prosper, the peasant economy should organize its farming and animal husbandry in a new way. Today we see that this new farming, new improved machines, breeding cattle, improved seeds, cheap credit, and profitable sales are accessible to the working peasant only if

he unites with other peasants. Only by relying on the union cooperative principle of the socialized economy can the peasantry use all the achievements of agronomic science in their fields and stalls, in order to, indeed, make two ears grow upon a spot of ground where only one is growing now, shake off the burden of usurers and buyers-ups, and take confident steps to a better future.

We see this better future as a complete reorganization of our agriculture. Certainly, today's cooperative undertakings will develop further and further, seizing newer and newer branches of agriculture to organize new forms of social cooperative production. These cooperative undertakings in the form of auxiliary enterprises will gradually and powerfully develop into the main form of agricultural production, which will introduce large-scale production and mechanization principles wherever they can be advantageous.

Thus, we will see a new and unprecedented form of agriculture based on socialization, perfect technology, and the scientific organization of production. This future makes us consider our work (which superficial observers define as only the sale of butter and purchase of plows) as the future, grand, social-economic revolution that will turn a scattered, spontaneous, peasant economy into a coherent, economic whole and a new system of organized farming. And this future makes us totally agree with the idea of Lenin's deathbed article that the development of cooperation coincides in many respects with the development of socialism.

Пер. на англ. И.В. Троцук

«Краткий курс кооперации»[5]

А.В. Чаянов

Кооперативное движение среди крестьян являлось одним из важнейших направлений научной, организационной и педагогической деятельности Александра Чаянова. Он написал о сельскохозяйственной кооперации десятки статей и книг, провел сотни занятий со студентами в университетах и крестьянами в деревнях, разъясняя и обсуждая самые разнообразные кооперативные вопросы. В итоге им была создана собственная концепция возможностей развития сельскохозяйственной кооперации, воплотившаяся в знаменитой монографии «Основные идеи и формы организации крестьянской кооперации»[6].

Вместе с тем Чаянов обладал талантом страстного популяризатора и пропагандиста кооперативного знания среди самых широких слоев населения. Так, на ос-

5. Статья подготовлена с использованием гранта Президента Российской Федерации, предоставленного Фондом президентских грантов. Проект «Школа А.В. Чаянова и современное сельское развитие: увековечивая деяния ученых через актуализацию их наследия».

6. На английский язык эта книга в несколько сокращенном виде была переведена и опубликована в 1991 году: Chayanov A. (1991). *The Theory of Peasant Cooperatives*. Columbus: Ohio State University Press.

нове прочитанного им курса лекций на старообрядческих сельскохозяйственных курсах «Друг земли» в Москве в 1915 году он опубликовал брошюру «Краткий курс кооперации», которая в течение 10 лет переиздавалась еще 4 раза, став настольной книгой по кооперации для многих российский крестьян, агрономов, активистов сельского развития.

Чаяновский краткий курс содержит прежде всего ясные и четкие определения кооперации, ее видов, каждая глава курса иллюстрируется популярными историческими и современными примерами кооперативного движения, а также конкретными примерами взаимодействия крестьянских хозяйств и конкретных видов кооперативов.

Эта книга Чаянова одновременно напоминает два великих жанра мировой литературы. С одной стороны, это пропедевтическая «Азбука кооперации», подобно «Азбуке для детей» Льва Толстого. С другой стороны, это политэкономический «Кооперативный манифест», подобный «Коммунистическому манифесту» Карла Маркса и Фридриха Энгельса, где Чаянов излагает увлекательную картину борьбы российского и международного кооперативного движения за созидание нового справедливого социального мира.

В современных условиях сельского развития чаяновский «Краткий курс кооперации» представляет собой не только исторический интерес, он остается выдающимся образцом единства кооперативных мысли и дела, направленных на улучшение жизни широких слоев сельских тружеников всего мира.

Перевод на английский язык этого произведения А.В. Чаянова выполнен по последнему прижизненному авторскому 4-му изданию 1925 года[7].

Ключевые слова: сельскохозяйственная кооперация, крестьяне, потребительские кооперативы, кредитные кооперативы, сбытовые кооперативы, молочные кооперативы, кооперативная солидарность

7. Чаянов А.В. Краткий курс кооперации. 4-е изд. М.: Центральное товарищество «Кооперативное издательство», 1925.