

## **Agricultural Economy: National-Economic Foundations. Chapter 14. General Principles of Agricultural Cooperation<sup>1</sup>**

**B. D. Brutskus**

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*Abstract.* This is an English translation of Chapter 14 “General Principles of Agricultural Cooperation” from the textbook published in Russian by the agricultural economist B. D. Brutskus in Germany in 1923<sup>2</sup>. Boris Davidovich Brutskus (1874–1938), a liberal economist, always emphasized the importance of the multi-structured national economy in which various social institutions can have goals and values different from those of entrepreneurial enterprises of the capitalist market economy. Brutskus recognized the specificity of agriculture compared to other economic sectors, in particular the different organization of the peasant economy and the capitalist enterprise. Thus, he was a like-minded colleague of scholars from Alexander Vasilyevich Chayanov’s organization-production school. The Soviet government declared Brutskus a reactionary bourgeois economist and expelled him from the USSR in 1922 for his profound and witty critique of the political-economic foundations of the socialist economy<sup>3</sup>.

While in exile, Brutskus presented his agrarian-economic views as a textbook on agricultural economy. In both Tsarist Russia and Soviet Russia of the 1920s as a primarily agrarian country, such textbooks were very popular. Brutskus’s textbook had two distinctive features: first, since the author was an agronomist by basic education, he placed a strong emphasis on agricultural biological processes in relation to agrarian economy; second, two final chapters of the textbook focused on agricultural cooperation, which was also unusual for textbooks that certainly included information about cooperation, but not in such large volumes and not in such a structured manner.

Brutskus’s textbook attracted attention not only in the Russian emigrant community, but also in Soviet Russia, where it was reprinted and widely used in universities until the start of collectivization in 1929, despite the fact that the author was in exile and

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1. The article was written on the basis of the RANEPА state assignment research program
  2. Brutskus B. D. (1923) *Agricultural Economy: National-Economic Foundations*, Berlin: Publishing House “Cooperative Thought”, p. 316–334.
  3. For more detailed information on Brutskus’s intellectual biography, see the abstract: Brutskus B. D. (2025) Elimination of the world crisis. *Russian Peasant Studies*, vol. 10, no 1, pp. 6–15.

had been declared an enemy of Soviet power. However, in the USSR the textbook was published without two last chapters on cooperation due to Soviet censorship. Bratskus commented on this ban in the article on cooperative ideology published in the German newspaper in Russian: “Recently, the Soviet government showed minimal liberality towards my academic work. After 15 months of censorship, my course on agricultural economy was cleared for publication<sup>4</sup>... But in one respect censors showed extreme intolerance: two chapters on agricultural cooperation were cut from the first page to the last. Although there is nothing specifically political in these chapters. However, the Bolshevik censorship could not accept my description of cooperation as a unique principle of economic construction, different from socialism”<sup>5</sup>.

According to Bratskus, cooperative social institutions — a special economic phenomenon, a unique third force, different from institutions of both capitalist and state-controlled, socialist economies; however, cooperation always faces the risk of being incorporated and absorbed by both market entrepreneurship and state bureaucracy. The past hundred years seem to have convincingly confirmed many of Bratskus’s ideas of cooperation and his concerns about the distorting influence of both capitalism and socialism on cooperation. We publish this chapter from Bratskus’s book in English as a still-relevant example of the classic legacy of Chayanov’s school from its golden age.

*Key words:* cooperation, agrarian policy, market, peasantry, capitalism, socialism

## 1. Entrepreneurial economy and the reaction against it

In most countries, the involvement of the peasant labor economy in exchange relations and its transformation into the main supplier of agricultural products for the market, which pushed capitalist agriculture into the background, was significantly facilitated by the successful development among the peasantry of a unique economic organization of the new era — the cooperative. In very many cases, the peasantry would undoubtedly have failed to solve the problems created for them by the market without cooperative organization. Given the great significance that cooperation already has in the life of the peasantry and even greater significance it is destined to acquire, we consider it necessary to conclude the book by describing this new phenomenon of economic life.

The contemporary exchange economy is a complex interaction of enormous masses of economic entities. Only in their primitive forms exchange relations are visible to their participants and the producer-consumer connection can be direct. The peasant can sometimes deliver milk directly to the consumer, the craftsman can make boots to the peasant’s order. But when exchange relations expand, they become completely boundless, and the direct producer-consumer connection cannot be preserved. A batch

4. Bratskus B. D. (2024) On cooperative ideology. *Steering Wheel*, no 1103, July 22, p. 2.

5. Chapter 14 “General Principles of Agricultural Cooperation” and Chapter 15 “Specific Types of Agricultural Cooperation”: Bratskus B. D. (1923) *Agricultural Economy: National-Economic Foundations*, Berlin: Publishing House “Cooperative Thought”, pp. 316–360.

of peasant grain merges with numerous other batches, is ground in some large mill, and as part of a huge batch of flour reaches quite distant consumers. Peasants buy mineral fertilizers at a warehouse, but they did not agree to order a large batch to a given area and perhaps do not even know where fertilizers were delivered from. Hundreds, even thousands of workers work harmoniously on a sugar latifundia, but they did not agree to come to this estate to work and did not divide work among themselves.

This complex interaction of enormous human masses, which ultimately turned the entire globe into a certain unity, became possible because society acquired entrepreneurs who organize such interaction. Their functions consist primarily of mediation between producers and consumers, who are spatially separated and cannot be directly connected. Entrepreneurs concentrate in their hands the goods of small producers to make large batches, to send them to places with greater need for such goods than at the place of production and, consequently, with higher value, and finally to distribute goods among consumers willing to pay the highest possible price for the product. These functions are usually distributed among entrepreneurs — the buyer, the wholesaler, and the shopkeeper. The trader is a prerequisite for the transformation of exchange economy from the small-district type, in which the producer is still in direct contact with the consumer, to higher types of national and world economy.

The entrepreneur's strength is determined not only by his organizational functions but also by capital at his disposal, which is necessary to concentrate goods in large quantities and is due to a considerable period between leaving the producer's hands and getting to the consumer's hands. In industry, the role of the entrepreneur is not limited to regulating exchange — he often goes further, making producers dependent on him and ultimately concentrating them as workers in his large-scale production.

In agriculture such concentration is impossible<sup>6</sup>. In agriculture, large-scale production developed from the landowner's household economy — first in the form of corvee economy, which gradually

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6. P. I. Lyashchenko in *Essays on Economic Evolution* (vol. I) tries to present the peasant economy selling its grain to the buyer as a national form of capitalist production. This idea does not correspond to reality, since it completely ignores the nature of the peasant economy as excluding the possibility of its complete subordination to the buyer. First, the semi-natural character of his economy makes the peasant to a certain extent independent of the economic environment in satisfying his basic needs. Second, products of the peasant economy and its means of production are too diverse for one buyer to manage the sale of all these products and the supply of all these means. Finally, the very nature of the market for agricultural products excludes the possibility for the peasant to be connected to it through only one buyer. The German scientist Bücher, who was the first to describe the national form of capitalist industry, considered it a stage in the development of industrial but in no way agricultural production.

transformed into capitalist economy with its own equipment and free labor. Capitalism with its profit-seeking entrepreneurs created the contemporary exchange economy. Since conditions favored the development of the exchange capitalist economy, there was a huge growth in productive forces and in the population density; the level of masses' well-being in the advanced capitalist countries did not fall but increased.

However, already in the first half of the 19th century, negative aspects of the entrepreneurial economy were recognized. The benefits of this economy's successes were used one-sidedly by capitalists, which was more possible at the early stages of exchange economy. Capital was scarce and expensive, risk was great, because the insurance business had not yet been established and competition between capitalist entrepreneurs was insufficient, — all this increased the income of the capitalist entrepreneur, leaving other classes with a small part of benefits of developing exchange economy. When the economically strong capitalist entrepreneur confronted unorganized workers or small producers, they did not always succeed in defending remuneration according to the marginal productivity of their labor; most importantly, the economy was built on saving (low) wages. Finally, capitalism was blamed for crises — constant companions of the developed exchange economy.

All this gave rise, on the one hand, to the socialist movement, which sought to radically reorganize the existing social order through state power, and, on the other hand, to many institutions that were supposed to correct the system of free competition (trade unions, factory legislation, workers' insurance, and municipal socialism). The cooperative movement is one of such movements that aimed at integrating into capitalist economy and gradually transforming it from within.

## 2. The essence of cooperation

The task of the cooperative movement is to create cooperatives which we define as *collectively organized enterprises, whose members strive to satisfy their specific economic needs autonomously, i.e., independently of entrepreneurs.*

As enterprises, cooperatives are subject to the economic principle; they are to provide benefits to their members, and such benefits can be monetary. Cooperatives satisfy economic needs of their members and can provide services to non-members but not for income, while the goal of the entrepreneur is to get income by satisfying economic needs of others. The inner essence of the cooperative determines some features of its organization, reflecting the collective nature of such enterprises. However, cooperatives often take the external form of capitalist enterprises, or, on the contrary, capitalist enterprises take the external form of cooperatives, which is why only the nature of the goals pursued sometimes allows us to distinguish a coopera-

tive from a capitalist enterprise<sup>7</sup>. People of different classes can satisfy their economic needs on a cooperative basis, but cooperation is of the greatest importance for the economically weak, and the cooperative movement is predominantly democratic.

### **3. Benefits provided by the cooperative to its members**

Since the start of the cooperative movement, its initiators believed that it was intended to destroy the profits of capital, i.e., the cooperative was primarily to create its own social capital, which would make it independent of the money market. However, efforts to create a working capital that fully satisfies the needs of the cooperative are too burdensome for its members and in fact unnecessary. Interest on capital is a logical economic category, and the cooperative cannot eliminate it from economic life. The task of cooperation is to transform capital from the manager of enterprise into its service force.

At the same time, the cooperative can make savings on other elements of capitalist profit for the benefit of its members. Thus, members of the cooperative take on its risk, eliminating the entrepreneur's reward for overcoming such a risk. When the risk essential for the capitalist is distributed among many cooperative members, it becomes insignificant for each of them. At the same time, the cooperative with its entire organization strives to reduce this risk. The credit association issuing loans runs less risk than the capitalist due to moral ties with its members, which the capitalist does not have. The consumer association is more confident that its members will buy its goods than the shopkeeper, because the consumer society has internal ties with its members, which the shopkeeper does not have. If the risk is determined by such insurmountable external conditions as the world market, if market conditions change quickly and dramatically, the corresponding industry is generally not suitable for cooperation, because successful regulation of its economic activity requires such determination and speed of action that cannot be expected from a cooperative organization.

Since the cooperative works with other people's capital, the interest paid is made up of remuneration for capital and remuneration for subjective risk. To minimize this risk, the cooperative is based on mutual responsibility of its members for its obligations. In the early days of the cooperative movement, it was recommended to make this responsibility unlimited, i.e., members were to be liable for the partnership's obligations with all their wealth. However, cooperatives have proven to be so economically sound that the need for members' unlimited liability disappeared with the development of the cooperative movement. Well-organized coop-

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7. Cooperation is often defined by the external organizational features, which is insufficient.

eratives provide cheap credit from the masses' savings and through their central institutions use cheap credit from the capitalist money market.

In addition to the fact that cooperative members, who have taken over the risk of the enterprise, receive the same compensation for it as capitalists, they can also save on the remuneration that the entrepreneur receives for managing the business (entrepreneurial income). Entrepreneurial functions are to some extent performed by all members of the cooperative at general meetings and by the elected members of its council and board, who work either for free or for minimal pay. If the cooperative does need a paid economic manager, he is cheap for it. Cooperation destroys monopoly of capitalists and their trusted ones on the economic management of society and democratizes the economic-entrepreneurial spirit, thus getting the opportunity to recruit managers from a wider social circle and reduce costs of entrepreneurial labor.

However, advantages of cooperation are not only that its members get a part of profit as a reward for risk and a certain saving on entrepreneurial income. The most important types of cooperation have the capacity for internal growth or at least for partial coordination of actions, which ensures for cooperation all advantages of the largest capitalist enterprises. In capitalist production, there is also a strong trend toward concentration of production, which in general corresponds to the interests of national economy due to a reduction in production costs. But this trend is opposed by the interests of individual entrepreneurs, which slows it down considerably. In most cases, the stronger enterprise should break the weaker enterprise in a competitive struggle to concentrate production; only at higher stages of capitalist development, there is a voluntary merger of large enterprises into trusts, syndicates and cartels, but society does not always benefit from this. The expansion of cooperatives or coordination of their activities does not encounter obstacles in the interests of individual entrepreneurs, which quickly provides cooperative members with all benefits of the large enterprise. Thus, consumer societies unite to make joint purchases, credit unions establish cooperative banks to move their funds and enter the money market, dairy unions expand and unite to organize the sales of their products in distant markets. The same competition between entrepreneurs, in which consumers are not interested, determines high advertising costs, ultimately falling on the price of the product; there is no such competition and corresponding costs in cooperation.

In the national-economic perspective, the task of the capitalist enterprise is to satisfy certain economic needs of society. But for the capitalist, satisfying the economic needs of society is only a means to achieve his goal — the greatest profit. Thus, the entrepreneur's interests are in some antagonism with his society's interests, which makes it extremely difficult to solve many problems. The buyer, especially the rural one, when dealing with the small trader, cannot be confident that he receives goods of proper quality, not counterfeit;

such confidence is extremely necessary when buying means of production, for instance seeds and mineral fertilizers. On the other hand, the owner of a capitalist dairy cannot be confident that peasants feed cows properly, supply good milk and do not adulterate it. If peasants do not treat the matter conscientiously, the quality of milk will be low, and it will be valued accordingly by the market. Thus, the capitalist organization can only to a very small extent promote mineral fertilizers or dairying among peasants.

Moreover, there are economic problems that cannot be solved at all given the inevitable introduction of antagonistic interests into the economic organization by the entrepreneur. In the insurance business, since it is organized capitalistically, there is a risk that the insured would be careless about possible accidents and in certain cases may even consider advantageous to organizing an accident. In life insurance, such fears are impossible; in fire insurance the capitalist entrepreneur should constantly be on guard against this very real danger; cattle insurance cannot be organized at all without cooperation, given the antagonistic interests of the insurer and the insured. Cooperation makes this problem solvable: close ties between cooperatives are a guarantee against abuses that cannot be eliminated not only by capitalist but also by local-government organization of insurance.

All benefits of the cooperative for its members can take the form of profit, although this term can be applied to the cooperative only conditionally, by analogy with the capitalist enterprise in which profit is something unlimited like monetary income of the entrepreneur. However, income of the cooperative is income of its members, and it is not clearly defined. A consumer society can sell goods to its members at the same prices as a capitalist store; by the end of the year, it will accumulate a large profit which will be distributed among its members. On the other hand, a consumer society can sell goods to its members at prices lower than in a capitalist store; at the end of the year, it will have little profit, nevertheless, the cooperative will still be profitable for its members. The task of the cooperative is not to make profit but to cheaply and perfectly perform certain economic functions for the benefit of its members; concentration of a certain part of income in its cash register is advisable for economic consolidation but not essential.

Although the basis of the cooperative movement is formed by cooperatives, from which members receive quite definite, measurable in money and therefore real benefits, this movement is not limited to cooperatives. Solidarity of the cooperative movement is also expressed in the creation of other institutions which show certain connections with economic activities, but their significance is not limited to monetary income. For instance, activities of agricultural cooperatives lead to the creation of agricultural societies and syndicates, which unite rural population to discuss agricultural issues, organize lectures, conduct experiments, etc. Cultural activities are developed collectively, promote and strengthen the idea of cooperation: in essence, the eco-

conomic strength of the cooperative is based on the conscious attitude of its members to the matter, on the level of their culture.

Unlike capitalism building economic life on the basis of personal interests, the cooperative movement strives to solve economic problems on the basis of solidarity and collective interests. This brings to the forefront of economic life those social feelings that previously played a very modest role, making very clear their real significance. Raiffeisen, the founder of agricultural cooperation, opened its credit offices on the basis of the assumption that members of their boards and councils would work for free. His idea was realized, and the grand building of the German agricultural cooperation was based on the unpaid work of board members.

#### **4. The relationship of cooperation with socialism and capitalism**

Cooperation and socialism arose from the same motive — to limit the power of capital in economic life, but the paths of these two movements to this goal are profoundly different. Socialism gravitates toward organizing the economy with the coercive force of the state, while cooperation is based on voluntary associations. Thus, the consistent construction of socialism is difficult to combine with cooperation; therefore, at the stage of its greatest development in Russia, communism partly destroyed cooperation and partly transformed it into an official body of the state power.

As for capitalism, although cooperation strives to rebuild society on its own principles, the coexistence of capitalist and cooperative organizations within one free exchange system is completely normal. Just as capitalist organizations compete with each other, they compete with cooperative organizations, and gradually under this competition capitalism and cooperation strengthen in performing those economic functions they are best adapted to.

#### **5. Cooperation and the state**

Initiators of the cooperative movement treated state aid with great caution, because their main idea was self-help of cooperative members. External support could deprive the cooperative of what should constitute its strength — weaken the initiative of its members. And indeed, there are cases in the history of cooperation when benevolent aid of the state harmed cooperation. Thus, the French government, wishing to help the agricultural cooperative movement, provided it with an interest-free loan, which ultimately prevented the strengthening of cooperation, because the cooperative movement, spoiled by this interest-free loan, did not bother to attract people's savings by paying certain interest, but only these savings can create a solid ba-

sis for cooperation. Another danger of state aid is that the state can exert pressure on cooperation in its own interests. The cooperative is to serve the interests of its members, while the state power can represent class interests alien to the interests of cooperative members.

However, cooperation almost nowhere managed to maintain the firm position of not using state aid. Every new production organization in the first steps of its development needs external support, which capitalism also enjoyed in the first stages of its development.

As for Russia, capitalist industry was directly imposed by the government in the first half of the 18th century, which implies that cooperation, uniting democratic strata of population, has the right to claim state aid. However, cooperation must not let its guard down in order to prevent the state from imposing on it alien tasks and weakening its internal principle of self-help.

## **6. Organization of cooperative management**

According to the cooperatives' goals, their management is organized on the following principles: the main manager of business is the general meeting of members; the general meeting selects a board for executive functions and a council for control and other regulatory functions. As a rule, members are equal; if the scope of their rights is not the same, differences are determined not by capital contributed but by real participation in the cooperative, for instance, the influence of members in a consumer society can depend on volume of supplies, in a dairy partnership — on amount of milk delivered.

## **7. Bases for classifying cooperatives**

Cooperatives can perform various economic functions: some promote the cheapest and most perfect organization of consumption, others — successful development of small-scale production or the most profitable use of labor of members. Cooperatives serve the interests of various classes: proletarians, employees, peasants, artisans, small traders.

However, certain economic tasks and services to certain classes cannot be a sufficient basis for classifying cooperatives, since the same cooperative can serve different needs and different classes. For instance, the rural consumer society ensures the proper organization of consumption and usually also supplies its members with means of production. The credit partnership serves mainly small-scale production but also partly the needs of consumption. The urban consumer society often serves people from diverse classes — workers, small employees, artisans, etc., which also applies to credit partnerships. Nevertheless, the study of the cooperative movement from the perspective of its specific functions or classes it serves can be quite useful.

Classification of cooperatives should be based on their internal structure, and from this perspective, there are three clear groups of cooperatives. Two of them are cooperatives whose members strive to autonomously satisfy their needs in the sphere of circulation. On the one hand, these are associations of buyers, in relation to which the cooperative is a seller. On the other hand, these are associations of sellers, in relation to which the cooperative plays the role of a buyer. Associations of workers, in relation to which the cooperative is an employer, are of a profoundly different nature.

Cooperatives from the sphere of exchange can invade the sphere of production. Thus, a consumer society may not limit itself to selling ready-made bread but prefer to buy flour and open its own bakery or even buy grain and grind it in its own mill. In the same way, rural owners united in a cooperative may find it unprofitable to sell milk together and prefer to process it in a collective dairy. However, this does not change the fundamental nature of these cooperatives and does not bring them closer to the workers' cooperative.

Let us imagine a dairy of a consumer society, a cooperative dairy of peasants, processing their milk for sale as butter, and a dairy established by butter makers for the most profitable use of their labor. All three dairies may be physically identical, but their economic nature will be extremely different. The dairy of a consumer society aims at delivering butter to its members at the lowest possible prices; therefore, it should buy milk as cheaply as possible and process it as cheaply as possible. The dairy of cooperative peasants aims at paying its members the highest possible prices for milk; therefore, it should process milk as cheaply as possible and sell butter as expensively as possible. And the cooperative of butter makers aims at paying the highest possible wages for processing butter; therefore, it should pay for milk as cheaply as possible and sell butter as expensively as possible. In the first two cases, butter makers are hired workers of the cooperative; in the third case, the dairy belongs to its workers.

Success of cooperative development depends on the solidarity of the interests of cooperative members and on the complexity of demands that the cooperative organization makes on them. Thereby, cooperatives can be divided into buyers', sellers' and workers' cooperatives. The interests of buyers are generally solidary; the larger the purchases, the more profitably they can be made. At the same time, buyers' cooperatives make the least demands on their members in terms of discipline.

The degree of solidarity of the interests of members of the sellers' cooperative can be very significant in a broad market where the quantity of the cooperative's products is negligible. On the contrary, if the market can hardly accommodate the cooperative's product, the solidarity of sellers' interests can be violated: it may be advantageous for each of them to take over the market behind the backs of fellow members. The sellers' cooperative makes great demands on its members: they should not be tempted by random profitable op-

portunities to sell a product outside the cooperative. The cooperative also makes certain demands on the quality of products delivered by its members.

Finally, workers' cooperatives face the greatest challenges. Any production requires a more or less complex division of labor and a more or less complex hierarchy, which presupposes differentiated payment for team members and determines many antagonisms between them. Since the workers' cooperative covers almost the entire economic activity of its members, it demands great discipline from them. In general, production is easily organized by the capitalist, who concludes an agreement with each worker and authoritarily assigns all workers certain places in the production hierarchy; it is extremely difficult to create such an organization based on a collective agreement. Although at the initial moment of the cooperative movement labor cooperation was at the center of attention with the greatest hopes placed on it, labor cooperation did not justify these hopes at all, and only buyers' and sellers' cooperatives acquired serious significance in economic life, showing a strong trend toward penetrating the sphere of production.

Our task is to characterize agricultural cooperation, i.e., cooperation that serves the farmer, primarily the small one, as a producer.

### **8. Schulze-Delitzsch and the history of the urban petty bourgeois cooperation**

Cooperation designed to serve the small producer first developed in the West, in the city, among artisans, because this environment is more cultural and open to innovation. Somewhat later, cooperation spread in the more inert environment of farmers. However, once it penetrated the village, it finds a more solid ground here than among urban artisans or small traders.

The guarantee of the strength of agricultural cooperation is that peasants are not competitors but potential partners in production. The market for agricultural products is unlimited compared to the quantity of products that each farm or even a significant group of farms can supply. The size of production of an individual owner or even a significant group of owners is almost predetermined by the land area. Thus, the interests of peasants not only as buyers but also as sellers are solidary, which provides extensive prospects for agricultural cooperation. On the contrary, artisans usually face a limited market that each of them can take over by expanding production. Artisans are competitors, which clips the wings of craft cooperation that has not justified the great hopes placed on it.

The most important factor of the normal development of small economy is credit. The lack of working capital is the main factor causing or accelerating the decline of small economy. Therefore, the start-

ing point for the development of agricultural cooperation is the system of credit societies established by Raiffeisen in West Germany in the 1860s in the interests of small peasants.

Raiffeisen's predecessor was Schulze, interested primarily in the fate of artisans. Schulze, who added to his surname the name of his hometown (Delitzsch), where he began his public work, was a liberal; he hoped that on the basis of free initiative it would be possible to strengthen the economic position of artisans to such an extent that competition with factory production would not be a threat to them, and eventually they would develop cooperative production. Schulze-Delitzsch began his work in the 1840s with the organization of credit offices on the principle of charity, but soon he realized that nothing significant could be done for the artisan class on this basis. Only observations of attempts at mutual assistance among German artisans led Schulze-Delitzsch to the right path to solving the problem. Artisans quite often united for joint purchases of raw materials or on the principle of joint responsibility to get a loan for such purchases. This led Schulze-Delitzsch to the idea that it was necessary to separate the task of helping those in poverty, because they had no viable production, from the task of helping those with viable production. The task of helping the former was charitable, while the task of helping the latter was economic, and Schulze-Delitzsch focused his energy on the second task.

Initially he aimed primarily at promoting raw materials, sales and production partnerships, and only in addition to them organized credit partnerships to supply the above-mentioned partnerships with funds. However, it was precisely credit partnerships that had lasting success and that Schulze-Delitzsch managed to organize on solid principles. Soon he realized that artisans, farmers and merchants with viable production, even if each of them had very modest collateral security, could get loans if bound by collective liability. Given the novelty of the matter, initially Schulze-Delitzsch demanded that this liability be unlimited. Moreover, to ensure a solid basis for the credit partnership, its members were to make fixed capital from their contributions and shares and subsequently, by adding a share of profits to fixed capital, to strive to increase it in every possible way. Funding for the partnership can be largely obtained from workers — by attracting their savings. Therefore, Schulze-Delitzsch credit societies have a dual function — they are credit-saving: they supply working people with working capital and at the same time teach them to save money. To attract deposits and get loans, interest is to be paid; therefore, credit transactions are to be interest-bearing. People with profitable production cannot be afraid of paying interest, because they put funds into circulation in their production and return money with a profit. Interest charged on credits should be higher than interest paid on deposits and loans, since the surplus covers expenses and ensures dividends to strengthen the partnership's capital. Thus, Schulze-Delitzsch strove to provide his credit societies with such an organizational form that would best meet the needs of the urban petty bourgeoisie.

During the 1850s, Schulze-Delitzsch's work on creating urban cooperatives was so successful that in 1859 he organized their first congress and founded their union which still exists today (Allgemeiner Verband der deutschen Erwerbs- und Wirtschaftsgenossenschaften — General Association of German Commercial and Economic Cooperatives).

At first, the Prussian government was hostile to Schulze-Delitzsch's activities and created many obstacles to his work, taking advantage of the absence of a civil-law basis for recognizing cooperatives as legal entities. Schulze-Delitzsch wanted to develop the cooperative movement only on the self-help basis and did not seek government assistance. Only in the mid-1860s, the government decisively changed its attitude toward Schulze-Delitzsch's activities, and in 1868, under his influence, adopted the first cooperative law which was quite liberal and became a model for other countries.

### **9. Raiffeisen and the history of agricultural cooperation**

The founder of agricultural cooperation, Raiffeisen, was a deeply religious person, and it was even more difficult for him than for Schulze-Delitzsch to give up the idea of helping the peasantry on the basis of Christian charity. However, his acquaintance with the successful activities of Schulze-Delitzsch convinced him that workers could improve their situation only through self-help and that self-help institutions should have a completely different structure than the charitable ones. Nevertheless, Raiffeisen did not copy the structure of Schulze-Delitzsch's credit partnerships but made significant changes to it. While Schulze-Delitzsch aimed at the possible expansion of the partnership so that it would include as many members as possible, Raiffeisen demanded localization so that the area of the partnership's activity would be as small as possible, for example no more than a parish. Unlike Schulze-Delitzsch, Raiffeisen considered cooperative shares harmful and had the same negative attitude towards dividends. In his opinion, dividends could lead to the degeneration of credit unions into small joint-stock banks, which did happen to some of Schulze-Delitzsch's partnerships. Later, under the legislative pressure, Raiffeisen introduced share contributions but sought to reduce them to a minimum; all profits were to cover the costs of forming an indivisible "founding" fund intended for public benefit purposes.

Raiffeisen wanted to ensure that life of the cooperative was imbued with certain moral principles and a religious spirit, which is why he insisted that members of council and board work for free. Loans were not to be issued on formal grounds — the board had to delve into the needs of members and, if possible, guide them in economic activities. Therefore, credit can be not only short-term, as Schulze-Delitzsch insisted, but also long-term. The credit cooperative should

not be limited to credit functions but should become an integral cooperative, organizing joint purchases, collective sales of products and their processing, and guiding technical progress of the peasant economy, while Schulze-Delitzsch defended specialization of the cooperative's functions. Raiffeisen insisted on the principle of unlimited liability with even greater persistence than Schulze-Delitzsch.

Since the 1860s, due to Raiffeisen's efforts, rural credit offices spread rapidly in West Germany. From the very first steps of the cooperative movement, Raiffeisen began to merge these offices into provincial cooperative banks and in 1876 replaced them with a single central bank (*Landwirtschaftliche Zentral-Darlehenskasse*) in Neuwied. At the same time, he founded a general union of his cooperatives. Raiffeisen used the Central Bank and this Union for the most consistent and strict implementation of the basic principles of his cooperative movement, in contrast to Schulze-Delitzsch, who allowed cooperation to develop more freely.

Schulze-Delitzsch and Raiffeisen had a heated debate about the principles on which cooperation should be built, and each of them insisted on the general validity of his approach, although developed cooperation in different environments. Schulze-Delitzsch worked with the urban petty bourgeoisie, which had a higher level of culture and little need for external guidance and was accustomed to the fast urban money circulation. Raiffeisen focused on poor elements of the peasantry, who were just beginning to master modern technologies. These elements needed much more careful guidance and some assistance from the rural intelligentsia, and this assistance is possible only provided a certain spirituality of the entire cooperative movement. In agriculture, it was impossible to do without long-term credit which requires more attention and control of the board over the use of funds than short-term credit. Raiffeisen organization met all these requirements: localization made strict control over loans possible, created a certain intimate atmosphere, made it possible to use free labor of board and council members, which would have been difficult to pay for; such control ensured security of long-term loans. Insufficient cultural forces required unification of all forms of cooperative work around the credit office.

Raiffeisen intended to turn his cooperative principles into unshakable dogmas and to enshrine them forever with the help of his central organizations, demanding strict adherence to these principles. As German agricultural cooperation grew stronger and the cooperatively united peasantry gained self-confidence, peasants needed less and less guardianship. Thus, the cooperative movement needed more flexible organization. In particular, the principle of unlimited liability constrained cooperation, which explains why the Hessian Union of Agricultural Cooperatives, which was founded in the 1880s on more flexible liberal principles, gradually turned into an all-German union, pushing Raiffeisen organization into the background. Nevertheless, Raiffeisen is credited with the great world-historical merit of bringing

to life the idea of agricultural cooperation. He solved the most important problem — proved that the peasant economy through self-help could obtain capital, enter the path of technical progress and adapt to the market demands; proved that the basis of the peasantry's economic strength could be their labor savings. These ideas made a huge impression and were followed in other countries.

Nevertheless, the paths of the development of cooperation in each country and even in each region are unique due to the infinite diversity of both natural and economic conditions. In some countries, the starting point of this development was not the credit partnership, since there was no urgent need for credit everywhere. In France, the village was so rich in savings that the need for credit was not acute. In Italy, urban people's banks that developed in the 1860s extended their activities to the village. In both France and Italy, the starting point of agricultural cooperation were syndicates, i.e., professional organizations of agricultural population. In the same way, in Denmark, the problem of credit in the village had already been more or less satisfactorily solved by parishes supported by urban savings banks, and the starting point of the cooperative movement in agriculture were cooperative dairies.

### **10. History of agricultural cooperation in Russia**

Russian intelligentsia, sensitive to all advanced movements of the West, immediately noticed the fruitful activity of Raiffeisen and tried to develop similar credit-savings partnerships. In 1871 in Moscow, the Committee on Rural Credit-Saving and Industrial Partnerships was created to develop the cooperative movement in Russia; its branch in Petrograd was especially active. In the 1870s, some zemstvos became interested in small credit, and with their assistance almost 1,000 credit offices were opened. However, the Russian peasant economy was not sufficiently involved in exchange relations; peasants were not accustomed to credit, and small credit institutions could not take root among them. The entire cooperative movement was still artificial and fragile. Both the zemstvo and the intelligentsia, after a series of failures, lost interest in developing small credit.

However, over time, conditions for the development of the peasant cooperative movement in Russia improved, because the peasantry was increasingly drawn into the cycle of exchange economy, and their cultural level was rising.

In 1895, the Minister of Finance S.Yu. Witte passed the new Regulation on small credit institutions. According to this law, formalities for establishing such institutions were somewhat simplified, and the model charter was revised. Before this Regulation, the law provided only for credit-saving associations, which in their structure were close to the Schulze-Delitzsch type. The model charter required large shares, which was unaffordable for the average peasant. The new Regulation provid-

ed for a new type of small credit institutions, the so-called credit partnerships, which in their organization were close to the Raiffeisen type. There are no share contributions in credit partnerships, their fixed capital is made up of the initial loan. The new Regulation provided for the State Bank's long-term loans for the basic capital of credit partnerships which became subject to the supervision of the State Bank officials.

Under the new Regulation, small credit institutions began to develop, and the new cooperative movement was no longer artificial, as it had been in the 1870s. Small credit partnerships developed especially successfully on the outskirts, where the peasant economy was more involved in exchange relations. Since the beginning of the current century, credit partnerships, more in line with the needs of the ordinary peasantry, have been established in greater numbers than credit-saving partnerships. In the decade from 1895 to 1904, 1,095 small credit institutions were authorized; the cooperative movement developed at such an accelerating pace that in 1904 alone more than 300 small credit institutions were authorized. Thus, since the beginning of the current century, cooperation has become a noticeable factor in the economic life of the peasantry in some Russian regions.

In 1905, the cooperative movement entered a new stage of development. On June 7, 1904, the new Regulation on Small Credit was adopted, which to some extent reflected the pressure of the developing social movement. The right to authorize small credit institutions, which had previously belonged to central authorities, was transferred to the Provincial Committees on Small Credit, which simplified intermediary collateral transactions. The State Bank established the Department of Small Credit, which was to promote and monitor partnerships created with loans from the State Bank.

The new, somewhat more liberal Regulation, more generous assistance from the State Bank and an extensive staff of small credit inspectors led to a huge expansion of the network of small credit institutions in Russia. By January 1, 1905, there were 1,413 of them, and in 1915 — 10 times more, 14,548, and this enormous growth was not artificial. Small credit institutions took root among the peasantry, which is explained by the fact that the involvement of the peasant economy in exchange relations had advanced significantly, that the peasant economy had entered the path of progressive development, that the cultural level of peasant masses had risen, and that the 1905 Revolution, although it did not fulfill its promises, had awakened the people's energy and made peasants seek new ways to improve their economic situation.

That credit cooperatives became a serious factor in the economic life of population is confirmed by the fact that on the eve of the revolution, the number of cooperative members exceeded 10 million, and the number of members of credit partnerships, which developed almost exclusively in rural areas, exceeded 8 million. The development of partnerships was especially successful in the east and south of Russia, where agriculture is an important source of cash income for

rural population; but the cooperative movement covered all regions of Russia. That this movement was fed by internal juices can be proved by the fact that by mid-1912 small credit institutions had used 69 million government loans; on January 1, 1912, the sum of their deposits and loans was 242 million, and two years later, on January 1, 1914, — 424 million, of which almost 200 million came from credit partnerships. On the eve of the war, government funds constituted only 20% of the working capital of small credit institutions. Thus, government activity should be considered only an external impetus for the cooperative movement, which then developed on its own.

The State Bank with its small credit inspectors to some extent acted for the Russian credit cooperation as union organizations, the development of which the government prohibited to keep cooperatives under its guardianship. In some regions, zemstvo small credit offices competed with the State Bank in this regard. In 1911, the government finally allowed to found the Moscow People's Bank, which became the central bank of Russian cooperation, but the state continued to stubbornly hinder the creation of local associations of credit cooperatives with financial functions. Only during the war, when the task of strengthening cooperation acquired state significance, union associations of credit cooperatives were allowed, and regional unions of credit partnerships were created at an accelerated pace.

In general, credit was a prerequisite for the reconstruction of the Russian peasant economy on an exchange basis; therefore, credit cooperation was supposed to become the backbone of all Russian cooperation, in connection with and around which other forms of cooperatives were to develop. The situation was different in Western Siberia: on its wide land expanses the peasant economy was economically stronger than in European Russia; rich in livestock, it could immediately provide a valuable livestock product for export — milk that had to be first turned into butter. Thus, in Western Siberia, as in Denmark, cooperative dairies became the center of the cooperative movement.

Russian cooperation reached its peak at the beginning of the war, when the state was in dire need of various supplies, willingly turned to cooperation for help and finally gave it freedom of development. The freedom of cooperative development was secured after the February Revolution in the law of March 20, 1917. However, the destruction of the Russian national economy caused by the war and revolution would inevitably affect agricultural cooperation.

With the establishment of communist policy, the government transformed consumer cooperation into a distribution body of the socialist state, subordinated all other forms of cooperation to its supervision, and in 1920 completely liquidated credit cooperation as not corresponding to the principles of socialism as a system that denies both the principle of interest on capital and the entire monetary system. At the beginning of 1921, the refusal to immediately build communism would inevitably change the policy of the socialist govern-

ment towards cooperation. Nevertheless, the government had not yet abandoned the idea of consumer cooperation as necessarily uniting all workers. The development of agricultural cooperatives on the basis of voluntary membership is recognized, since the state accepts the basic principle of cooperation. The previous experience of cooperative development creates psychological prerequisites for the rapid revival of cooperation. It is the highest stage of the developed free exchange economy, but its restoration has just begun, monetary system has not yet been stabilized, civil law and order are still in the process of formation; therefore, many external prerequisites for the sustainable development of such a complex economic form as cooperation are still lacking. Nevertheless, the first steps towards the revival of agricultural cooperation in the new situation are already being taken.

**Экономия сельского хозяйства: Народнохозяйственные основы. Глава 14. Общие основы сельскохозяйственной кооперации**<sup>8</sup>

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Данная публикация — английский перевод Главы XIV «Общие основы сельскохозяйственной кооперации» из учебника, изданного аграрным экономистом Б. Д. Бруцкусом на русском языке в Германии в 1923 году<sup>9</sup>. Борис Давидович Бруцкус (1874–1938), будучи экономистом либерального направления, всегда отмечал важное значение в экономической жизни общества многоукладного народного хозяйства, социальные институты которого могут иметь цели и ценности, отличные от предпринимательских хозяйств рыночной капиталистической экономики. Бруцкус признавал специфику сельского хозяйства в сравнении с другими отраслями экономики, отмечая отличие организации крестьянского хозяйства от капиталистического предприятия. В этом он был фактически единомышленником и коллегой ученых из организационно-производственной школы Александра Васильевича Чаянова. Советская власть заклемила Бруцкуса как реакционного буржуазного экономиста и изгнала его из СССР в 1922 году за то,

8. Статья подготовлена в рамках выполнения научно-исследовательской работы государственного задания РАНХиГС

9. *Бруцкус Б. Д.* (1923). Экономия сельского хозяйства: Народнохозяйственные основы. Берлин: Кооперативная мысль. 360 с.

что он подверг глубокой и остроумной критике политические и экономические основания социалистической экономики<sup>10</sup>.

Находясь в эмиграции, Бруцкус постарался систематически изложить свои аграрно-экономические взгляды в виде учебника по аграрной экономике. В царской, а затем в советской России 1920-х годов, стране прежде всего аграрной, такого рода учебники были очень популярны. Учебник Бруцкуса отличали две особенности: во-первых, автор по базовому образованию был прежде всего агрономом, и в книге сделан акцент на сельскохозяйственных биологических процессах, конечно, в особой связи с аграрной экономикой; во-вторых, учебник завершался двумя главами, посвященными сельскохозяйственной кооперации, что было не совсем обычно для аналогичных учебников, которые обязательно включали в себя информацию о кооперации, но не в таких больших объемах и столь структурированную.

Учебник Бруцкуса привлек к себе внимание не только русской эмиграции, но и в советской России, где был переиздан и широко применялся в университетском образовании до начала коллективизации в 1929 году, несмотря на то что автор находился в эмиграции и был объявлен врагом советской власти. Однако в СССР учебник Бруцкуса издавался без двух последних кооперативных глав — их запретила печатать советская цензура. Сам Бруцкус так прокомментировал запрет в своей статье о кооперативной идеологии, опубликованной в русскоязычной немецкой газете: «Недавно советская власть проявила минимальный либерализм к моей научной работе. После 15-месячного пребывания в цензуре мой курс экономики сельского хозяйства был разрешен к печати<sup>11</sup>. ...Но в одном цензура проявила крайнюю степень нетерпимости: две главы, посвященные сельскохозяйственной кооперации, вырезаны от первой до последней страницы. А ведь и в этих главах нет ничего специфически политического. Но большевистская цензура не могла помириться с тем, что я характеризую кооперацию как совершенно особый принцип экономического строительства, отличный от социализма»<sup>12</sup>.

По мнению Бруцкуса, социальные институты кооперации — особое экономическое явление, своеобразная третья сила, отличная как от институтов капиталистической, так и государственной, социалистической экономики, но у кооперации всегда есть риск быть инкорпорированной, поглощенной как рыночным предпринимательством, так государственной бюрократией. Прошедшие сто лет, кажется, убедительно подтвердили многие характеристики кооперации, данные Бруцкусом, а также и его опасения о деформирующем влиянии на кооперацию как капитализма, так и социализма. Мы публикуем эту главу из книги Бруцкуса в английском переводе как не утративший своей актуальности образец классического наследия золотого века школы Чаянова.

*Ключевые слова:* кооперация, аграрная политика, рынок, крестьянство, капитализм, социализм

10. Более подробные сведения об интеллектуальной биографии Бруцкуса см. в аннотации к статье: *Brutskus B. D.* (2025). Elimination of the world crisis // *Russian Peasant Studies*. Vol. 10. № 1. P. 6–15.
11. *Бруцкус Б.* О кооперативной идеологии // Рувль. 1924. № 1133. 22 июля. С. 2.
12. Глава XIV «Общие основы сельскохозяйственной кооперации» и Глава XV «Отдельные виды сельскохозяйственной кооперации» // *Бруцкус Б. Д.* (1923). Экономика сельского хозяйства: Народнохозяйственные основы. Берлин: Кооперативная мысль. С. 316–360.