

## **Development of Agricultural Co-operatives in Japan (III) Historical Perspective of Co-operative Development**

Masaaki ISHIDA\*

Faculty of Bioresources, Mie University, 1515 Kamihama-cho, Tsu, Mie, 514-8507, Japan

### **Abstract**

In this paper, we attempt to discuss the history of agricultural co-operatives in Japan during the period from the Tokugawa regime until today, including traditional and modern co-operative movements. For this purpose, we divide the history into four phases; evolution of the Tokugawa period, early effort before the Great Depression in 1929, changes in movement during the inter-war period, and reconstruction effort during the post-war period. By tracing these four phases, we can conclude that the development is described as a history of government-sponsored co-operatives. The government assistance to co-operatives took place when co-operatives and their members were trying to overcome serious economic difficulties. However, despite the intention to limit governmental help to co-operatives to the initial phase, government assistance has become a permanent feature. This bad custom should be eradicated as soon as possible. At present, just one century after the enactment of the first co-operative law in Japan, it is necessary to seek a new path based on the co-operative principles.

**Key Words:** Nokyo, the Co-operative Society Law, the Agricultural Co-operative Law, the British-Indian pattern of co-operatives

### **Evolution during the Tokugawa Period**

#### **The Origin of the Autonomy of Villages<sup>1,2)</sup>**

Although modern co-operative movements were of course initiated after the enactment of the Co-operative Society Law in 1900, Japanese peasants had already developed some kinds of traditional co-operative movements based on the autonomy of villages during the Tokugawa period (1603-1868).

Under the Tokugawa regime, feudal restrictions on peasants were especially stringent. Peasants were bound to their farmland and were not allowed to leave their villages. They were merely given hereditary usufruct rights on farmland, and were not allowed to sell or mortgage their land. A land tax was assigned to each village, then allotted among individual peasants by elected village officers called Shoya or Nanushi on the basis of Kenchi-cho (the Record of Kenchi) originated from Taiko-kenchi.

Peasants were obliged to pay a feudal land tax in kind (usually rice). If someone could not pay the tax for some reason, all the villagers, collectively, had to recover the loss by the order of Shoya or Nanushi. For

this reason, mutual responsibility or mutual help was so emphasized in each village that Shoya or Nanushi, whose positions were inherited, began to have an imposing strong political leadership in the village. Feudal lords and the armed forces they retained did not interfere in village affairs so long as the villagers paid the tax and participated in forced labor. Thus, the autonomy of villages based on solidarity or collectivity was established under feudal rule. It is also true that vestiges of this system have been retained up to the present, and have contributed to a large extent to the development of agricultural co-operative movements that occurred over the centuries.

Here the autonomy of villages should be understood to mean that the villages indeed possessed not only a definite power to manage to village affairs but also held common property rights in accordance with natural or artificial resources. For example, the uncultivated lands and forests around the residential district belonged to the village, and were collectively used by the villagers. Irrigation facilities such as canals in a plains area and pools in a mountainous area, roads and bridges constructed by the villagers, and water rights were also common. In addition, shrines and temples in each village were constructed by contributions of the villagers. Arrangements necessary for wedding, funerals, festivals, and so on were conducted by the collective activities of all villagers.

### **Traditional Co-operative Movements<sup>1,3)</sup>**

While, on one hand, the peasants were enlarging the extent of collective activities at the village level, on the other hand, as individuals, they were involved in a market economy with increased demand for food grains and other commercial crops including tea, cotton, cocoons, tobacco, and so on. Better farming practices and new seed varieties were also introduced, and commercial fertilizers such as dried fish refuse and oilseed cakes were applied in some advanced regions. Consequently, the infiltration of a monetary economy made the peasants' economy more and more dependent on money. Once money was borrowed for the sake of farming or better living, high interest put borrowers much deeper in debt.

A lot of co-operative movements to address these economic difficulties were spontaneously formed in the late Tokugawa period, around the first half of the nineteenth century. These movements included Shasoh (rice stock association for emergency), Mujinkoh (mutual loan association), Tanomoshikoh (mutual financing association), Hotoku-sha (association for "thanks for the favor"), and Senzokabu Kumiai (association for the administration of farmland), which were conceived by farsighted leaders at the village level.

#### *Shasoh*

Shasoh, one of the co-operative associations, had the objective of storing rice for emergency. Members at the village level contributed a certain amount of rice or money, according to their positions or income, and stored them in the warehouses of the village, to be distributed in case of emergency among members or to be loaned to impoverished villagers. Gishoh (rice stock association for humanity), a slightly different type of Shasoh, was an association established to give rice free of charge to impoverished villagers.

#### *Mujinkoh and Tanomoshikoh*

Mujinkoh and Tanomoshikoh were both credit associations that had almost the same purpose. The basic principle was that members contributed a certain amount of money in order to create a fund, and the money

was loaned to persons who needed funds to recover from disaster or to create a new line of business. Borrowers of course had gradually to pay the money back to the fund. The practice that the highest bidder among members won the right to use the fund was prevalent.

#### *Hotoku-sha*

The first Hotoku-sha was created in 1843 by an effort of Sontoku Ninomiya (1787-1856), and this movement extended to more than one thousand villages across the country. Surprisingly, this movement, though resembling early movements inspired by Raiffeisen in his mayoral days, still exists in some villages today.

The word "Hotoku" means "thanks for the favor", and the word "sha" means associations. This was one of associations at the village level that was based on the concept of mutual self-help, and its main objective was to establish the coexistence of economic prosperity and moral uplift, at both an individual and community level. The initial fund was created by contributions of the village leaders, and an additional fund was gathered by charging an entrance fee to members. Members were also ordered to save a certain amount of money in proportion to their income. In addition to use for ordinary loans, these funds were used for the sake of beneficence rewards, relief for persons in emergency, and investment in facilities for collective use.

#### *Senzokabu Kumiai*

The word "Senzo" means ancestors, and the word "kabu" means shares of or rights to a visible asset. Integrated, the single term "Senzokabu" means hereditary rights to farmland. Kumiai refers to co-operative associations. Consequently Senzokabu Kumiai represents co-operative associations for administering the hereditary rights to farmland. The first association was created in 1838 by an effort of Yugaku Ohara (1797-1858).

This association was established by members' investment in the form of farmland, then the association leased out the land, and saved the rent on it. Therefore, it was considered to be a savings association. This movement, however, was quite unique because members were initiated into the exchange cultivation of farmland, the consolidation of small and scattered plots, and other land reforms.

### **Early Co-operative Efforts before the Great Depression**

#### **Efforts before the Legislation<sup>3,4)</sup>**

These traditional co-operative movements at the village level almost disappeared with the dismantling of feudal rule by the Meiji Restoration (1868). Alternatively, modern co-operative movements modeled after the European co-operative movements were introduced. Creating a modern nation equipped with modern industry, modern political institutions, and a modern pattern of society by following the models in the West was an earnest wish of the Meiji government.

The government sent many inspection teams abroad to study advanced Western institutions. Among these efforts, Yajiro Shinagawa, the Secretary for Home Affairs, and his subordinate, Tosuke Hirata, paid special attention to the German co-operatives and subsequently attempted to introduce the system into Japan. The explanation for this focus was that a middle class and many peasants remained at that time in Germany,

showing almost the same social structure as that in Japan. The basic conditions in England were different from those in Japan.

In 1891, Shinagawa and Hirata proposed a law to establish credit associations modeled after the Schultze-Delitzsch, but it did not pass the National Diet because it was considered too radical. Indeed, given the peasants' economy of those days, it was inappropriate to establish only a credit association.

However, Shinagawa and Hirata continued to emphasize the necessity of establishing credit associations by writing about them and giving lectures on them at various places. As a result, in 1898, a total of 351 co-operative associations were active in the form of voluntary membership, and consisted of 144 credit associations, 40 purchasing associations, 141 marketing associations, 13 processing associations, 9 production and service associations, and 4 consumer associations. Among these, some were created by transforming such traditional co-operative movements as Hotoku-sha mentioned above into more modern ones in response to Shinagawa and Hirata's vision.

### Enactment of the Co-operative Society Law<sup>3,5)</sup>

A modified law called the Co-operative Society Law, which was modeled after Raiffeisen and took the peasants' economy into account, was approved in 1900. The initiative had already moved from the Ministry of Home Affairs to the Ministry of Agriculture and Commerce, which had opposed a law proposed earlier, in 1891. At the turn of the century, it was a matter of course for the Ministry of Agriculture and Commerce to attempt to improve the actual conditions of peasants' economy.

The Co-operative Society Law provided for four kinds of co-operative associations: credit, purchasing, marketing, and production associations. Later, the production association was renamed the utilization association. According to this law, credit associations were not allowed to engage in any other type of services. In order to foster these associations, the government adopted several measures including tax exemptions and subsidies (Table 3-1).

**Table 3-1** The Number of Co-operative Associations by Type

Year	Total	Single-purpose				Multi-purpose			
		C	M	P	U	C+P	C+P+M	C+P+M+U	Others
1900	21	13	1	2	0	0	0	0	5
1905	1,671	986	92	273	38	0	0	0	282
1910	7,308	2,226	217	772	78	1,239	1,062	369	1,345
1915	11,509	3,015	234	535	133	2,583	2,608	946	1,455
1920	13,442	2,650	235	454	107	3,045	3,975	1,696	1,280
1925	14,517	2,573	289	370	195	2,649	3,807	3,161	1,473
1930	14,082	2,449	328	323	295	2,024	3,075	3,751	1,837
1935	15,028	1,313	301	314	298	760	1,952	8,430	1,660
1940	15,101	667	221	258	229	96	536	11,968	1,126

Footnote: C = credit association,

M = marketing association,

P = purchasing association,

U = utilizing or production association,

Source: MAFF "Handbook of Co-operative Associations".

Since the Co-operative Society Law was modeled after the Raiffeisen co-operative system, all of its requirements were specified in this law: the freedom of entrance and exit, equal rights to vote and make decisions (one man, one vote), limits on dividends and restriction on transfer of equity. Furthermore, creating co-operative associations with limited as well as with unlimited liability was permitted from the beginning, following the revised German Co-operative Law of 1889. However, the distribution of total surplus among members in proportion to their transactions with the association was not referred to.

### Revisions of the Co-operative Society Law<sup>3)</sup>

During the period from the end of the nineteenth to the beginning of the twentieth century, Japanese economy was characterized by rapid development of capitalism originating from a victory in the Shino-Japanese War (1894-95). Situations characteristic of the village economy also took a favorable turn. In order to keep pace with these changes, the Co-operative Society Law was approved, and was accompanied by other various measures, such as an increase in the number of agricultural experiment stations (1896), enactment of the Agricultural Association Law (1899), the Arable Land Reorganization Law (1899), and so on.

However, after a victory in the Russia-Japanese War (1904-05), the village economy faced a serious recession due to an increase in importation of farm produce. Since this recession promoted the transformation of peasants (family-run farms with owner- farmers) into landowners and tenants, the government was forced to oversee rehabilitation of the village economy. Governmental effort toward an establishment of co-operatives was remarkable, so that the number of co-operative associations began to increase. It should be noted that this increase to a certain extent corresponded to efforts of the village leaders, and especially among small landowners, who wished to accept the promotional activities of the national and local governments (Table 3-2).

**Table 3-2** The Number of Co-operative Associations and their Members

Year	The Number of					Ratio (%)	
	Co-operative Associations (1)	Surveyed Associations (2)	Municipalities (3)	Members (4)	Farm Households (5)	(1) / (3)	(4) / (2)
1900	21	—	14,069	—	—	0	—
1905	1,671	836	13,437	68,563	—	12	82
1910	7,308	4,922	12,393	534,085	—	59	109
1915	11,509	10,374	12,329	1,288,984	5,538,065	93	124
1920	13,442	12,189	12,195	2,290,235	5,573,097	110	188
1925	14,517	13,379	12,109	3,635,748	5,548,599	120	272
1930	14,082	13,161	—	4,743,091	5,599,670	—	360
1935	15,028	13,864	—	5,795,139	5,610,607	—	418
1940	15,101	14,031	11,615	7,622,984	5,479,571	130	543

Source: MAFF "Handbook of Co-operative Associations".

In this context, the first revision of the Co-operative Society Law was carried out in 1906. Noteworthy in this revision was that the credit associations were permitted to handle other services, and the meetings of delegates were authorized. As shown in Table 3-1, the number of multi-purpose co-operative associations with credit service rapidly increased thereafter.

The second revision, in 1909, facilitated the formation of federations, and by legal provision admitted the Great Japan Central Union of Co-operatives (CUC), which had been established as a voluntary association in 1905. From this time on, CUC played an important role in co-operative development in Japan. In addition, local federations were established in many prefectures.

World War I (1914-1918) brought an unprecedented prosperity to the Japanese economy. The village economies were also improving, after a breakthrough in silk and tea exportation. As shown in Table 3-2, the number of co-operative associations had increased by 1915 to almost equal the number of municipalities. In such a favorable environment, the third revision of the Co-operative Law was carried out in 1917. In this revision, co-operative associations with credit service were encouraged to enlarge their geographical area so as to coincide with that of a municipality. This measure essentially allowed for the introduction of the one-municipality, one-association rule. At the same time, the Agricultural Warehouse Law was enacted to expand storage service by co-operative associations. Under this law, the government prepared a ten-year plan approving a 20% subsidy to co-operative associations to construct the necessary warehouses.

The fourth revision, in 1921, admitted the formation of national level organizations as a legal provision. Based on this measure, the National Purchasing Federation of Co-operatives was established, and the Industrial Co-operative Central Bank Law was enacted in 1923. Eight years later, in 1931, the National Marketing Federation of Co-operatives was created.

### **Decrease in Savings-Loans Ratio<sup>3)</sup>**

An important event took place during the period from 1915 to 1920. As shown in Table 3-3, the amount of savings in primary associations exceeded the amount of loans. Needless to say, such an outcome is itself extraordinary for a developing economy. Three reasons can be given to explain this event. First, the economic prosperity generated by World War I fostered an increase in savings and a decrease in loans. Second, in the co-operative associations of that time, the initiative was taken by the upper class of farmers, which consisted of landowners living in the village or owner-farmers. They were in general wealthier than tenants or tenant-owner farmers, and tended to approach co-operatives as savings associations. Third, after the third revision of the Co-operative Society Law in 1917, co-operative associations were allowed to handle family-oriented savings and non-members' savings.

### **Strengthening of Guidance and Promotion by the Government<sup>3)</sup>**

During the period until the end of World War II (1945), revisions of the Co-operative Society Law totaled ten. However, these ended in small revisions. Without substantial revisions of the law, government activities for guidance and promotion of co-operative associations were strengthening and completing the formation of a highly centralized nation. Examples are as follows.

When creating the Industrial Co-operative Central Bank, the national government offered half of the share capital. As a result, the rule of directors appointed by the government was introduced. Thus, it became most important for directors to honor the intentions of the government. The main consequence of

**Table 3-3** Changes in Credit Service

Year	The Number of		Loans (Yen)			Savings (Yen)			Savings- Loans Ratio (%)
	Surveyed Associations with Credit Service	Members	Total (million)	per Asso- ciation (thousand)	per Member	Total (million)	per Asso- ciation (thousand)	per Member	
1904	463	37,319	1.1	2.4	30	0.2	0.5	7	459
1905	610	49,852	1.5	2.5	30	0.4	0.7	8	354
1910	3,892	441,218	11.9	3.1	27	7.2	1.9	16	169
1915	9,040	1,153,792	52.2	5.8	45	29.6	3.3	26	176
1920	10,954	2,044,984	189.1	17.3	92	224.3	20.5	110	84
1925	12,016	3,148,008	548.6	45.7	174	654.9	54.5	208	84
1930	11,449	3,861,078	996.7	87.1	258	1,102.6	96.3	286	90
1935	12,094	4,494,356	1,040.7	86.1	232	1,378.3	114.0	307	76
1940	12,530	6,313,363	1,124.2	89.7	178	4,170.2	332.8	661	27

Source: MAFF "Handbook of Co-operative Associations".

this was the advancement of savings associations rather than credit associations, which reflected an attempt to collect money in the rural market and transfer it to the industrial sector.

This sequence of events could be also discerned in co-operative associations at the primary level. Under the Agricultural Warehouse Law, nearly 20% of primary associations with marketing service operated warehouses until 1923. This rapid diffusion resulted from the enactment of the Rice Law in 1921 (following the Rice Riot of 1918), whose main objective was to give price control of rice to the government, which issued many directives to co-operative associations. Furthermore, in order to increase storage capacity, the government promoted the establishment of the Prefectural Marketing Federation of Co-operatives, which dealt with agricultural warehouse service. The main consequence of this was the subsequent creation of the National Marketing Federation of Co-operatives in 1931.

No doubt, these historical facts argue that the development of co-operative associations contributed to the preservation of unified village model distribution across the country by increasing the availability of credit/savings and marketing services to all farm households (small farmers). The ultimate objective of these policies had less to do with promoting the prosperity of members than with the completion of a centralized nation.

### Another Stream of Farmers' Associations<sup>1)</sup>

Another important organizational development was the creation of the Agricultural Society of Japan (Dai Nippon Nokai), modeled after the Royal Agricultural Society of England. This society, founded in 1881 under the strong leadership of Yajiro Shinagawa, the Vice-minister of Agriculture and Commerce at that time, was engaged primarily in the dissemination of technical information, by publishing bulletins and holding agricultural fairs and extension meetings. However, some of members of the society believed that a larger and more systematic organization was required to promote farmers' interests. Consequently, the National Agricultural Association (Zenkoku Nojikai) was established under the Agricultural Association

Law of 1899, and this organization developed into the Imperial Agricultural Association (Teikoku Nokai), established in 1910.

Noteworthy in the context of activities of this society was that their marketing service for vegetables and fruits were more effective than those of co-operatives. Their activities coupled with the agricultural extension services played a very important role in the development of horticulture farming. They promoted interest groups of growers in the form of voluntary associations, and established marketing agencies in large cities such as Tokyo, Osaka, Nagoya, Kobe, and so on. In these cities, wholesale markets for vegetables and fruits had already been established under the Central Wholesale Market Law of 1923. Those pre-existing activities represented a substantial criticism of the activities of co-operatives.

This society was also organized in a pyramidal structure, with the Imperial Agricultural Association at the top, and the prefectural associations and the village associations at the bottom. Based on the law, the participation of farmers in this association and the payment of membership fees were compulsory. These associations encompassed farming activities ranging from agricultural extension services to political lobbying for agricultural protection. However, in 1943, in the context of World War  $\nabla$ , the Imperial Agricultural Association and its subordinates were finally amalgamated with CUC and its subordinates for the sake of waging the war.

### **Changes in Co-operative Movements during the Inter-War Period**

#### **Five-year Development Plan of Co-operative Associations<sup>3,5)</sup>**

After outbreaks of domestic financial crises in 1927 due to a deflationary policy for the sake of reversion to the gold standard system and the worldwide Great Depression in 1929, Japanese farmers were plunged into serious economic difficulties. To cope with these difficulties, the Five-year Development Plan (1933-37) for the expansion of co-operative business was set with an initiative taken by CUC. In this movement, the following four policy directives were launched.

- Elimination of municipalities without co-operative associations.
- Establishment of the multi-purpose co-operatives handling credit, marketing, purchasing, and utilization services.
- Participation of all farm households.
- Full use of a vertically federated co-operative system.

As presented in Table 3-1 through Table 3-3, co-operative movements in Japan showed drastic changes during the period from 1930 until 1940. Firstly, the number of co-operative associations handling these four services remarkably increased. Secondly, the number of members exceeded the number of farm households. Thirdly, the savings-loans ratio rapidly decreased, mainly due to an increase in the amount of savings. Furthermore, though not presented in these tables, the share of municipalities with no co-operatives came down from 16.3% in 1933 to 3.7% in 1937, and the share of co-operative associations with warehouses increased from 20.8% to 33.5% during the same period.

The major factor affecting these outcomes was that since 1932, the government had taken special measures to promote the village economies, in the form of what was called the Economic Rehabilitation Movements for Farm-, Mountain-, and Fishing Villages (Nosangyoson Keizai Kosei Undoh). This movement was one of co-operative movements based on the notion of mutual self-help, though in nature it was essentially a government-sponsored movement. Noteworthy in this movement, especially in the context of co-operative



associations, was that savings were encouraged, and rural communities taking the form of natural villages were changed into organizations by a legal provision that named them production or utilization associations (Noka Kumiai or Jikko Kumiai). These organizations, consisting of all the farm households in the rural communities, became members of co-operative associations in the capacity of juridical persons. Although they were of course dissolved after the defeat suffered in World War II, or precisely speaking after the enactment of the Agricultural Co-operatives Law in 1947, the name and fundamental character of Noka Kumiai or Jikko Kumiai have remained in the co-operative movement up to the present. In particular, their practice of electing board members is now one of the vested rights given to rural communities.

The Five-year Development Plan proved highly successful, gaining considerable confidence in the co-operative system and establishing its position in the Japanese economy. However, on the other hand, anti-cooperative campaigns, which became rapidly widespread among private trading firms whose business was adversely affected, demanded that the government should at once abolish the privileges granted to co-operatives and stop giving them protection and financial assistance. These campaigns of course ended in failure, but co-operative associations were also plunged into the wartime economy, and the nature of the government-sponsored co-operatives was even more strongly reinforced.

### **Amalgamation with the Imperial Agricultural Association<sup>3,5)</sup>**

During World War II, co-operative associations, excluding credit associations in urban districts, and agricultural associations (the Imperial Agricultural Association) were integrated into a semi-official organization called Nog yokai (Agricultural Society) on the basis of the Agricultural Organization Law of 1943. This organization was created in order to share the responsibility of controlling and mobilizing village economies for war purposes. As a matter of course, attempts to control the system for the sake of war already ranged from financing (the Financial Institution Control Law of 1942) to fertilizer (the Principal Fertilizer Manufacturers Control Law of 1936), and included such cereals as rice and wheat (the Food Control Law of 1942). All these measures greatly affected co-operative business, so that the Japanese co-operative movement suffered the worst setback in its history.

Compared with co-operative associations, the Nog yokai organization had several different features.

- Its purpose was to promote not members' interest but the nation's interest.
- Its geographical area completely coincided with that of the municipality.
- The freedom of entrance and exit was lost, and the compulsory principle of entrance was introduced.
- The government appointed a chairman of the board of directors.
- The range of overseen activities was enlarged to include the agricultural extension work and promotion of farmers' welfare.
- Only organizations with limited liability were permitted.
- Management plans such as fund raising programs, surplus fund management, collection of members' fees, and so forth had to be authorized by the government.

## Reconstruction of Agricultural Co-operatives during the Post-War Period

### Dissolution of Nog yokai<sup>3,4,5)</sup>

Nog yokai was dissolved based on the order of GHQ (the General Headquarters of the Supreme Commander for the Allied Powers). Almost all the economic activities of Nog yokai were transferred to agricultural co-operatives authorized by the Agricultural Co-operative Law of 1947.

This law, conceived by GHQ, was approved at the first National Diet under the new Constitution. It differed from the prewar Co-operative Society Law in many ways. For example, the co-operative principle of autonomy and democratic management and control were clarified. Farmers were allowed freely and independently to organize agricultural co-operatives for their own purpose of development.

Before the enactment of this law, an administrative rule that many kinds of co-operatives should be organized on the basis of the occupation of members was authorized. Indeed, during the following years, separate laws were passed for consumers' co-operatives (1948), fishery co-operatives (1948), forestry co-operatives (1951), small and medium enterprises' co-operatives (1949), and credit co-operatives (1951). Along with the founding of these new institutions, government offices having jurisdiction over these co-operatives were also set up independently.

Based on the new law, many agricultural co-operatives were created across the country. As of 31 August 1948, there were more than thirteen thousand multi-purpose co-operatives; as of 31 December 1950, there were nearly twenty-one thousand single-purpose co-operatives for various farm produce such as cocoons, fruits, vegetables, livestock, layers, and so on.

After the Agricultural Land Reform (1945-50) had been successfully enacted, activities of Nog yokai were fundamentally divided into three categories. The first was concerned with agricultural co-operatives; the second with extension service in the form of local government activities, modeled after the US system; and the third with the Agricultural Committee (Nog yo Inkai) authorized by the Agricultural Committee Law of 1951. This committee was newly set up to promote the group of family-run owner-farmers created by the Agricultural Land Reform. Its main objective was successful maintenance of land ownership of the cultivators, so that all the owner-farmers, and therefore all the farm households, participated in this committee at the municipality level. These three organizations as a whole played a great important role in postwar agricultural development.

### Foundations of Agricultural Co-operatives<sup>3,4,5,6)</sup>

However, agricultural co-operatives in Japan developed somewhat differently from what had been envisioned by the Agricultural Co-operative Law. For this reason, it should first be pointed out that in Japanese rural communities then and now, individualism in the modern sense, to be capable of free and democratic behavior presupposed by the law, remained to be developed. Various kinds of interpersonal relations within the rural community, which were incompatible with the co-operative principle, were still deeply rooted.

Secondly, and more importantly, under the controlled economy immediately after the war, agricultural co-operatives, especially the multi-purpose one, had to take over the function and assets of Nog yokai as they were. Consequently, newly established multi-purpose co-operatives were often called "repainting the signboard of Nog yokai". Not only members and staff members, but also buildings and services were the

same. Under these conditions, it was a matter of course for the multi-purpose co-operatives to strengthen the nature of the government-sponsored co-operatives.

Thirdly, the assets inherited by the multi-purpose co-operatives from Nogiyokai often consisted of inferior claims and inventories of goods that could not be sold. Also, board members were inexperienced, and the owed capital was much smaller than that of the prewar co-operative associations. Hence, the management was insufficient, and nearly half of the multi-purpose co-operatives at the primary level recorded a deficit at the end of 1951. In order to address these economic difficulties, the government passed the Law of Rehabilitation and Consolidation of the Agricultural, Forestry, and Fishery Co-operatives in June 1951. Under this law, the primary co-operatives were entitled to receive subsidies for increasing their capital and towards the interest on inferior claims. As a result, 2,480 primary co-operatives undertook the application of this law in order to satisfy the requirements provided by the Order of Financial Management Standards of 1950 (on the basis of Article 52-3, the Agricultural Co-operative Law).

Fourthly, the multi-purpose co-operatives inherited the nationwide organizations from Nogiyokai not only in a horizontal but also in a vertical sense. This meant that the primary co-operatives were exogenously or externally federated into prefectural and national federations. In effect, the pyramid organization was rebuilt. In this pyramid, the primary co-operatives were located as agencies of their federations. Here it may be meaningful to point out that this hierarchy established three famous patterns of co-operative business:

- A vertically federated co-operative system based on the Food Control Law.
- Unconditional consignment to their federations based on the Law for Promoting Consolidation of the Agricultural, Forestry, and Fishery Co-operative Federations.
- A uniform business policy based on detailed regulations for bankers.

#### *Vertically federated co-operative system*

This system implies that the pyramid organization for every service must behave as an auxiliary administrative organization. For rice, for example, the primary co-operatives were exclusively allowed to collect the whole quantity of rice, but were not allowed to market it outside their regions. The function of marketing was essentially ascribed to their federations. Furthermore, when collecting rice, the primary co-operatives paid money to growers as pending payment. But these pending payments were financed by CCB; they could not use their surplus fund. Since the enactment of the Food Control Law in 1942, amid wartime, it has been impossible for them to break these rules. This law was eradicated in 1995 based on the GATT Uruguay Round agreement, but this pattern of co-operative business remains common today.

#### *Unconditional consignment to their federations*

This system implies that the primary co-operatives must unconditionally consign almost all their activities, especially those of marketing and purchasing, to the prefectural and national federations. The Law for Promoting Consolidation of the Agricultural, Forestry, and Fishery Co-operative Federations was enacted in 1953, when many prefectural co-operative federations handling purchasing or processing services landed in serious financial difficulties due to a deflationary policy called Dodge Line. Under this law, the pyramid organization devised a new rule for the sake of relieving the federations. The rule consisted of seven well-known principles, as follows:

- Advance order in purchasing.
- Unconditional consignment in marketing.
- Full use of the vertically federated co-operative system.
- Planned transactions or dealings.
- Full cost pricing.
- Pool pricing system.
- Cash transactions.

Clearly, these principles, extremely unilateral, are favorable for the federations and unfavorable for the primary co-operatives and their members. Surprisingly, though the financial difficulties of the federations were overcome via collaboration with the primary co-operatives many years ago, these agreements between the primary co-operatives and their federations have continued to the present day as a major mode of co-operative business.

#### *Uniform business policy*

Uniform business policy refers to the nature of the primary co-operatives; all of them go ahead taking their hands in a horizontal line, where no one is allowed to go before or after the march. Thus, uniformly run co-operative business can be found everywhere across the country. In addition, and more important, is that the march has to move ahead very slowly in order to keep pace with the slowest co-operatives; consequently, primary co-operatives as a whole are left alone in spite of the progress of time.

The best example of uniform business policy can be discussed in the context of the Order of Financial Management Standards of 1950. On the basis of this order, governments at the prefectural level have been executing regular inspections of all the co-operatives every year (in the case of large co-operatives), or every two or three years (in the case of small co-operatives) for almost fifty years, though currently this task is belong to a group of professionals at the national level called the Financial Services Agency. The order consisted of the following six standards:

- Standard for owned capital.
- Separation of accounting between credit service and other services.
- Standard for fund transfer from credit service to other services.
- Standard for reserve requirements on savings.
- Limits on loans and discounts.
- Standard for operation of surplus fund.

It should be noted that the arrangements of these standards are sufficiently detailed to cause agricultural co-operatives to lose the spirit of self-liability or self-responsibility. They seem useful for inexperienced managers, but useless for professional managers. Moreover, the fact that all the inspectors are public servants, the laymen of management, means that their recommendations are not greatly significant for co-operatives, though the form perfectly follows the rule. This mismatch is brought about by the notion that public servants confine themselves to keeping the law, and therefore do not assume the role of promoting co-operative movements. This of course implies that the inspections are carried out only for the government.

Such a situation arises for two reasons. The first is that the multi-purpose agricultural co-operatives deal with credit service. The second is that they always receive subsidy and support from the government. It seems as if the British-Indian pattern of co-operatives has reappeared in Japan. In order to build

co-operative movements founded on the self-help rule, it is necessary for this bad custom to be eradicated as soon as possible.

### **The Features of the Government-sponsored Co-operatives**

#### **Lessons from the British-Indian Pattern of Co-operatives<sup>7)</sup>**

As mentioned above, the development of agricultural co-operatives in Japan could be described as a history of government-sponsored co-operatives. According to lessons learned from the British-Indian co-operatives, the features of government-sponsored co-operatives are summarized as follows:

- Despite the intention to limit governmental help to co-operatives to the initial phase, government assistance to co-operatives has become a permanent feature.
- Instead of phasing out governmental involvement in co-operative development, there has been a clear trend to increase and strengthen governmental influence.
- Instead of teaching members of co-operatives how to found their own co-operative societies to satisfy their own needs, the governments continue to see co-operatives as their developmental tools administrated under government control to achieve objectives set by external planners.
- The idea of building a cadre of well-trained, highly motivated promoters within the civil service structure to carry out mainly educational and advisory functions appears to have become unrealistic under current government structures.

#### **Lessons from Agricultural Co-operatives in Japan**

By tracing the history of agricultural co-operative development in Japan, it is easy to see that these features also have affected its development. The most obvious effect is that the government assistance to co-operatives took place when co-operatives and their members were trying to overcome serious economic difficulties, such as the Great Depression of 1929, the Pacific War of 1941, and the postwar depression originated from Dodge Line. Secondly, once some social institutions or interest groups were formed within the framework of governmental assistance, the structure and the performance among branches could not be easily changed until serious conditions demanded it. Thirdly, the government refused to take any responsibility for bad outcomes resulting from this framework, because the government tends to direct and control their customers (citizens and interest groups) through administrative guidance that becomes effective in the form of unofficial statement.

For example, considering the case of the seven principles established by the Law for Promoting Consolidation of the Agricultural, Forestry, and Fishery Co-operative Federations of 1953, it is clear that the reason these principles remain in effect today is simply because of the objections of interest groups who benefit from this framework. Surprisingly, objections to reform arise not only from the federations but also from the primary co-operatives, especially from those smaller in size. Compared with large co-operatives, small co-operatives are generally successfully managed in terms of both member-oriented effectiveness and institutional efficiency, as a result of their small number of members and the small number of staff members, and because their activities are consigned to a large extent to the federations. As a result, under unanimous decision, which is more typical than majority decisions in Japan, the situation has not been at all improved.

### **Persons Who Direct and Control Agricultural Co-operatives**

In Japan, in 1925, a co-operatives society division was created in the Ministry of Agriculture and Commerce. Thereafter, the head of this division has been considered a major position, occupied by privileged officers. Provided the head of the division led a successful officer's life, he might become a member of the Diet or the president of CUC or CCB. Among those who held this position, there were of course many superior organizers of agricultural co-operative movements.

Since the Meiji Restoration, it has been indispensable for the Japanese to unite the civil sector and the public sector in order that both efficiently and effectively catch up with the West. However, once that equality had been achieved, this system became rather troublesome. Unless the Japanese themselves establish a new aim, the system will not work dynamically. Remedies for this stagnation are not easy to find. It is at least necessary to reduce the powers of the public sector, following the model of the West. Indeed, the governments themselves are working to solve this problem. This path of strengthening the degree of self-responsibility in the civil sector should be followed without exception with regard to the agricultural co-operative movement, though it will take a great deal of time to transfer responsibility.

Among the agricultural co-operative movements in Japan, there are three major groups that direct and control the primary co-operatives: the government, the federations, and the rural communities. These three groups have influenced and effected the development of Japanese agricultural co-operative movements, in some cases by collaboration and in other cases by conflict.

In the context of the Western co-operative movement, the principals of co-operative should be its members. At present, just one century after the enactment of the Co-operative Society Law, it is necessary to seek a new path.

### **References**

- 1) HAYAMI, Y. (1991) Institutional Aspects of Agricultural Development. in *The Agricultural Development of Japan, A Century's Perspective* (ed. by Y. Hayami and S. Yamada, University of Tokyo Press, Tokyo).
- 2) HOYNDEN, Y. (1958) *Co-operative Movement in Japan (Volume I)*, Maruzen Company Limited, Tokyo.
- 3) EDITING COMMITTEE ON ENCYCLOPEDIA OF CO-OPERATIVE SOCIETY (1986) *Encyclopedia of Co-operative Society -New Edition-* (*Shinpan Kyodo Kumiai Jiten, in Japanese*), Iye no Hikari Kyokai, Tokyo.
- 4) FUJITANI, C. (1991) Japan's Agricultural Co-operatives. in *Agriculture and Agricultural Policy in Japan* (ed. by The Committee for the Japanese Agriculture Session, XXI IAAE Conference, University of Tokyo Press, Tokyo).
- 5) MADANE, M. V. (1990) *Agricultural Co-operatives in Japan -The Dynamics of Their Development*, ICA Regional Office for Asia and the Pacific, New Delhi.
- 6) KAI, T. (1974) *The Logics for Developing Nokyo's Business (Nokyo Keiei Hatten no Ronri in Japanese)*, Zenkoku Kyodo Shuppan, Tokyo.
- 7) MÜNKNER, HANS-H. (1994) British-Indian Pattern of Cooperation. in *International Handbook of Cooperative Organizations* (ed. by E. Dulfer in cooperation with J. Laurinkari, Vandenhoeck & Ruprecht, Göttingen).

## 日本の農協発展(Ⅲ) 農協発展の歴史的展開

石 田 正 昭

三重大学生物資源学部

この論文では、徳川封建体制から現在までの期間におけるわが国農協発展史を論じる。この中には伝統的なものから近代的なものまでが含まれている。この目的のために、われわれはその歴史を、徳川期における展開、1929 年大恐慌以前の初期的努力、世界大戦間における協同組合運動の変化、第 2 次大戦後における再生努力、という 4 つの局面に分割している。これら 4 局面を跡づけることによって、われわれは農協発展の歴史が政府主導型協同組合のそれであったと結論できる。農協に対する政府の支援は、農協とその組合員が深刻な経済的困難に直面し、それを乗り越えようとする時に起こった。しかしながら、農協に対する政府の支援はごく初期に限られるべきだという意向があるにもかかわらず、政府の支援は半永久的な性格を持っている。この悪い習慣は直ちに排除しなければならない。わが国における最初の協同組合法が制定されてちょうど一世紀を経た現在、協同組合原則にもとづく新しい進路を見出す必要がある。