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Consumer co-operatives’ history with politics left in: The German case

SESSION 72
Co-operative Enterprises and Co-operative Networks: Successes and Failures

Organisers
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I.

Given the fact that there are only a few things that haven’t gotten into the focus of economic and social historians in recent years, it seems quite surprising how little interest, in contrast, the history of co-operation has attracted among professional scholars with Germany being no exception to the rule. On the contrary, it seems that prominent figures like Schulze-Delitzsch and Raiffeisen are better known abroad than in Germany itself. It would be difficult to name a single new study on Raiffeisen by a member of the younger generation of German historians. Thus is the situation that research still relies heavily on traditional jubilee history of the respective organisations. Specialised institutes for the co-operative system, at least in quantitative terms, produce the main bulk of literature. To put it bluntly: in what concerns their historical record co-operatives still tend to stew mainly in their own grease.

The predominance of so-called co-operative-science studies in this field, has led to a situation where structures and developments are described in an ideal-type way. Historical facts are integrated into these studies in order to illustrate the theoretical approach, but they don’t form an essential part of the argument itself. In order not to be misunderstood: The presence of a strong social-science element in the discussion may help to develop meaningful hypotheses and lead the way through scattered archival remnants. They give us a systematic idea of development that otherwise is often difficult to discern in the twisted roads social and economic history took in this tumultuous century.

On the other hand, there seems no denying that historical developments in Europe during the 20th century, in particular, its first half, took a course that set it very far apart from any ideal-type scheme. To name just a few events that were of particular importance to German and Central European Co-operative History: the rise, split, integration and fall of the labour movement, the World Wars I and II, the Post-War Inflations, among them the nightmarish Hyperinflation in Germany in 1923, the Great Depression, Fascism, the division of Germany, the Cold War, Americanisation the 'Boom Years' after 1945. Bringing together politics and its contingent results with tendencies generated by the market, the process of modernization, the internal dynamic of special forms of organisation seems to be quite a challenge for any kind of systematic explanation. The problems involved become all the more difficult if one takes into account that individual and collective actors don’t react in a computable way as billiard balls hit by a queue in a specific angle. People may learn and change course consciously. In other words: Trevelyan's famous dictum that social history is "history with the politics left out" maybe considered for other epochs, in 20th century Central European history it obviously makes little sense.

I shall try to illustrate the interaction of politics and social change by picking up the example of the German consumer co-operative movement as it is here where the interaction is especially obvious. The question to be answered is why one of the biggest consumer co-operative movements in Europe failed so early and completely after Word War II.
II. Systematic hypotheses

The question why co-operative movements degenerate, tend to lose their focus, stagnate, ultimately dissolve etc. has occupied social scientists ever since the last decades of the nineteenth century. Some scholars, as Robert Michels, went so far as to state the existence of „iron laws“ that inevitably lead to the degeneration of self-help movements. In this context a set of systematic explanations has been developed. To list some of the most important:

1. Many explanation name changes in the motivation as a principal cause of problems. Enthusiasm at the beginning doesn’t withstand the inevitable disenchantment when everyday life sets in. Resources in time and money have been overestimated, while the amount and the nature of the challenges ahead have been underestimated. The outside pressures work as a filter: a hard-core of highly motivated individuals sacrifices time and money and in turn claims the right to lead. What was supposed to be collective self-help, in fact, turns to be a joint stock company except for the name. Robert Michels would not recognize any difference between an ordinary stockholder and the member of a working-class co-operative. Both received their dividend, elected their leaders and then - as he put it - "let things take their course".

A variant of this argument locates the rift and the tension not between the leadership and the rank and file but between the co-operative and the general public. Most co-operatives receive some form of subsidy – often by wealthy locals individuals and groups, the municipal administration, parties, the churches etc. or in the form of lower taxes, special privileges, less rigid demands for book-keeping etc by the state. Now, in order to maintain a certain degree of inner mobilisation, co-operatives tend to close their ranks and privatise the gains. Thus a „legitimacy gap“ opens up. It often widens until the whole movement is „discredited“, support is stopped and special privileges are abolished. How wide the gap becomes, is, of course, not only determined by the co-operative’s behaviour but also by other factors which have an impact on public opinion and perceptions.

2. Another important source of crises co-operatives face has to do with reactions by their economic competitors. Contrary to co-operative ideology, which often focuses only on the element of collective self-help involved in the foundation, an operating co-operative has to deal with the competition of private companies even in relation to its own members. The gains of the innovation, which are behind most successful co-operative endeavours, tend to diminish as competitors adapt part or all of the innovation.

From this perspective, co-operatives are considered „social entrepreneurs“ who represent an important element in the „creative-destructive process of capitalism“ Joseph Schumpeter has described. The function of consumer co-operatives is to reform or to revolutionize the pattern of distribution - by exploiting an organisational invention, a well-known but untried one or an old one in a new way. Thus co-ops become „agents of change“ in the economy, but as they do so, they experience also the „change of agent“ logic of any capitalist innovator.

Constant innovation however seems to be a challenge that co-operatives are not very good at.

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- One reason is the strong lay element in co-operative management whose influence persists even in later stages of the development.
- The second element is the conservative influence of the respective membership which tends to cling to the good old ways and whose needs vary relatively less than that of the general public. As a consequence no new members are attracted.
- The third factor is the great influence of cultural constraints within the policy of co-operatives in general. It has become a truism to acknowledge culture as an important element in business policy. But there are few forms of companies where rules and practices symbolize identity to such an extent as in the co-operative sector. The most important example, of course, are the „Rochdale principles“ - once named the „Bethlehem of co-operation“ by Beatrice Webb - whose importance among consumer co-ops for more than a century resembled that of the ten commandments.

Aimed especially at the consumer co-operatives is the argument that this form of co-operation is stuck in a premodern perception of needs as a given set of wants and is not willing to recognize the fluent character of needs in modernity. This is often coined into a phrase that consumer co-ops fulfil needs but don’t instil them (Bedarfsdeckung/Bedarfsweckung).

A variant of this argument doesn’t stress so much the process of catching up by competitors but the fact that co-ops often fall victim to their own success by solving the problems they were founded for and thus eliminating their very raison d’etre.

3. Besides the tendencies already mentioned there are more specific arguments pointing for instance to internal problems of co-operative democracy which, at a certain stage, become an obstacle to further rationalisation and professionalisation.

III. Concretising systematic explanations of the crisis

Which of the general hypotheses mentioned above applies to the German case?

1. **Fulfilling static needs?** Of the hypotheses just mentioned, one may be rejected right out of hand. It is the one that associates consumer co-operation with pre- or early modernity. In the 1920s co-ops already used intensively modern methods of marketing and advertising. In fact, they were proud to spearhead the movement for modernising, even revolutionizing trade. The trading sector was diagnosed as being „hopelessly backward“, waiting to be overhauled by co-ops. In 1928 the Central Union (Zentralverband), for instance, reported the release of more than 600 advertising films. In the same report co-ops mentioned the distribution of 15 million leaflets for promotional purposes alone. Instead of respecting childhood as a separate sphere to be shielded against the forces of commerce, the marketing experts in the central institutions directed special appeals to their younger customers.

Another fact that illustrates the dedication to economic modernisation is the extensive publication of statistics. As to my knowledge no other movement in the world proved to be so much addicted to open bookkeeping as the German consumer co-operatives before 1933. Their management style was also an exception within the general economy. It demonstrated an immense self-consciousness while on the other hand, it exerted strong pressure on the individual co-op not to fall behind the average.

While the debate on the co-ops usually stresses factors that explain their downfall, it has downplayed or even overlooked elements in which the co-ops differed favourably from their competitors. Seen from the outside consumer co-operatives
appear to be a closely integrated corporation while, in effect, the structure always contained important elements of internal competition – exerting constant pressure for innovation. The individual co-ops, for instance, were never forced to buy their goods from the central wholesale company. Thus the wholesale society always competed with private traders in order to supply goods and services the local co-ops. Not ideology but prices and quality were the basis of internal relations. In all of the yearly reports one can find debates to what extent the central institution had been used by its own shareholders and how to raise the percentage.

2. *Introducing self-service.* If one looks at sectors where German consumer co-ops definitely fell behind their competitors it’s in the process of introducing self-service. The table below illustrates this fact.

### Tab. 1: Number of self service shops in the Federal Republic of Germany 1950 – 1960

<table>
<thead>
<tr>
<th>Year</th>
<th>Small Traders</th>
<th>Big Chains/department stores</th>
<th>Consumer Co-ops</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>In %</td>
<td>Number</td>
</tr>
<tr>
<td>1950</td>
<td>4</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>1951</td>
<td>7</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>1952</td>
<td>7</td>
<td>6</td>
<td>59</td>
</tr>
<tr>
<td>1953</td>
<td>9</td>
<td>4</td>
<td>131</td>
</tr>
<tr>
<td>1954</td>
<td>36</td>
<td>11</td>
<td>219</td>
</tr>
<tr>
<td>1955</td>
<td>139</td>
<td>26</td>
<td>430</td>
</tr>
<tr>
<td>1956</td>
<td>507</td>
<td>37</td>
<td>709</td>
</tr>
<tr>
<td>1957</td>
<td>1.439</td>
<td>45</td>
<td>1.384</td>
</tr>
<tr>
<td>1958</td>
<td>6.781</td>
<td>70</td>
<td>2.127</td>
</tr>
<tr>
<td>1959</td>
<td>12.783</td>
<td>75</td>
<td>3.112</td>
</tr>
<tr>
<td>1960</td>
<td>16.860</td>
<td>75</td>
<td>3.657</td>
</tr>
</tbody>
</table>

Source: Bericht, p. 7.

In the early 1950s when self-service in Post War Germany was still in its infancy consumer co-ops represented half of the total. In the course of the decade, the percentage declined to a low 9 %. In the drive to self-service co-ops where overtaken not only by the modern elements in trade but even by small traders. If one looks closer how this came about, there are instances that point into the direction of hypotheses mentioned above.

One explanation that the numbers suggest is that of an innovation the competitors copied successfully until the lead was fully caught up. But a closer look suggests still another explanation. It is true, the co-ops began as leaders in the field of self-service, but then they consciously stopped further development in this field.
and developed a system they called “rapid service” which amounted only to a partial modernisation of the old structure. In hindsight, the advocates of self-service in the movement during the 1970s attributed the downfall of the movement mainly to lost opportunities in this field. That is why it merits a closer look.

The opponents of change used a rhetoric that referred to the communicative structure of co-operation. Co-operative ideals, in this argumentation, could not be realized in the context of anonymous structures where only the goods speak to the customer. Self-service, so they argued, would undermine the very ethic and motivation, co-ops need to prosper. The argument appears to be a perfect illustration of the hypothesis that from a certain stage of development co-ops’ progress is hindered by inner constraints. In this case the ethical foundation of consumer co-ops seems to have gotten in the way of adapting an important innovation.

The importance of inner constraints in this respect is illustrated by another important group of opponents within the movement. Self-service was only feasible in bigger stores, in other words, the introduction of this special form of service necessarily entailed a process of concentration and the closing of many neighbourhood shops. Now, if one looks at the co-op movement in the 1950s and the structure of its rank and file, one realises that one is dealing with a movement, which has literally come to age. While there were very few pensioners around the turn of the century, after World War II their share had risen up to one fifth with a strong influence in the general meetings. To this group the neighbourhood store represented an important element of the quality of life: a centre of communication, within short reach, without the need of using public transport or – out of question to this generation – their own private car. This group is named regularly as having resisted vigorously to the closing of the shop next door.

3. Democracy and rationalisation - One of the fiercest battle among co-operators in the 1950s left no trace in the official publications as it was mainly fought behind the scenes. Consumer co-operatives prided themselves on the principle of one-man one-vote not only as an expression of democracy in the general assembly but also as the basis of co-operation among themselves. During the 1950s, the larger co-ops were no longer contented with this principle and came to regard it as an obstacle to further economic progress. Behind the discussion was the question of discounts for large-scale orders by the Central Wholesale Society. Up to this point the Wholesale Society had delivered its goods and services on the same terms for small, middle size and large co-ops. Given the fact that the overhead costs for small orders were effectively much higher than for large ones, this principle amounted to an expensive subsidy for the smaller members. No matter how hard they fought, the large co-ops did not manage to transfer their economic into a majority in the internal decision-making process.

But it was not sheer stubbornness that made the smaller co-ops resist the demands for differential discounts. An internal enquiry that took into account the economic performance of different types of co-ops since the Great Depression showed the following pattern. Two types of co-ops had relatively prospered in the last decades and weathered most of the storms: the really big ones and the rather small ones. The problem child of the movement were the middle-size co-ops. They lacked the economies of the scale in relation to their bigger siblings as well as the strong attachment of members which characterised the villages co-ops. In other words: the relative extremes of the movement could both pretend to represent a successful model. Signs of this debate still flared up around 1960, though one may suspect that until then some form of informal arrangement had been found to smooth the conflict.
4. **Foodstuff** - Another field in which co-ops lagged behind was the range of non-food products which were offered in co-op shops during the 1950s and which was more limited than that of their respective competitors.

The following table gives an idea of the rapid and important changes that went on in the realm of "necessities" in working class households during this decade and demonstrates how much the co-ops got "out-of-tune" with their attitude in this respect. At the end of the decade and after an unprecedented rise of real wages workers, for the first in modern history, had a significant proportion of disposable income to be spent at their own individual discretion. For any institution that clang to the idea of „basics“ clear limits of growth cropped up.

<table>
<thead>
<tr>
<th>Year</th>
<th>Food</th>
<th>Clothing</th>
<th>Habitation</th>
<th>Energy costs</th>
<th>Sum of 1-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1909</td>
<td>52,0</td>
<td>11,2</td>
<td>17,0</td>
<td>4,3</td>
<td>84,50</td>
</tr>
<tr>
<td>1950</td>
<td>46,4</td>
<td>13,6</td>
<td>10,5</td>
<td>5,4</td>
<td>75,90</td>
</tr>
<tr>
<td>1960</td>
<td>38,3</td>
<td>13,5</td>
<td>10,4</td>
<td>4,6</td>
<td>66,80</td>
</tr>
<tr>
<td>1971</td>
<td>28,6</td>
<td>10,6</td>
<td>15,0</td>
<td>4,5</td>
<td>58,70</td>
</tr>
</tbody>
</table>

1 *Working class families, National average*
2 *Average 4-Person-workers’ household in the Federal Republic*


Here again, one easily finds voices in the accounts and the publications of the early 1950s insisting not only on the importance of food as an indispensable basic item, but also stressing its symbolic value as a signifier of the right attitude towards consumption in general. The insistence on food provisioning points back at the same time to the emotionalised origins of the movement as well as to the ideal of sober, rational consumption cherished by the leaders of the labour movement.

5. **Saving, cash and credit**: One of the principal, often overlooked causes for the creation of consumer co-operatives was the saving motive. Not by chance many early co-ops bore the twin name of “Consumer and Saving Co-operative”. Behind it was the fact that in most working class households the amount of money coming in was actually unforeseeable. Illness, unemployment, changing piece rates, hours worked, made wages fluctuate heavily.

The following table is based on data that is very rare in the sources. It shows annual income fluctuations of workers employed in Frankfurt around 1888. The picture that emerges from this is completely different from what we are used to when dealing with the income of working class households. The fluctuations within a single year seem to be much higher than those between business cycles. Paul Johnson has put this problem in his study on Saving and Spending plain and simple: “When income is erratic and irregular as well as small, the difficulties of balancing it with
fairly stable subsistence demands are acute, the area of manoeuvre is limited, and
the costs of failure are great.”

There were different strategies to cope with this problem. One was to buy the
necessities only in very small amounts: coals for a single meal, tea leaves for
immediate use etc. There are many striking examples for this kind of purchasing
strategy to synchronize wants and the available money that was actually in the purse.
Apart from stretching purchases one could influence the income side by borrowing on
a temporary basis. A central institution in working man’s spending habit was the
pawnbroker. He served as another important buffer between varying needs and
incomes by handing out, for instance, Sunday’s suit and taking it back on Monday.
The important thing about the pawnbroker was that dealing with him did not affect the
notion of self-respect. A much more common, but in moral and financial terms more
precarious form of borrowing was the retail credit. It had the consequence of severely
limiting one’s freedom as a consumer and of creating a new kind of feudal
dependency within modern trade. It is against this background that one must set the
institution of the regular, quarterly dividend. It is difficult to overstate its importance for
stabilizing the relationship between purchases and available incomes.

There are indicators that in many households the dividend maintained its key
function well into the 1920s and that it still mattered after World War II. In the course
of the 1950s, however, there were growing signs that it gradually lost its significance.
This is indicated by the fact that more and more consumer movements in Europe
switched from a policy of regular pricing plus dividend to a consequent low-price
strategy.

Several factors contributed to this development with the constant rise of wages
over a long period of time being one of them. Another important element was a
change in the social structure of the co-ops where the percentage of fixed salary
earners grew continuously. This reflected changes in the social structure of society
as a whole where the “salariat” grew rapidly in these years.

The most important factor, however, was probably the spread of the instalment
credit. The legal conditions for this type of loan had been fixed in the meanwhile so
that it no longer carried the stigma that had been attached to it for so long. The figure
of the “loan shark” left the stage and retreated to the margins of society. Rising
wages on the other hand secured that instalment plans in effect worked – the whole
institution was now based on a more solid footing than ever before.

It is interesting to notice in this context that public discourses in the 1950s on
instalment credits which were still highly critical and promoted “Victorian values” of
self-restraint no longer reflected reality. The real trend was a steep rise in the number
of credits taken for consumer purposes. In the long run, the instalment plan
represented the first important stage in the introduction of institutions like the credit
card, another key innovation where the US led the way while Europeans since the
late 1950s hesitantly followed suit.  

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3 Karl-Peter Ellerbrock, Konsumentencredit und „Soziale Marktwirtschaft“. Zum Wandel des
Sparkassenbildes und des geschäftspolitischen Denkens in der Sparkassenorganisation zwischen
Kleinschmidt, Florian Triebel (Hg.), Marketing. Historische Aspekte der Wettbewerbs- und
Absatzpolitik, Essen 2004, S. 105-133.
IV. The impact of German politics

How does politics fit into this pattern? To what extent does it seem necessary to refine or even relativise the arguments given above?

1. If one looks at the existing literature on German consumer co-ops, there is a consensus that the crisis originated in the 1950s and early 1960s in the context of what has been called the „retail revolution“. At that time, so goes the argument, the once second largest movement in the world got into severe trouble and by failing to take the necessary steps initiated its final demise. Closer scrutiny [See the table below], however, leads to important corrections. The notion that the German movement nearly rivalled the English model usually refers to the year 1924. In this year the race to catch up seemed nearly won. By then German membership numbers amounted to 90 % of the English. But to interpret these numbers in the German case as an expression of strength is highly questionable.4

It’s no accident that 1924 was at the same time the year when the nightmarish hyperinflation ended. The rapid influx of scores of new members had started in 1914 when World War I broke out. It reflected wartime scarcities and the tendency of ordinary citizens, many of them formerly unsympathetic to the idea of consumer co-

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operation, to maximize their options as customers. Among the new members were significant numbers of civil-servants who hadn’t been allowed to enter co-ops until 1914, artisans, even traders, groups who had formerly fought co-ops tooth and nail. Though at the end of World War I the movement had gained more than a million new followers and the recognition of the administration, this development did not transfer into economic strength. Soon German consumers faced new food shortages. Due to the ongoing allied blockade, rapidly rising inflation and the „battle of the Ruhr“, in the early 1920s hunger was in parts of Germany as widespread as it had been during the war. Whereas in 1923-24 English co-ops, for instance, were again doing business as usual, German societies operated under very special circumstances in which favourable and destructive tendencies were simultaneously at work. At the climax of the inflation, in 1923, when the exchange rate of German Mark per dollar fell to less than a billion to one, the infamous rush into material assets started, a phenomenon that had highly ambivalent consequences for the consumer associations. The term describes a pattern of behaviour by which consumers desperately tried to save by deliberately spending. Being under the strong pressure of their respective members struggling for financial and physical survival, German co-ops were caught in the inflationary maelstrom, attracting ever more members while, at the same time, ‘selling out’ completely.

The final phase of the inflation had a lasting impact insofar as it stripped the co-ops of most of their liquid capital. Saving deposits, which had been used to finance investments in the pre-war era, had evaporated by 1924. Because of the selling-out in the crazy months of the hyperinflation at the moment of monetary stabilisation little financial stocks were left. In the Co-operative Yearbook of 1924 an expert estimated that around 50 % [1] of all German consumer co-operatives were close to bankruptcy.
<table>
<thead>
<tr>
<th>Year</th>
<th>Reporting Societies In ()</th>
<th>Estimated numbers</th>
<th>Members Of reporting Societies In 1000</th>
<th>Reporting Societies In ()</th>
<th>Estimated numbers of all societies</th>
<th>Members of Reporting Societies In 1000</th>
<th>German Membership Of English Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>1.177</td>
<td>554</td>
<td>195</td>
<td>94</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1885</td>
<td>1.148</td>
<td>747</td>
<td>162</td>
<td>120</td>
<td>16.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1890</td>
<td>1.24</td>
<td>962</td>
<td>263</td>
<td>215</td>
<td>22.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1895</td>
<td>1.417</td>
<td>1.417</td>
<td>460</td>
<td>292</td>
<td>20.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1900</td>
<td>1.439</td>
<td>1.707</td>
<td>568</td>
<td>522</td>
<td>30.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1910</td>
<td>1.421</td>
<td>2.542</td>
<td>1.458</td>
<td>1.494</td>
<td>58.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1914</td>
<td>1.385</td>
<td>3.054</td>
<td>1.563</td>
<td>2.250</td>
<td>73.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1920</td>
<td>1.379</td>
<td>4.505</td>
<td>1.622</td>
<td>3.125</td>
<td>69.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1924</td>
<td>1.314</td>
<td>4.703</td>
<td>1.553</td>
<td>4.24</td>
<td>90.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>1.21</td>
<td>6.403</td>
<td>1.251</td>
<td>3.733</td>
<td>58.3</td>
<td></td>
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<tr>
<td>1935</td>
<td>1.188</td>
<td>7.484</td>
<td>1.114</td>
<td>2.130</td>
<td>28.5</td>
<td></td>
<td></td>
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<tr>
<td>1938</td>
<td>1.085</td>
<td>8.643</td>
<td>1.016</td>
<td>1.954</td>
<td>22.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>999(1949)</td>
<td>10.57</td>
<td>296</td>
<td>1.324</td>
<td>12.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Looking more closely at the inflation which has only recently been recognized as a watershed in German economic and social history also provides a clue to another controversy, the question to what extent the Nazis destroyed the financial substance of the movement. The beginnings of this controversy date back to 1946 and 1947 when German consumer co-ops demanded the Nazis, they claimed, had taken compensation for actions, against them as a democratic movement after 1933. This claim was vigorously denied by the organisation of small traders which published a brochure titled „For political reasons?“ in which they, in turn, claimed that the economic problems of consumer co-ops in the 1930s were a result of an „imprudent investment policy“ during the 1920s. Many co-ops, especially the larger ones, so the publication argued, had failed to prepare for an economic downturn and consequently gone into bankruptcy after the Great Depression.

Though it is out of question that measures of the Nazi-Regime did a lot of harm to the material substance of the consumer co-ops there seems to be, at least, a grain of truth in the traders’ argument. A recent study of the financial situation of many of the largest German consumer co-ops in 1935 indeed showed the extremely difficult situation they were in. The five „golden years“ which followed the inflation simply were not enough to build any substantial financial cushion to absorb a shock as severe as the Great Depression. It would have needed a sympathetic political regime to overcome this situation, something out of question in Germany after 1933.

2. A fresh, energetic start after 1945 might have made a difference to the process of rebuilding the movement. But it did not come about. In many cities rebuilding the co-op movement after World War II amounted to a complete renewal. During wartime the remains of the movement had been lumped together into a huge joint stock conglomerate – the so-called “Gemeinschaftswerk für Deutsche Arbeit”. It had had among others the consequence of dispersing the remaining membership completely.

Under the specific circumstances of the war the process of reorganization hadn’t worked out well so what was left was in fact more of chaos than a functioning company. Membership funds were lost. The emotional attachment to a well-known institution had already evaporated in the years before as management boards had been cleansed. Only in some cases, the old staff had managed to remain in control. Thus, at the end of the war, in many regions the co-operative tradition had been interrupted for more than a decade – in contrast to other Central European movements, including Austria.

As the premises of the co-ops were traditionally concentrated in the heavily bombarded town centres relatively more co-op facilities were destroyed than those of

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6 In many European states, including those where democratic institutions remained intact, the 1930s represented an era during which the organisations of small traders and artisans lobbied successfully for social protection against the harbingers of modern times in their respective trades. Department stores, in particular, were confronted with extra taxes or outright bans on further expansion. Some of these restrictions encompassed the consumer co-operatives as well, with England being no exception to the rule. However, in most cases these measures did not work as an effective check on further growth. During the 1930s English co-operatives, for instance, continued to expand and attracted more than 1.5 million new members. This expansion was in line with the development of most other European movements at that time. See Johann Brazda, Robert Schediwy, Gerhard Rönnebeck (ed.): Pioniergenossenschaften am Beispiel der Konsumgenossenschaften in Großbritannien, Schweden und Japan, Frankfurt 1996; the volume „Consumerism versus Capitalism“; Carl Strikwerda and Ellen Furlough (ed.): Labour, Class and Consumption: Consumer Co-operation in Europe and the United States, Roman & Littlefeld: 1999.
the private traders. In the very last weeks of the war Nazis in control of local shops and warehouses loaded what was left of the stock on to lorries and got away with it in order to try a new start after the armistice. In other cases, with the public order broken down and hunger widespread, the general population simply plundered what was left in the warehouses.

When the war finally came to an end, another problem emerged. As the assets of the former labour movement had been under the control of the Nazi-Party, most of it went to the German Labour Front (DAF); the Allies considered them as part of the Nazi property and confiscated them in order to secure them as funds for reparations. The freeing of these assets wasn’t done in a single action, but in a protracted way, which lasted up to five years. It had to be initiated by the former local co-ops themselves, it involved lawyers, difficult-to-get and often lost documentation, law suits, court of appeals etc. etc. The files in the archives don’t speak of spontaneous action, enthusiasm for a fresh start etc., but of a anger, disappointment, messing with a petty bureaucracy, even bitter conflicts involving members of the former co-op movement and the local military administration. In one prominent case, i.e., Hamburg, the local military administration threatened to blow up the whole archive of the trade unions’ life-insurance company, which was housed in a former bunker. It took a last minute intervention by the regional authority to stop the action.

After sometime things got much better. Particularly helpful were British Co-operators who managed to gain influence in the Military Administration. After 1933 leading German co-operators had fled to the UK. As they returned, relations between the movement and the local military administrations worked smoother. There were many positive changes not just due to the end of the war and political liberalization etc., but also because the Allies consequently removed legal obstacles introduced by the Nazis to stop the spread of consumer co-ops and other restrictions, some of them dating back to the years before 1914. One of them was a clause that prohibited co-ops from selling to non-members, a traditional nuisance for which there was no parallel in English law whatsoever. It was an important prerequisite for recreating consumer co-operation as a membership-movement.

3. In its last phase, allied rule in West Germany effectively worked as a shield for consumer co-ops. With German authority restored, pressure on the co-ops mounted again because of the sympathy the interests of small traders enjoyed among the ranks of the liberal-conservative coalition in Bonn. The rapid growth of co-ops at the beginning of the 1950s provoked demands to reinstate the protectionist laws of the Nazi era. In 1954 a most important legal step was taken, the National Socialist „Discount Law” that fixed all discounts at a maximum of 3 % was reinstated.

In principle, one may argue that the law forced German consumer co-ops to follow a path many other European movements followed voluntarily in this decade, that is to turn to a policy of low prices instead of market prices and dividing the trading surplus among members. By saying so, it is important to note the different financial situation. With dividends as low as 3 %, members of German co-ops objected that part of their dividend should be used to build up their shares. The result was a sharp reduction of over 60 % in the equity capital within the three years that followed the renewal of the law in 1953. All this happened at a time when the demands for further investment capital in order to prepare the movement for the coming self-service revolution reached a peak. What this political intervention meant, can be learnt from a comparison between English and German co-ops. While the English societies had six times more members, their equity capital was fifty times larger. In other words, the law cannot be considered as a forced „normalisation” – in
effect, it worked exactly as had been intended namely as an effective check to a much-feared rapid modernisation of consumer co-operation in Germany.

V. Counterfactual considerations

Could things have taken a different course? At an earlier stage of my own research I have argued that the Austrian co-ops performed relatively better in the 1950s because they choose not to recreate a highly decentralised movement to such a degree as their German counterparts did. Austrian co-operators explicitly founded “district co-ops” after 1945 in order to conserve at least some of the forced rationalisation by the Nazis. However, if one compares the changes in the number and size of German and Austrian co-ops between 1933 and 1945 in detail the differences appear minimal. In both cases the numbers of independent co-ops in 1946/48 was down to about a third of the original number.

The one decision to be considered because of its potential to indeed change the course of events is the one to dismantle the huge joint stock company the Nazis were about to build. There is no doubt that the existence of a highly centralized retail company after the war would have made a big difference. A striking example to this is the development in the building sector where the transformation of Weimar building co-operatives close to the labour movement into joint-stock companies (“Neue Heimat”) by the Nazis led the way to the formation of Europe’s biggest building company in the 1950s and 1960s. Not only one, but also several factors made such an alternative unfeasible in the consumer co-op sector. “Decentralisation” was a pre-eminent goal of Allied policy in general. Even in Russian occupied Eastern Germany consumer co-ops were rebuilt on a decentralised basis. The Soviet Military Administration (SMAD) went so far as to split up the existing co-ops further at the beginning of the 1950s. For the British co-operators, highly influential in the administration until 1949, a decentralised movement was quite simply a question of faith. There was in fact no political room for manoeuvre around these restrictions until 1949. On the other hand, when Allied rule ended in 1949 important facts had been established with consumer co-operatives functioning again on a large scale. That was in contrast to the situation in the building sector where building-co-operative still did not operate at that moment. Moreover, the influence of members in building co-operatives tends to be much lower in comparison to a consumer co-operative.

Last but not least, any such counterfactual consideration has to take into account, that the leadership of German co-operatives opted for a member-based movement in a situation where everyone expected decades of austerity for Germany – something that one is inclined to remind of given the fondness with which contemporary history is currently embracing the ‘Americanisation’-idea.

VI. Conclusion

The failure of the German consumer co-operative movement was obviously “overdetermined” in the sense that it was neither the result of one crucial wrong decision or of one big obstacle. Explanations that stress the importance of inner structural constraints to modernisation can point to the fact that most European movements ran into severe difficulties and experienced the 1950s as an era of big challenges and crisis. They can as well point to internal discussions among German co-operators, which reflected these constraints and their impact. The weight of specific „cause“ in a complex argument, however, can – as Max Weber has insisted on – only be determined through counterfactual considerations. If one applies these
to the German case, it seems unlikely that different strategies would have led to a different result. The deep ruptures in Germany’s 20th century history have sometimes been regarded as important elements to revitalize Germany’s economy. In this line one may argue that the forced process of rationalisation by the Nazi-Regime opened options for German co-operators that, for instance, their British counterparts who were stuck in a hundred years of continuity simply did not have. But these options were tied to developments so disruptive that the substance for an alternative course quite simply was not in place. Moreover German co-ops were, in contrast to their Scandinavian counterparts, confronted with a political environment that was, at the utmost, neutral, most of the time, suspicious and sometimes right out hostile. They entered the most difficult period, i.e., the transformation from a membership based movement to an open, modern service-oriented institution severely weakened by a chain of extraordinary external events. To identify a single most important cause for their failure thus amounts to a ‘Glass Bead Game’.