

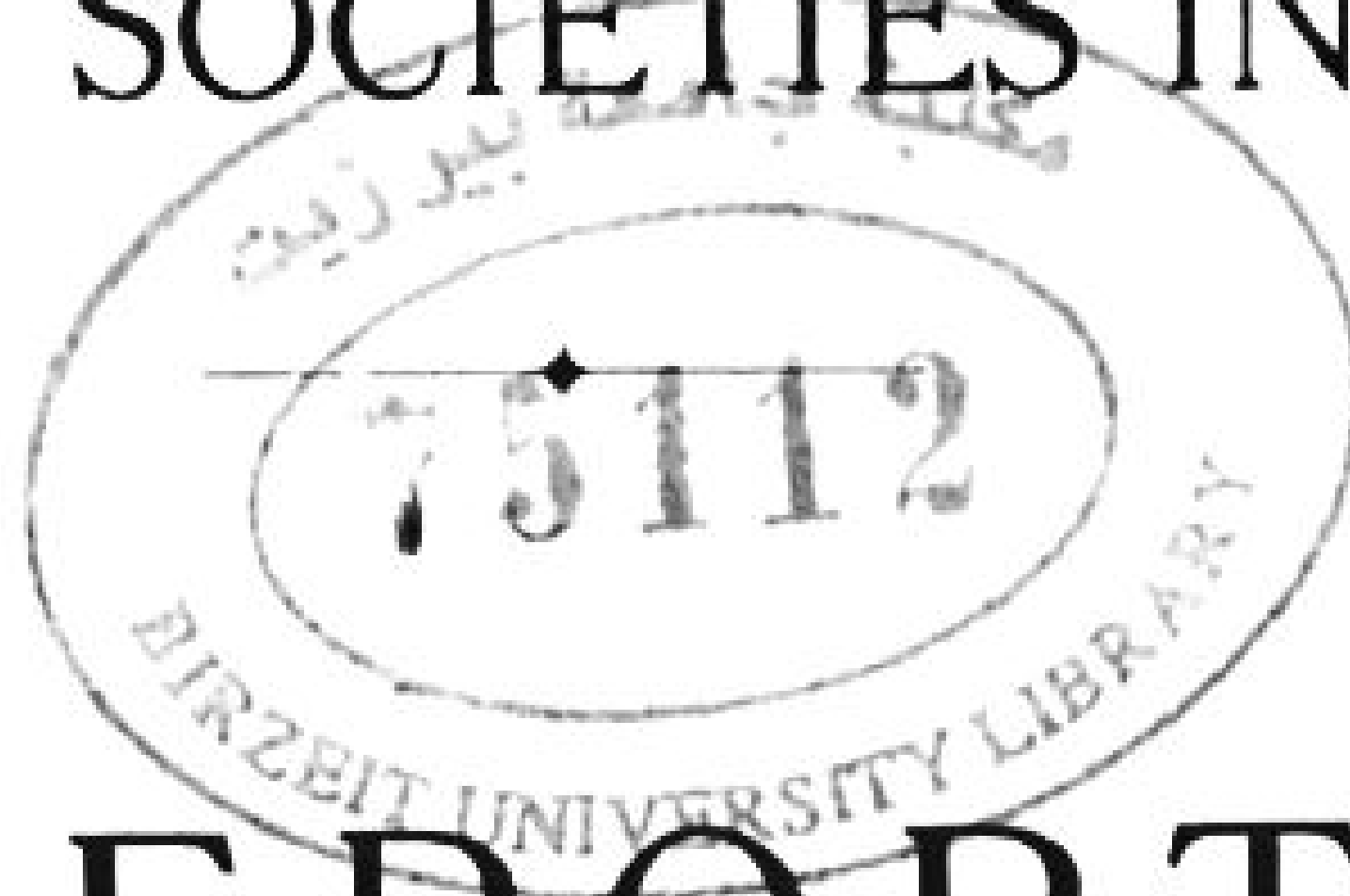
DEPARTMENT OF SOCIAL WELFARE
No. 441
Date _____
GOVERNMENT OF PALESTINE

191394

PALESTINE



COOPERATIVE SOCIETIES IN PALESTINE



REPORT

BY THE

REGISTRAR OF COOPERATIVE SOCIETIES

ON

DEVELOPMENTS DURING THE YEARS

1921-1937

JERUSALEM, 1938.

SPC.
HD
3555
P22
AS3
1938

Obtainable from the

PRINTING AND STATIONERY OFFICE, JERUSALEM,

and from the

CROWN AGENTS FOR THE COLONIES, 4 MILLBANK, LONDON, S.W. 1.

PRICE 150 MILS 3/-)

CHIEF SECRETARY

THE GOVERNMENT OF PALESTINE.

Sir,

I have the honour to present a report on the progress of cooperative societies in Palestine during the period covered by the years 1921-1937.

The cooperative movement in Palestine has been the theme of many cooperative writers. Numerous reviews and reports, in many languages, have been published from time to time dealing with various phases of cooperation in Palestine. All these publications are necessarily brief and incomplete, forming as they do in most cases only parts of more extended works dealing with other and wider problems of Palestine as a whole or with cooperation in general. Nor were the writers provided with the important materials needed to describe the full range of activities of cooperative societies which have been gradually assembled by this Department since its inception in 1933. The original material so collected from the records of the Department has been further augmented by data and statements relating to the cooperative movement in Palestine and elsewhere gleaned freely from many published and unpublished sources.

Among the remarkable achievements of post-war Palestine few are more striking than the development of the cooperative movement by the Jewish community. The creation of an imposing economic structure by men without large means, under the guidance of a handful of idealists, has an air of romance about it. The report endeavours to put this achievement on record, to appreciate its merits and criticise its failures. It also endeavours to refute some fallacies which have been current about the movement and which have remained uncontested for many years. For this purpose, it has been necessary to reconstruct the cooperative activities during the past seventeen years and to reflect them in their proper light.

The report also endeavours to exhibit for the first time the achievements of the Arab community in the field of cooperation. The Arab movement was initiated by Government in 1933. Arab societies are still in a state of nonage and their affairs are to a large extent controlled by Government. Progress has been slower than was hoped for, partly owing to disturbed conditions in the country and partly because unscrupulous persons have attempted to use some societies as centres of political intrigue. Nevertheless, the achievement as a whole is greater than would appear on the surface and the report endeavours to compare positive with negative results and to draw conclusions for the future activities of Government in this direction.

It is obvious that it is not easy to treat this theme entirely according to the severe rules prescribed for official publications. But every effort has been made to keep the report within the bounds of an official record. In appreciating results no attempt has been made to gloss over mistakes. There has been no hesitation in exposing any unsound practices of which some types of societies are guilty, but societies are given the benefit of such mitigating circumstances as may apply to the case. Appreciations and criticisms are accompanied wherever possible by recommendations for improvement.

Cooperative purists may consider this report too indulgent to the errors of Palestine societies. Equally well they may find fault with some of the recommendations as being unorthodox. To some Palestine societies on the other hand, unaccustomed to frank criticism, it may seem that the report deals too harshly with them. But notwithstanding these considerations it is felt that the course taken is the only one possible in order to present a true picture of the movement. The recommendations are based on actual experience in Palestine and are made with full knowledge of prevailing conditions.

Although the subject of the report proper is only the development of cooperation, a reference to some social and economic conditions in Palestine had to be included to acquaint the reader with the many problems which cooperative societies set out to solve and enable him to understand the difficulties which they had and have to encounter. Nor could the history of the movement be told completely without a description of some of the external factors which influenced its growth. For this purpose it has been found necessary to describe the functions of certain organisations and bodies outside the framework of the movement proper.

These sidelights have been made as brief as possible.

That there is a real demand for a report of this description is evident from the numerous demands for detailed information received from sources varying from the International Labour Office on the one hand to a Registrar of Cooperative Societies in an arctic island on the other.

The report is divided into two parts. The first part comprises a history of cooperative legislation, a description of the movement prior to the organisation of this Department in 1933 and a narration of developments between 1933 and 1937. It concludes with a general appreciation of the past achievements of the movement and speculates on its future prospects. As appendices to this part of the report appear statements by four leading banks concerning their activities in financing cooperative undertakings. A note prepared by the Departmental Auditor on the methods of audit of cooperative societies is also attached.

For those who are not familiar with the objects of cooperation, a special chapter entitled "Policy and Aims of Cooperation in Palestine" has been prepared as a preface to the first part. This preface explains the principles of a movement which although adopted in one form or another in most countries, is but little understood by many administrators or by those outside its immediate influence.

The second part describes in detail the various types of cooperative societies. It consists of seven chapters dedicated to (a) credit societies, (b) agricultural societies, (c) co-partnerships of labour, (d) contracting societies, (e) housing societies, (f) consumers' societies and (g) miscellaneous societies.

I have the honour to be,
Sir,

Your obedient servant

A. F. NAYTON

Registrar of Cooperative Societies.

PART I.

2. POLICY AND AIMS OF COOPERATION IN PALESTINE.

Cooperative undertakings originated in Palestine among Jewish citrus growers and vintners who sought to improve their economic conditions by creating instruments for collective bargaining. These undertakings were followed by others which had as their object the provision of capital on easy terms for financing the current needs of the small man. Other attempts were also made to organise cooperative purchasing agencies for agricultural and industrial requirements. All these undertakings, which date back to pre-war days, made little or no progress until the means to develop cooperative undertakings on a sound and legal basis was provided by the cooperative legislation of 1920. As credit was, and still is, the most pressing need of the bulk of the people and because Jewish settlers from the European continent were fully acquainted with the organisation and management of societies for credit—the cooperative movement began with facilities for providing credit. The first societies to be registered and to achieve notable success were credit and thrift societies in urban and rural areas. Soon afterwards, cooperation was applied to other economic objects and in a short space of time cooperative organisations became a potent instrument in the hands of the Jewish population for house-building, development of agriculture in all its branches, industrial production and organisation of consumers. These organisations opened up many avenues for employment of capital, organizing ability and enterprise. Their influence was also felt in the social sphere where they promoted a spirit of self-help and mutual responsibility and demonstrated the utility of collective action for the attainment of common needs.

By the end of 1937, Palestine had over 1,000 societies organised and functioning for a variety of objects of a very dissimilar nature. Yet two main conceptions run through all their plans and connect their various achievements. The one is that the people should take the management of their own affairs into their own hands and not be dependent on outside help either for finance or management. The other is non-profit making. As for their specific objects these may briefly be defined as follows:—

(1) Jewish credit and thrift societies aim at devising means whereby a small trader, farmer, craftsman or labourer can obtain the capital necessary for carrying on his business without paying usurious rates of interest and without being given undue facilities for incurring unnecessary debts.

(2) Arab village credit and thrift societies have the same object in view but in addition aim at rural uplift and reconstruction, the elimination of harmful practices and the reduction of agrarian indebtedness.

(3) Agricultural marketing societies seek to enable the producer to get for his products a price which is not only a larger share of the consumers' payment but which will cover adequately the legitimate costs of production. To achieve this end they make collective bargains and try to reduce distribution costs.

(4) General agricultural societies and settlement societies endeavour to reduce the cost of settlement on the land and of production. For this purpose they carry out all permanent works such as farm buildings, drainage, deep ploughing and irrigation jointly and use expensive machinery and plant on a collective basis. They also purchase their farm requirements and sell their products jointly.

(5) Irrigation societies endeavour to enable water consumers to obtain a good and regular supply of water at the lowest possible cost.

(6) Cattle and crop insurance societies aim at enabling farmers to obtain full insurance for their worldly goods against unavoidable risks by the payment of a premium which is based not on a calculation of profits but on actual losses.

(7) Societies of industrial producers and co-partnerships of labour try to secure the labourer engaged in industry or public services in his tenure of employment, to enable him to earn a reasonable wage and to have an opportunity of taking a direct part in framing

and administering the code of discipline under which his daily work must be done. They also aim at providing better marketing conditions for his products and credit facilities for his undertaking.

(8) Consumers societies obtain goods from the original source of supply, sell them to members at prevailing market prices and either return the profits in the form of dividends to members, in proportion to the amount of their patronage of the society, or use the profits for building up reserves.

(9) Life insurance societies are mutual benefit societies. Some operate on the assessment plan which means that members pay a small nominal fee annually and any amount necessary to cover obligations and losses is levied at the end of each year as an assessment on all members. Others charge a fixed premium which is calculated to cover actual losses.

(10) Housing societies aim at helping members to obtain permanent, attractive, well built homes—homes built and run for service, not to be let, sold or speculated in for profit. They also endeavour to reduce the cost of such homes.

Such in brief are the aims, objects and purposes of the various types of cooperative societies operating in Palestine from the economic aspect.

But cooperation can have other applications, and societies for social improvement have a wide scope in a country like Palestine where the social services of central and local authorities are still undeveloped. Many of the existing Jewish societies, particularly those engaged in housing, insurance and promotion of thrift, combine economic with social functions. It is hoped that the Arab villages will learn to use their societies for general village uplift, through promotion of better living, education, health, sanitation and arbitration in lieu of litigation.

3. COOPERATIVE LEGISLATION.

The cooperative movement in Palestine was officially inaugurated in 1920 with the enactment of the Cooperative Societies Ordinance. This Ordinance was passed for two reasons. In the first place it was intended to meet an actual demand. Before and during the war a number of credit associations and agricultural marketing and processing organisations were formed by the Jewish population on a cooperative basis; but those bodies had no existence in Ottoman Law and could neither sue nor be sued in their own name. In the second place the Ordinance was passed as one of the many modern laws which the newly created Civil Administration then introduced with a view to provide "an active administration, a developing industry and commerce with the facilities and authority that a body of modern statute laws alone could give".

The Palestine Cooperative Societies Ordinance, though modelled upon the Indian Cooperative Societies Act of 1912, made certain departures calculated to meet the special conditions in Palestine. Some points of departure may conveniently be stated. The Palestine Law differed from its Indian prototype in not contemplating an active and peripatetic Registrar who would take a considerable part in the organisation of societies and subsequently in their guidance and inspection, and, if necessary, in their liquidation. The Palestine law did not provide for the registration of Central Societies and contained no provisions regarding Audit Unions. The other point of difference was the greater diversity of societies for which the Palestine law provided. While the societies chiefly contemplated in the Indian law were those intended to promote agricultural credit and in the second place those aiming at the promotion of industrial credit, recognition could be given under the Palestine law to any society which had as its object the promotion of the economic interests of its members in accordance with cooperative principles. The various objects for which cooperative societies could be formed were enumerated in detail and they included Cooperative Societies for loans and savings, Saving Banks and Cooperative Banks, Societies for the purchase of raw materials for agricultural and industrial purposes, Societies of Producers for the sale of their produce, Cooperative Stores for the acquisition and use in common of machinery and other implements of production and Cooperative Building Societies for the purpose of building houses or developing city quarters and garden-cities for their members.

Other outstanding provisions which were incorporated in the Palestine law and which influenced the future development of the movement are indicated in the following extract:—

- (1) The High Commissioner was given power to appoint a Registrar.

- (2) Any Cooperative Society could be registered with limited or unlimited liability.
- (3) The area of operation of agricultural societies was limited to a town or village or group of villages. The Registrar was however given power to exempt societies in certain cases from this provision.
- (4) The maximum amount of participation in any society by individual members was limited to £E.500 or one fifth of the total capital.
- (5) The minimum number of members in any society was fixed at ten individuals.
- (6) The rules of societies were to be submitted after settlement with the Registrar through the Attorney General to the High Commissioner and when approved by him could be registered by the Registrar.
- (8) Societies could have associate members who were not to be liable for the debts of the societies and who could be deprived of their voting powers. In addition societies could be registered with other cooperative societies as their members.
- (9) In societies with unlimited liability every member could have one vote only. In societies with limited liability there was no limitation to the number of votes which a member could have. Members could delegate their votes to proxies who were not members.
- (10) In societies with unlimited liability a member could transfer his interest in the capital only to another member of the society. In limited liability societies transfer of interest was only restricted by the provisions regarding maximum holding as defined in para. (4) above.
- (11) The registration of a society rendered it a body corporate with perpetual succession and gave it priority over other creditors (except Government or landlord) in the enforcement of any outstanding demands due to the society from a member or past member. Priority rights of the society were restricted as follows :—
 - (a) In the case of claims in respect of the supply of seed or manure or of a loan of money for the purchase of seed or manure upon the crops or other agricultural produce of such members at any time within 18 months from the date of such supply or loan;
 - (b) In the case of claims in respect of the supply of cattle, fodder, agricultural or industrial implements or machinery or raw materials for manufacture or of the loan of money for the purchase of any of the foregoing things — upon any such thing so supplied or purchased in whole or in part from any such loan or on any article manufactured from raw materials so supplied.
- (12) Monies payable by a member under the Ordinance or the society's rules were made recoverable at law in the appropriate Court, and a society had a charge upon the members' share or interest in the capital or his deposits or profits and could set off any debt.
- (13) The share or interest of a member in the capital of a registered society was not liable to attachment or sale under any decree or order of a Court.
- (14) The liability of a past member whether limited or unlimited was to continue for two years and the estate of a deceased member was to remain liable for one year for the debts of a society.
- (15) A society was debarred from making loans to any person other than its members ; it could nevertheless invest its spare funds in Government loans or in any other investment or security approved by the Registrar.
- (16) Societies could receive term deposits and loans from non-members to an extent prescribed in their rules.
- (17) After allocation of 25% of its profits to a reserve fund a society with limited liability could distribute the balance among its members without any further restriction. Unlimited liability societies could not distribute any profits without the special permission of Government.

- (18) Subject to the sanction of the Registrar societies could distribute 50% of their net profits (after allocations to the reserve fund) to charitable purposes.
- (19) The Registrar was given power to institute enquiries into the constitution, working and financial conditions and to inspect the books of societies and, subject to an appeal to the Attorney General, to cancel the registration of any society which in his opinion ought to be dissolved.
- (20) On cancellation of registration the Registrar could appoint any person to act as liquidator. Appeals against orders of a liquidator were to be made to the appropriate Courts.
- (21) The use of the term "Cooperative" was protected and penalties imposed on persons or bodies using this term when not registered under the Ordinance.

In 1922 the Ordinance was supplemented by Regulations issued by the Registrar dealing particularly with the annual returns to be made to him by all types of cooperative societies.

In 1928 the Cooperative Societies Ordinance 1920 was amended to allow registered societies to obtain future charges on crops. While this was the only amendment between 1920 and 1928, legislation dealing with the following matters applied some of their provisions to cooperative societies :

Certain sections of an Ordinance dealing with the issue of debentures and known as the Debentures Ordinance, 1924, and of an Ordinance dealing with the issue of debentures by Companies known as the Companies Ordinances, 1921-25, were also made applicable to Cooperative Societies. These two last named Ordinances have been replaced in 1929 by the Companies Ordinance No. 18 of that year and the provisions of Part V (Debentures, Mortgages and Charges) and of Part VI (Winding-up Procedure) of this new Companies Ordinance were made to apply in part to Cooperative Societies.

The Banking Ordinance of 1921 required Cooperative Credit Societies which accepted deposits on current account from non-members to register separately under that Ordinance and to comply with its provisions.

The Stamp Duties Ordinance of 1924 granted cooperative societies exemption from certain stamp duties.

Subsequent experience in the working of the Cooperative Societies Ordinance revealed the existence of certain defects and incongruities and in 1928 the Government appointed a Committee consisting of two official and three unofficial members (Mr. Homa of the Colonial Audit, Chairman, Mr. Doukhan of the Lands Department, Dr. Beham, Dr. Smoira and Mr. Viteles members) to consider the operation of the Cooperative Societies Ordinance 1920 and to make recommendations for its amendment. The Committee submitted its report at the end of 1930 at about the same time as Mr. C.F. Strickland (of the I.C.S.) arrived in Palestine, on the invitation of the Government, for the purpose of enquiring into the possibilities of developing a Cooperative movement among the Arab population of the country. Pending the results of this enquiry Government decided not to take immediate action on the recommendations of the Committee.

Details regarding Mr. Strickland's enquiry and findings appear later in this report. Here it need only be stated that one of his main findings was that if cooperative societies were to be developed among the Arab population and if the defects of the existing movement were to be removed there was no alternative to an active cooperative policy on the part of Government. For this purpose new Cooperative Legislation was prepared by him, the main features of which were as follows :—

- (1) The Registrar, who was to act as leader and controller of the Arab societies, was given larger powers than those conferred on him by the 1920 Ordinance in order to prevent serious mistakes. It was not considered desirable to enact separate Ordinances for the two Communities (Jewish and Arab) and the powers of the Registrar were therefore made applicable to Jewish as well as to Arab societies.
- (2) In order to leave the Registrar in a position free from obstruction by individual members who were not genuine cooperators, appeals against his orders were to lie to the High Commissioner and not to the Court.

- (3) The proposed Ordinance authorised the registration of Central Cooperative Societies for credit, marketing and other purposes, and secured to marketing societies the validity of contracts made with their members for the delivery and sale of their produce.
- (4) For the improvement of audit a system of Audit Unions was devised and detailed provisions were made with a view to eliminating some of the defects and undesirable practices of the existing cooperative movement.
- (5) The new Legislation also contained some very advanced suggestions in matters of marketing, rates of interest and privileges to cooperative societies. It provided that in the case in which a society included 75% of a given crop — the High Commissioner was to have powers to enforce the marketing of the remaining 25% through the same channels in order that the market should not be wrecked by a few recalcitrant persons. It suggested that cooperative societies which distribute no dividend on their shares should be released from the statutory limitation of interest at 9%. It further gave powers to the High Commissioner to exempt societies from such taxes, duties and fees as he might think fit.

This new legislation appeared in the form of a draft bill in June, 1933. As a result of criticism from existing societies and other sources this draft bill was amended with reference to the suggestions enumerated in para. (5) above and a new draft bill was published in October, 1933. This last bill, further amended in some details, was finally enacted in December, 1933 under the title of the Cooperative Societies Ordinance, 1933. Regulations by the High Commissioner and by the Registrar under this Ordinance were published in January, 1934. The new legislation replaced the Cooperative Societies Ordinance of 1920, the Cooperative Societies Ordinance of 1928 and the Regulations issued in 1922. It followed in many respects the provisions of the previous Ordinances but a number of new provisions were incorporated from Indian and other legislation. The main changes and innovations introduced are indicated below :—

- (1) The Ordinance defines the functions of Audit Unions, Central Societies and Central Financing Societies and authorises their registration. The objects for which societies may be formed are defined in general terms. They are "the promotion of thrift, self help and mutual aid among persons with common economic needs so as to bring about better living, better business and better methods of production." Central Societies may be formed for the purpose of facilitating the operations of primary societies.
- (2) Powers are given to the High Commissioner to appoint a Registrar for the whole or for part of Palestine and to appoint persons to assist such Registrar.
- (3) Except in the case of credit societies no limitations are made as regards the areas of operation of societies. In the case of credit societies the area is limited to a town, a village or a group of villages — save where the society serves members of the same class or occupation.
- (4) The interest of individual members in the capital of societies may not exceed one fifth of the capital.
- (5) The minimum number of members in primary societies is fixed at 7.
- (6) The rules of societies are to be approved by the Registrar who has full discretion to register a society or to refuse registration.
- (7) Where societies adopt model rules no registration fee is payable; in other cases the fee is fixed at £P.4.—
- (8) All members have equal rights and are entitled to one vote only. Additional votes, based on patronage, may be given in consumers, agricultural, purchase or service or sale societies. The total number of votes of any member may not exceed 1/20th of the total.
- (9) The right to appoint a proxy is given to members absent abroad and to societies members in other societies.
- (10) The interest of a member in the capital of a society is not transferable.
- (11) The books of every society must be audited at least once in each year either by an audit union or by a public auditor or by an officer of the Registrar's department.

- (12) Societies may take powers in their rules to fine members. Any fine so imposed is considered a debt due from the member to the society.
- (13) Monies payable or due by a member to a society under the Ordinance, or the society's rules, or in connection with its business are debts due to the society and the society can obtain a provisional execution order against such member by producing a certificate of claim to the execution authorities. The society has a first charge upon the share or interest in the capital and on the deposits of such member and upon any dividend, bonus or other portion of any surplus payable to such member and may set off any sum credited or payable to him in or towards payments of any such debt. The share or interest of a member in the capital of a society are otherwise not liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, nor can a receiver in insolvency take over or have a claim on such share or interest.
- (14) Societies are given power to obtain from their members charges on crops or agricultural products, timber, animals, fodder, agricultural or industrial implements, machinery, raw materials and stock in trade — whether at the date when such charge is created the property comprised in the charge is or is not in existence, or is or is not acquired by the persons giving the charge.
- The creation of such a charge constitutes a first charge and security in favour of the society but it is not valid against Government claims in respect of taxes, a landlord's claims in respect of rent, the claims of a *bona fide* purchaser without notice or the claims of a prior mortgagee or encumbrancer.
- Societies are empowered to assign such charges to other bodies or persons. Societies are also empowered to create charges on their own property even though the subject matter of the charge which is given as security is not in existence, is not acquired, or is not capable of delivery at the time the security is given.
- (15) Societies may either in their rules or in separate documents contract with their members that they shall dispose of all their produce or of such amount or descriptions as may be stated therein to or through the society for a stated period, and may in any such contract provide for payment of a specific sum per unit of weight or measure as liquidated damages for infringement of the contract, and such sum shall be a debt due to the society.
- (16) Societies can only lend to their own members except that with the general or special sanction of the Registrar one society may make loans to another society.
- (17) Every Society, which does or can derive a surplus from its transactions, must maintain a reserve fund. Credit societies and societies of producers must carry at least 25% and other societies at least 10% of their surplus to the reserve fund. The reserve fund is indivisible except in the case of liquidation. It may be used in the business of the society.
- (18) A dividend not exceeding 6% may be paid by a society with limited liability after the reserve fund is equal to its share capital and after all claims by depositors or lenders have been satisfied or otherwise provided for. The Registrar may in certain cases direct that a society shall not pay a dividend or shall pay dividends at a reduced rate. Societies with unlimited liability are debarred from the distribution of dividends.
- (19) Societies may establish provident funds for their members and may contribute to such provident funds from their surplus.
- (20) The liquidation of societies is placed under the complete control of the Registrar and no society may be wound up or liquidated save by his orders. Appeals against the orders of liquidators lie to the Registrar. Appeals against the orders of the Registrar lie to the High Commissioner.
- (21) In the case of liquidation, the Registrar can examine into the conduct of officers of societies and make orders requiring them to repay or restore any monies or properties misapplied or retained by them. The Registrar may also order the provisional attachment of property of such persons or of any member and such attachment shall have the same effect as if it had been made by a competent Civil Court.

(22) Societies may by their rules provide for the settlement of disputes touching their business by reference to the Registrar. In such cases the Registrar's decision shall have the force of a judgment of a District Court which is not subject to appeal and shall be executed in like manner.

(23) Societies wishing to include in their name the term Bank or any of its derivatives and societies carrying on insurance business must also register under the Companies Ordinance. The provisions of the Companies Ordinance also apply to the registration of debentures, mortgages and charges, to the winding up of societies where the Official Receiver by virtue of his office acts as provisional liquidator, to applications for the sanction of a compromise and to the method of removal of defunct societies from the Register.

(24) Societies carrying on banking business must comply with the provisions of the Banking Ordinance, 1921.

(25) The High Commissioner has powers to exempt societies from any of the provisions of the Ordinance. The Registrar also may grant temporary exemptions.

(26) The High Commissioner and the Registrar have powers to make regulations to carry out the purposes of the Ordinance.

(27) With the approval of the Registrar societies may amalgamate with each other or may transfer their assets to each other without dissolution, subject to their compliance with a certain procedure.

The Cooperative Societies Ordinance 1933 has since been further amended in 1935 and again in 1936 with reference to the working of the provisions dealing with the creation and registration of charges. The amendments enlarge the items which a member may charge to his society so as to include marine produce, fishing implements, boats, tackle and nets and generally all produce of labour and things used in connection with production. Societies are given power to charge movable and immovable property in possession or in action, present or future, including their unpaid share capital and goodwill, by way of security, by the issue of debentures. In 1937 the Cooperative Societies Ordinance was amended with a view to providing for the exemption of societies carrying on insurance of a non-profit making nature from the requirements of deposits which apply to Insurance Companies.

4. PROGRESS. OF MOVEMENT.

The general progress of cooperation in Palestine since 1921 is indicated in the following table.

TABLE I. COOPERATIVE SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND OWN AND BORROWED RESOURCES DURING THE YEARS 1921—1937.

YEARS	No. of societies on register				No. of societies included in this table				No. of members	Own resources		Borrowed resources		Total resources
	Jewish	Arab	Others	Total	Jewish	Arab	Others	Total		Share capital	Reserves	Deposits	Creditors for loans etc.	
										£P.	£P.	£P.	£P.	£P.
1921	13	—	—	13	1	—	—	1	796	1,970	1,024	1,705	15,806	20,505
1922	33	—	—	33	10	—	—	10	6,735	12,641	11,019	43,263	75,478	142,401
1923	42	—	1	43	16	—	—	16	8,569	35,508	19,055	48,564	195,884	299,011
1924	65	1	1	67	30	—	—	30	14,781	70,854	54,343	123,006	255,082	503,285
1925	122	1	1	124	51	—	—	51	40,460	140,133	133,708	232,301	450,995	957,137
1926	145	1	1	147	71	—	1	72	52,541	174,151	141,492	204,448	601,043	1,121,134
1927	171	—	1	172	87	—	1	88	56,034	204,566	147,315	198,353	579,463	1,129,697
1928	198	—	1	199	104	—	1	105	62,624	239,694	179,437	325,611	595,960	1,340,702
1929	221	—	2	223	137	—	1	138	68,965	267,232	276,993	467,658	1,093,087	2,104,970
1930	261	1	3	265	154	—	2	156	75,413	290,393	327,456	587,547	1,230,189	2,435,585
1931	303	1	4	308	180	—	3	183	81,929	336,005	426,997	687,640	1,352,653	2,803,295
1932	376	3	4	383	210	—	3	213	93,540	383,132	519,469	1,116,595	1,469,947	3,489,143
1933	474	26	4	504	288	21	4	313	120,490	500,890	754,449	1,926,459	2,112,757	5,294,555
1934	543	50	7	600	352	41	5	398	149,860	705,030	951,039	3,027,812	3,029,621	7,713,502
1935	692	74	7	773	480	69	7	556	197,437	1,115,356	1,253,617	2,842,882	4,507,382	9,719,237
1936	770	74	8	852	610	68	6	684	223,796	1,377,095	1,660,224	3,161,458	5,113,399	11,312,176
1937	871	127	8	1006	694	124	6	824	248,793	1,592,857	1,832,326	3,163,799	6,210,673	12,799,655

The figures in the above table are based on balance sheets and annual returns of societies which were active during the periods stated and whose financial years end at various dates within the year.

It should be observed that societies are usually required to submit returns after the lapse of 18 months from the date of registration. But in view of the fact that not all societies begin operations immediately after registration longer periods frequently elapse before the returns are received. During the years 1921 to 1933 the number of societies which were late in commencing operations after registration was particularly large.

The figures in the above table point to a steady growth during the past 17 years. They also show clearly that even under the early legislation, when Government policy was merely passive, the Jewish community proved competent to organise societies. This was not the case with the Arab community.

It will be convenient therefore to describe the progress of the movement in two stages namely :—

- (a) Progress of the Jewish movement prior to 1933.
- (b) Progress of the movement between 1933 and 1937.

Before doing this it is necessary, however, to explain the causes and reasons which brought about such development and for this purpose a concise survey of the social and economic structure of the various communities in Palestine is given, as without such description it will be difficult to appreciate the difference in the attitude of these communities towards cooperation.

The population of Palestine is composed chiefly of three communities:— Moslem, Jewish and Christian, in order of numbers. These three communities are virtually worlds apart and have little in common. Indeed they probably show more variety in types, mode of life, and culture than the population in any other country of comparable size.

The structure of the Moslem community is, as defined by the Royal Commission, quasi-feudal. The leaders are a small aristocracy of wealthy land owners. Next in the social scale comes a middle class of professional and business men in the towns and some prosperous owner-cultivators in the rural areas. But these two classes are small. The majority of the Moslem population consists of peasants (fellaheen). Some of the fellaheen own their land, and some are tenants or cultivators on the estates of other land owners. Last of all come the Bedouin, mainly nomadic and largely pastoral, but who engage increasingly in primitive agriculture. The Moslem landlords and the middle class are composed mainly of men who have acquired a varying degree of education. The majority of the peasantry and Bedouin is illiterate. In spite of their illiteracy, the fellaheen are intelligent and possess an elaborate social organisation, which contains many admirable features. They have their system of law and justice, of ownership, of morals, of village administration and, notably, of mutual aid. As an example one may mention the collective methods of borrowing through the medium of the "Kafala Mutasalsila" or "mutual bond" which is as old as the Arab village itself. This takes the form of a promissory note issued by one person and endorsed by others. A loan is raised against the security of this mutual bond and the proceeds thereof are divided in agreed proportions between the signatories. This "Kafala Mutasalsila" forms an excellent foundation for a cooperative credit society. In addition, there are the common ownership of cultivable lands, grazing grounds, threshing floors, water wells, water wheels, animals for raising barbers. These institutions, sanctioned by long tradition, have enabled the fellaheen to survive many hardships.

In considering the economic condition of the Moslem community it may be said that the aristocracy is fairly wealthy even though their properties are sometimes heavily encumbered. The middle class of professional and business men also enjoy a certain degree of prosperity. Some engage in small industries, but a large part of their income is derived from trading with the fellaheen whose modest requirements they supply on credit and against the security of their crops.

The fellaheen, on the other hand, are generally very poor. An air of poverty and depression pervades most Arab villages. The fellah bears a heavy load of debts which robs him of most of his earnings and deprives him of the capital required for the amelioration of his land or the improvement of his crops. Any additional effort made, merely increases the usurer's share in the produce but does not benefit the cultivator himself to any great extent. The reasons for this state of chronic poverty and indebtedness are many: poor soil, lack of water, lack of knowledge of intensive methods of cultivation, bad means of communication with the towns, unsuitable marketing arrangements, frequent bad seasons and failures of crops, an antiquated land system, insecurity of tenure, unsuitable methods of taxation and of the collection of taxes. Some of these causes have been remedied, many have not and in the nature of things cannot be. In addition to these external reasons there are other reasons for the poverty of the fellah which are inherent in his character and approach to life. The Palestine fellah is placid by temperament but prone to fierce personal and family quarrels. He is easily swept by passion or panic into a state of unreasoning excitement. The basis of his organisation is the clan. The boundaries of his world are the confines of his own village. Beyond these confines is a world, unknown and hostile. It is noteworthy that at no point in the history of Palestine is there any evidence of collaboration

between several Arab villages in any constructive undertaking. The situation is further aggravated by the fact that the fellah has no trust in any Government. Every action of the "hukuma" (Government) is regarded by him as a trick to extort more taxation or to attain some other malicious end. Extortion and maladministration extending over many generations have had their inevitable effect. The combination of these factors have reduced the fellaheen to a state of overwhelming poverty. The majority of them are hopelessly encumbered and, to all intents and purposes, insolvent. Government has provided temporary relief by means of loans, subsidies, or reduced taxation. But it is recognised that fundamental changes are imperative if the fallah's position is to be improved permanently. His character must be stabilised and he has to gain the confidence that he can be helped if only he will learn to help himself first, control his instincts and persist in any given effort. But it is too much to expect that a downtrodden and oppressed peasantry can find its way to salvation alone and unaided. Reformers were needed to take the lead, but in view of the absence of cohesion between the classes the fellah was left to his own devices in a state of utter stagnation.

It will be seen later that when Government decided to accept cooperation as a definite policy and to give the peasantry the proper guidance, the fellah responded willingly. As it was, the cooperative legislation remained to them a dead letter: a law and nothing but a law. The uninstructed peasantry naturally took no advantage of the opportunities offered by the law for a voluntary association of persons with common interests for purposes of mutual help and no societies were formed in Arab villages. In the towns, a few societies of transport workers and of citrus exporters and shippers were registered. Partly through lack of guidance and partly through lack of persistence and mutual confidence on the part of the members, these societies made no progress. They dragged out a precarious existence for several years until, in the end, they were liquidated.

It is customary to apply the term "Arab" to the Moslem and also to a large part of the Christian community of Palestine, and to regard the problems of the communities — whether political, civil or economic — as identical. There are however great differences between the two communities, not only in the structure of society, but also in the standard of education, temper, outlook on life, and general economics. The majority of the members of the Christian community belong to the class of professional and business men and only a minority engage in agriculture. Their standard of education is generally high; they occupy numerous offices in the administration of the country and on the average enjoy a higher degree of prosperity and are also more provident than the members of the Moslem community. In economic matters at least, they have displayed greater ability and more cohesion between groups and individuals. In spite of these characteristics there has been little response from the Arabic speaking Christians to the idea of cooperation. This attitude may be attributed to two causes:— firstly to the absence of leaders who take an active interest in the economic and social problems of the community; and secondly to the conservative character of the members of the community generally.

Only one section of the non-Jewish community, namely the German Templars, realised the advantages of cooperation and succeeded in developing several flourishing societies for the sale of agricultural products and the development of residential quarters. The German Templars came to Palestine in the second half of the 19th Century. They were the members of a sect of religious reformers in Wurtemberg who aimed at starting in Palestine a new life in which every member could practice pure Christianity undisturbed by State or Church. Their first settlement in the Plain of Esdraelon was a failure and the majority of the settlers succumbed to malaria. In 1868 a wave of new settlers arrived. They built up the German colony at Haifa. This was followed in 1869 by the German colony in Jaffa, in 1871 by the agricultural settlement of Sarona and in 1872 by the German colony in Jerusalem. Between 1902 and 1907 three more agricultural settlements were started (Wilhelma near Jaffa, Bethlehem and Waldheim near Nazareth). The position of German societies at the end of 1937 is indicated in the following table:—

TABLE II. MEMBERSHIP, OWN AND BORROWED RESOURCES AND ASSETS IN GERMAN SOCIETIES AT THE END OF 1937.

No. of Societies	No. of members	Share capital	Reserves	Deposits	Creditors for loans etc.	Cash & Bankers	Sundry debtors	Stock in trade	Movable property	Im-movable property
		LP.	LP.	LP.	LP.	LP.	LP.	LP.	LP.	LP.
5	139	33,381	12,493	13,191	22,041	1,065	18,258	5,050	2,353	54,380

The Jewish community is closely knit. It consists of Jews who lived in Palestine before the war and of those who immigrated into Palestine after the war. The Jewish immigrants came from a variety of different countries and represent all classes and activities. To quote from Sir Herbert Samuel's (now Lord Samuel of Mount Carmel) review of his five years' administration:—

"There are rabbis and laymen to whom the ancient religion is alone of importance, and in whose lives the study of the Law and ritual requirements are the chief concern..... There are eager young workers, essentially modern, who have rejected the letter, though they often retain the spirit, of the religion; intellectual, they are nevertheless keen to engage in manual work in the upbuilding of the country; they may be inspired by the past, but they live actively in the present, and are moving consciously towards a planned future. Between these types there is every gradation and combination of creed and outlook."

“There are in Palestine Oriental Jews from Bokhara and Persia and ‘Iraq, and there are University men and women from New York and Chicago. There are Jews from the Yemen.....good craftsmen in silver and ivory or good labourers on the farms; and there are agricultural experts from the colleges of France, engineers from Germany, bankers from Holland, manufacturers and merchants from Poland and Russia. There are students and writers, doctors and lawyers, architects and musicians, organisers and social workers, from Eastern Europe and Western, from Asia and America.....”

“Taking a general view, it may be said that at least one half of the present Jewish population come from Eastern Europe; that those who are strictly orthodox in religion are a minority, and the mass lie between; that the majority are politically inclined, and progressive in their views; that communists are few, and those who may be regarded as revolutionary or “bol-shevist” are a group negligible in number; and that three fourths of this population live at present in the towns and one fourth in the agricultural colonies.”

This description holds good even today. This community has in Palestine elaborate machinery for financing and controlling its colonising activities. In other countries also many organisations exist to assist the Jewish community in the development of its social and economic institutions. The Jews accepted cooperation almost too readily. They introduced the cooperative principle into every aspect of their life. They formed societies for credit, for agricultural settlements, for processing and marketing of dairy products, wine, oranges, almonds and tobacco, for consumers and for producers. They established cooperative restaurants, theatres and schools. They organised societies for packing houses, for irrigation and for transport. They developed large suburbs on a cooperative basis and organised contracting societies for building and agricultural development on a large scale. Cooperation even penetrated the field of insurance in all its branches.

The reasons for this readiness and willingness on the part of the Jewish community to adopt cooperative forms of organisation have been variously explained. Some students suggest that this tendency is due to the influence of the countries from where a large portion of the Jews have come, namely Poland and Russia, where cooperation has flourished for many generations. Others maintain that a pioneer community could achieve more rapid success by collective enterprise. It has also been argued that the physical characteristics of Palestine are such as to encourage cooperation of one sort or another among a community engaged in work of colonisation. Other explanations were that the simplicity of form in the management of a cooperative society attracts the members of the Jewish population who are engaged in small scale enterprises. The stock company and other forms of incorporation are too complicated for the small man and too costly for a small enterprise. Besides, there is the strong inclination of the Jew to manage his own affairs rather than to entrust the management to others. This he could do without limitation in a cooperative society. Thus it will be found that the managers of the majority of the Jewish societies, even those requiring special qualifications, are members of the societies themselves rather than experts from outside. The principle of arbitration in the case of disputes between members, inherent in cooperative societies, has also a great appeal to the Jewish community. Although prone to litigation, the Jew prefers a court of arbitration to any court of justice and in all the Jewish cooperative societies arbitration is the accepted method of settling disputes.

While all these explanations between them are essentially right it must be stated that the real credit for the rapid and steady development of the Jewish cooperative movement is largely due to certain Jewish institutions and organisations and to numerous active and unselfish leaders who took the initiative in the formation of societies and helped them in the early years of their existence. The institutions mainly concerned are:—

- Palestine Jewish Colonisation Association (P.I.C.A.)
- The Anglo Palestine Company Limited
- The Central Bank of Cooperative Institutions in Palestine Limited
- The Jewish Federation of Labour
- The Jewish Farmers Federation.

A description of the activities of these bodies in relation to cooperation appears later in this report. Here it is only necessary to state that the policies and activities of these bodies operated with great force upon the advancement of the movement among the Jewish population. The Jewish Federation of Labour accepted cooperation as the economic form best suited to disciples of socialism in the organisation of their mode of life. They built up and maintain a number of central organisations with the object of fostering cooperation and assisting primary societies of members of their Federation during the early stages of their development.

The Jewish Farmers Federation also recognised cooperative organisation as the most suitable method for developing a sound agricultural policy and as the best solution for problems of marketing, farm credit and other farm undertakings requiring large investments. They did a great deal to encourage their members to adopt cooperative methods.

The Central Bank of Cooperative Institutions in Palestine Limited placed at the disposal of the growing movement large and very much needed funds and in basing their help on the principle that cooperation must also be “sound economics” have rendered good service to the movement.

The Anglo Palestine Company and P.I.C.A. actually started the first societies in Palestine and were directly responsible for their management for a number of years.

The list of Jewish cooperative leaders is too long to be recorded but special mention must be made in this report of the late Mr. S. Rokach, pioneer in citrus marketing cooperation and the late Mr. M.B. Hillel Hacohen, pioneer of the urban credit movement.

PROGRESS OF THE JEWISH MOVEMENT PRIOR TO 1933.

The general progress of Jewish societies between the years 1921 and 1932 is indicated in the following table:—

TABLE II. JEWISH SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND OWN AND BORROWED RESOURCES DURING THE YEARS 1921—1932.

YEARS	No. of societies on register	No. of societies included in this table	No. of members	Own resources		Borrowed resources		Total resources
				Share capital	Reserves	Deposits	Creditors for loans etc.	
				£P.	£P.	£P.	£P.	£P.
1921	13	1	796	1,970	1,024	1,705	15,806	20,505
1922	33	10	6,735	12,641	11,019	43,263	75,478	142,401
1923	42	16	8,569	35,508	19,055	48,564	195,884	299,011
1924	65	30	14,781	70,854	54,343	123,006	255,082	503,285
1925	122	51	40,460	140,133	133,708	232,301	450,995	957,137
1926	145	71	52,501	166,672	141,492	204,448	598,942	1,111,554
1927	171	87	55,995	190,813	146,876	198,353	576,485	1,112,527
1928	198	104	62,587	225,215	178,946	325,611	594,180	1,323,952
1929	221	137	68,922	250,043	276,440	467,658	1,090,187	2,084,328
1930	261	154	75,359	269,020	321,292	587,547	1,226,801	2,404,660
1931	303	180	81,835	313,025	418,899	687,640	1,338,324	2,757,888
1932	376	210	93,445	360,153	509,947	1,116,595	1,453,795	3,440,490

It has already been stated that the Jewish Community had organised several undertakings on a cooperative basis in the days preceding the British occupation. Of these pre-war organisations no records exist. It is only known that they included isolated organisations for collective marketing of certain agricultural products (oranges, wine, almonds and milk), credit and thrift institutions, organisations of consumers and industrial producers and societies for joint guarding of rural properties and for pumping of water. The initiators of these organisations were the Anglo Palestine Company and the Palestine Jewish Colonisation Association (Pica). The first named Company was the financial instrument of the Zionist movement in Palestine and as such was interested in assisting the members of the Jewish community in their economic undertakings. The Pica was the colonising instrument of Baron E. de Rothschild and as such had a direct interest in the creation of organisations for the marketing of agricultural products of Jewish settlements. The collective organisations thus formed were not formally registered but functioned as branches of the Anglo Palestine Company. They had all the characteristics of cooperative societies, such as joint and several liability of members and definite contractual undertakings for purchase or sale through the organisation. But they were not autonomous in management. Some of these organisations survived and are functioning to day as registered societies; others have disappeared as a result of changing conditions.

In 1921 the first societies commenced to register under the Cooperative Societies Ordinance of 1920.

During this year thirteen societies were registered namely:—

Credit and Thrift Societies	5
Development of Suburbs Societies	4
Collective Settlement Societies	1
Agricultural Marketing Societies	1
Miscellaneous Agricultural Societies	1
Wholesale Societies	1

Of the credit societies two were in towns and three in rural areas. Four of the five credit and thrift societies were already in existence as unregistered bodies for several years prior to registration. One of these societies has since been struck off. Of the four societies for the

development of suburbs all but one have ceased to exist and have been struck off. Both the society for the development of an agricultural settlement and for the marketing of agricultural products (almonds) had operated as cooperative bodies prior to registration. The last named society has since been struck off, as the cultivation of almonds has been abandoned in its area of operation and replaced by other crops. The miscellaneous agricultural society had the object of serving the demobilised Jewish soldiers in all their common interests. But this society and the wholesale society for the sale and purchase of all kinds of products and goods are no longer in existence and have been struck off the register.

In 1922 a total of twenty societies were registered namely :—

Credit and Thrift Societies	5
Development of Suburbs Societies	9
Miscellaneous Housing Societies	3
Cattle Insurance Societies	1
Smallholders Settlement Societies	2

Several of the societies for the development of suburbs had as their main object the development of commercial centres and market places. One of these societies, which still exists, aimed at the establishment of a small holders suburb. Five of these societies have since been struck off. Of the credit societies three were in rural areas and two in towns. The cattle insurance society has since developed into the largest cattle insurance society in the country and its area of operation includes the whole of Palestine. It is described in detail later in this Report.

In 1923 ten Jewish societies were registered namely :—

Credit and Thrift Societies	4
Development of Suburbs Societies	3
Copartnerships of Labour	1
Contracting Societies	1
General Agricultural Societies	1

Of the credit societies three were in towns and one in a rural area. One of the credit societies was established for the purpose of providing credit facilities for young Jewish farmers all over Palestine. One society for the development of suburbs aimed at the development of a commercial centre and has since amalgamated with another society of this type. Another was of a type which is known in European cooperation as a "family cooperative". It has since been struck off. The co-partnership of labour represented an organisation of the employees and staff of a Hebrew daily newspaper and has been struck off since. The contracting society, which is also no longer in existence was a novel organisation of a group of Jewish labourers in various occupations. It registered under the name of Gedud Avoda (Labour Battalion) and its objects were to contract for all kinds of manual labour and to pool the earnings amongst its members. The members of this society lived in communal camps, ate in communal kitchens and generally aimed at the establishment of a complete communistic society in miniature. The general agricultural society represented an organisation of the Jewish farmers in lower Galilee and was a general purpose society.

The year 1924 witnessed an increase in the number as well as in the variety of Jewish societies registered. The total number of societies registered during that year amounted to twenty three namely :—

Credit and Thrift Societies	5
Development of Suburbs Societies	5
Miscellaneous Housing Societies	1
Co-partnerships of Labour	2
Citrus Fruit Marketing Societies	1
Tobacco Marketing Societies	1
Miscellaneous Marketing Societies	1
Smallholders Settlement Societies	1
Union of Credit Societies	2
Central Settlement Society	1
Miscellaneous Societies	1
Contracting Societies	1
	2

Three of the credit societies registered in 1924 were in rural and two in urban areas. One of the latter (Credit Society at Hebron) has since been struck off because of the exodus of the Jewish population from that town. Some of the societies established in 1924 for the development of suburbs have developed large and flourishing suburbs in Jerusalem (Beit Hakerem), and Haifa (Ahuza Sir Herbert Samuel). Five of the societies have since been struck off. The co-partnerships of labour consisted of printers and mechanics. The printing press managed by the first society is still one of the large printing houses in Palestine. The second society ceased to exist and has been struck off. One of the contracting societies, started under the auspices of the General Federation of Jewish Labour, was for a time one of the largest undertakings in Palestine and reached a tremendous turnover during the peak years of 1925-1930. It engaged in building and road construction and many of the largest constructions in the country were carried out by this society. Owing to shortage of funds and as a result of its engaging in activities outside its prescribed objects, such as the training of unskilled labourers at its own expense, it failed in the end and has been struck off. The other contracting society was a parallel organisation of Jewish orthodox labour. It survived only for a short period and has since been struck off. The society for the marketing of citrus fruit registered in 1924 (Pardess) had been operating as an unregistered body since 1896. With the expansion of the citrus industry this society has become the largest citrus marketing society in the country. A description of this society appears later in this report. The society for marketing of tobacco does not exist any longer and has been struck off. The miscellaneous marketing society was started under the auspices of the Jewish Farmers Organisation. It was intended to serve as a central wholesale society for the farming community. It failed to accomplish its end and has since been struck off. The central union of credit societies (Mercaz) is described later in this report. Its main objects on registration were to act as a representative body of credit societies and to undertake the audit of their accounts. It could not register as an audit union because the Cooperative Societies Ordinance 1920 did not provide for audit unions. It changed its rules and status in 1934 under the new legislation. The central organisation for the establishment of agricultural labour settlements (Nir) was started under the auspices of the General Federation of Jewish Labour with the object of serving as a central society for the primary settlement societies of members of the Federation. Its functions are to select the settlers, and to obtain the land and the means for their settlement. One of the miscellaneous societies registered in 1924 is the 'Hevrat Haovdim Haivrim' (The Society of Jewish Labourers) which in effect is the juristic body of the General Federation of Jewish Labour. A full description of the activities of this society appears elsewhere in this report.

1925 was a year of great activity in urban development in Palestine and this is reflected in the large number of societies for the development of suburbs which were registered during that year. The total number of societies registered during 1925 amounted to 57 namely:—

Credit and Thrift Societies	12
Development of Suburbs Societies	27
Miscellaneous Housing Societies	1
Cooperative Apartment Houses	1
Marketing Societies	3
General Agricultural Societies	2
Miscellaneous Agricultural Societies	1
Smallholders Settlement Societies	3
Co-partnerships of Labour	6
Miscellaneous Societies	1

Of the societies for the development of suburbs, seventeen have since ceased to exist and have been struck off. The nine societies for agricultural purposes included societies for the sale of agricultural products (citrus, almonds and tobacco), sale and purchase of agricultural requirements, animal husbandry, and smallholders settlements. Four of these societies have since been struck off. The copartnerships of labour included societies of boot-makers, carpenters, printers, transport workers, tinsmiths and textile workers. All these societies, except the society of printers and textile workers, have ceased to exist and have been struck off. Of the twelve societies for credit and thrift eight were in rural and the balance in urban areas. Among these credit societies are included the first labour credit societies registered in Jerusalem, Tel Aviv and Haifa respectively. The unique characteristics of these labour credit societies are described elsewhere in this report. One of the rural societies never commenced operations and has been struck off. A second rural society has since amalgamated with a general agricultural society in the same locality. The society registered during this year for miscellaneous purposes ceased to exist and has been struck off.

In 1926 there was a decline in the number of societies registered. The total being 27 societies namely :—

Credit and Thrift Societies	6
Development of Suburbs Societies	10
Miscellaneous Housing Societies	4
General Agricultural Societies	2
Co-partnerships of Labour	5

Of the six societies for credit and thrift two were in urban and four in rural areas. The two general agricultural societies were societies for purchase and sale. One of the co-partnerships of labour consisted of opera singers.

In 1927, 28 societies were registered namely :—

Credit and Thrift Societies	7
Collective Settlement Societies	6
Mixed Marketing Societies	7
Development of Suburbs Societies	4
Miscellaneous Housing Societies	1
Co-partnerships of Labour	2
Societies for Processing and Marketing of Wine	1

Of the seven mixed marketing societies all but one have since ceased to exist and have been struck off. Of the credit and thrift societies six were in rural areas and one in a town. The latter has never commenced operations and has been struck off together with one of the rural societies which ceased to function. All the societies for the development of suburbs have been struck off. The two co-partnerships of labour have since been struck off. A description of the society for processing and marketing of wine appears later in this report.

In 1928, 27 societies were registered namely :—

Credit and Thrift Societies	4
Collective Settlement Societies	5
Co-partnerships of Labour	7
Cattle Insurance Societies	1
Mixed Marketing Societies	1
General Agricultural Societies	1
Development of Suburbs Societies	5
Agricultural Contracting Societies	1
Central Marketing Societies	2

Of the four societies for credit and thrift three were in towns and one in a rural centre. Of the seven co-partnerships of labour, two were for the transport of passengers. The contracting society for agricultural work (Yakhin) and the two central marketing organisations (Tnuva) are described elsewhere in this report.

Two new types of societies appear among the 23 Jewish societies registered during 1929 namely consumers and irrigation societies. There is also a society of actors (Habima). The distribution of societies for that year is as follows :—

Credit and Thrift Societies	7
Irrigation and Water Supply Societies	2
Co-partnerships of Labour	7
Consumers Societies	1
General Agricultural Societies	2
Central Marketing Societies	1
Collective Settlement Societies	1
Development of Suburbs Societies	2

An upward trend again set in in 1930 when 42 Jewish societies were registered. The variety was also increased in that year by the registration of a cooperative packing house, cooperative

restaurants and labour kitchens, a building club, a central whole-sale society, a life insurance society and a number of consumers societies. Societies registered during the year were distributed as follows :—

Credit and Thrift Societies	10
Consumers Societies	6
Development of Suburbs Societies	2
Miscellaneous Housing Societies	2
Co-partnerships of Labour including Cooperative Restaurants and Kitchens	11
Agricultural Societies	8
Contracting Societies	1
Life Insurance Societies	1
Central Wholesale Societies	1

The life insurance society serves the members of an urban credit society and works on an assessment system. A description of the central wholesale society appears later in the report. The co-partnerships of labour included six transport societies. The agricultural societies included a society for the growing and marketing of bananas, two collective settlements and one citrus packing house.

The expansion which commenced in 1930 continued in 1931 when 47 Jewish societies were registered. New types of societies registered during this year consisted of workers housing societies and a union of central marketing societies. A description of the activities of these societies will be found elsewhere in the report. The distribution of societies registered during 1931 was as follows :—

Credit and Thrift Societies	5
Collective Settlement Societies	7
Smallholders Settlement Societies	8
Agricultural Contracting Societies	1
Cattle Insurance Societies	2
General Agricultural Societies	1
Irrigation and Water Supply Societies	3
Citrus Marketing Societies	1
Miscellaneous Agricultural Societies	1
Union of Central Marketing Societies	1
Co-partnerships of Labour	9
Miscellaneous Housing Societies	1
Workers Housing Societies	1
Consumers Societies	5
Mutual Insurance Societies	1

The agricultural contracting society contracts for the packing of citrus fruit.

1932 exceeded all previous years in the number of societies registered, the total being 76 societies. The outstanding feature of the year was the registration of a large number of citrus marketing societies, the registration of a central bank of credit societies (Bank Zerubabel), of an agricultural mortgage bank and the registration of a new type of housing society. In addition, the transport societies of the Southern District formed a central society for the collective purchase of requirements. The agricultural societies included one society for processing of citrus by-products.

The distribution of societies formed during 1932 is as follows:—

Citrus Marketing Societies	10
Credit and Thrift Societies	10
Central Bank of Credit Societies	1
Collective Settlement Societies	11
Smallholders Settlement Societies	10
Agricultural Contracting Societies	1
Irrigation and Water Supply Societies	3
Miscellaneous Agricultural Societies	2
Development of Suburbs Societies	3
Workers Housing Societies	4
Miscellaneous Housing Societies	1
Co-partnerships of Labour	14
Contracting Societies	1
Consumers Societies	3
Insurance Societies	1
Central Society for Transport Societies	1

At the close of 1932 and on the eve of the introduction by Government of a new cooperative policy as recommended by Mr. C.F. Strickland the position of the Jewish movement was as follows:—

The total number of societies registered in the course of the 12 years numbered 393. The total number of societies struck off during that period numbered 17. The 376 societies existing at the end of that period may conveniently be classified as follows:—

1. Urban Credit and Thrift Societies	29
2. Rural Credit and Thrift Societies	49
3. Central and Agricultural Mortgage Banks	2
4. Local Societies for the Marketing of Agricultural Products	24
5. Central Societies for the Marketing of Agricultural Products	5
6. Collective Settlement Societies	33
7. Smallholders Settlement Societies	27
8. Central Societies for Development of Agricultural Settlements	1
9. General Agricultural Societies	9
10. Irrigation and Water Supply Societies	10
11. Cattle Insurance Societies	4
12. Agricultural Contracting Societies	3
13. Miscellaneous Agricultural Societies	6
14. Societies for the Development of Suburbs and Housing Societies	88
15. Co-partnerships of Labour and Service Societies	59
16. Contracting Societies	4
17. Insurance Societies	3
18. Societies for Miscellaneous Purposes	3
19. Consumers and Central Wholesale Societies	17
TOTAL	376

About 23.4% of all societies registered were societies for the development of suburbs, over 32.4% were societies for various agricultural purposes, about 21.3% were societies for credit and thrift, 16.7% were societies of industrial producers, co-partnerships of labour and of service 4.5% were consumers societies and about 1.7% other types of societies.

On the whole the Jewish societies were well organised. Sir John Hope Simpson, who arrived in Palestine in 1930 to conduct an enquiry into the prospects of introducing improved methods of cultivation in Palestine, reported that the Jewish cooperative movement had "not only been successfully launched amongst the Jewish population, but has already become a highly important economic factor in its daily life. On the whole the societies are extremely well managed. There can be no doubt that the societies are doing magnificent work and are a valuable asset both to the villages and to the residents in the towns." Nevertheless the movement had certain shortcomings. Lacking proper control by the Registrar and unified self-guidance, and driven by the stress of circumstances in a pioneer community, the Jewish movement did not always adhere to the sound rules evolved by cooperative experience based on accepted principles. There was too much experimenting with cooperative principles. Due regard was not paid to the accepted doctrines based on the experience of other countries. Jewish cooperators were concerned too much with making practical adjustments in a makeshift, changing social order. Business on hand always seemed to be pressing and it was difficult to think in long range terms. The Jewish national institutions and financial organisations which assisted the movement during the early stages of its development, could do very little toward keeping this rapid flow to its proper course. In many cases general principles were made to give way to the necessity of solving local problems. As a result a number of unorthodox practices were allowed to creep into the Jewish movement. A few instances of the more common practices are enumerated below :—

1. Loans from one primary society to another ;
2. Membership in more than one credit society ;
3. Issue of loans on the security of immovable property ;
4. Issue of lottery bonds to attract deposits ;
5. Admission of paid managers to the committees of management ;
6. Admission of non residents as members ;
7. Failure to audit accounts and to submit balance sheets ;
8. Formation of single societies for a multitude of purposes.

Few of these practices are countenanced in any properly conducted cooperative movement and from occasional comments published it appears that many Jewish cooperators in Palestine were distressed at the errors of their movement. Under the existing policy of Government they were unable, however, to take corrective measures.

This was the position of the Jewish movement at the end of 1932 when the Palestine Government decided to adopt the recommendation of Mr. Strickland and to accept cooperation as a definite policy.

Mr. C.F. Strickland of the Indian Civil Service came to Palestine in 1930 to study the possibilities of introducing a system of agricultural cooperation in the country. His invitation to carry out this enquiry resulted from a recommendation of a committee appointed by the Government in 1930 to inquire into the economic conditions of the agricultural population. This committee had recommended that Government should provide credit facilities to farmers but that loans should normally be given through the medium of a village group of a cooperative nature. Mr. Strickland was to study this problem on the spot. He made a full examination of the question of cooperation and submitted his report at the end of 1930. The main points of Mr. Strickland's report are summarised below :—

DEVELOPMENT OF ARAB SOCIETIES.

(1) Mr. Strickland argued that no serious attempt at agricultural improvement can be made until the fellah has been relieved of his debts or made to realise that a sustained effort can relieve him of them in the end. What was needed was a stabilisation of his character.

(2) Cooperative credit societies must be the first stage on this road. The first essential for the organisation of the fellah is to provide him with current resources through cooperative credit societies, postponing the clearance of his debt and, by means of the society, slowly shaping his character over a period of years. The system of cooperation which he recommended is known elsewhere as the "Raiffeisen" society, characterised by circumscribed operations, modest contributions toward the share capital, equality of voting power, unlimited liability and careful internal control over the borrowings and repayments. This system can afford the Arab villager a means of drawing together the threads of his social and economic life within the village.

(3) He advised against the immediate formation of a cooperative bank. By his scheme credit societies were to obtain assistance in the earlier years of their existence either from Government or from the commercial banks.

(4) He suggested that a trained Registrar should be appointed, that he should be given wide powers in a new law and entrusted with the technical organisation and the supervision of the societies to be constituted. He advised that the Registrar should be delegated to visit several selected countries for the purpose of examining rural conditions and the co-operative movement, and that a staff of inspectors should work under him.

(5) He stressed the necessity for the Registrar to proceed with caution, and that no questionable societies should be registered hastily.

IMPROVEMENT OF JEWISH MOVEMENT.

(6) He advised that the Registrar should exercise his powers over Jewish societies in a manner different from Arab societies. What is required in the case of the Jewish community is a more efficient auditing system and a stricter regulation of those societies which are not truly cooperative. The Jewish societies should form Audit Unions. In addition, a Jewish Cooperative Council should be established to assist the Registrar and the movement.

These are the cardinal points in Mr. Strickland's report. On the basis of these assumptions he laid down a definite policy which Government was advised to pursue with a view to introducing cooperation among the Arabs and controlling the Jewish movement. His report dealt with other aspects of cooperation but in the main tried to impress upon Government the need for an active and definite policy. An invisible Registrar for passive observation and a policy of amicable aloofness would not encourage the Arab to display initiative nor would it be useful to the Jewish amateur. The Arab population was to be given the benefits of cooperation by persuasion, propaganda, and even compulsion. The Jewish movement was to be allowed to continue its vigorous growth under proper control and guidance. The Arab movement was to be limited at first to cooperative credit in villages and towns. Cooperative marketing and other more advanced forms of cooperation or agricultural organisation, requiring a broader outlook, mutual confidence and a high degree of loyalty, should be postponed until the character of the members reaches a certain level of stability. At the same time, the principles governing such advanced forms of cooperation, if and when introduced, were clearly defined.

Mr. Strickland did not overlook the difficulties involved in the formulation of a uniform policy for Palestine with its diverse population, so varied in status, in mode of life and in outlook. But he was hopeful and he based his hopes on the inherent good qualities of the fellaheen. He felt that, despite their present condition, they were the stuff from which co-operators are made and he believed that a wholehearted attempt on the part of Government would be rewarded in the end. The recommendations of Mr. Strickland made it clear that before the Registrar could proceed, a thorough revision of the Cooperative Societies Ordinance was essential. This revision presented a complicated and puzzling task. Communities of different outlook and different social and economic conditions had to be classified under a single law. In order to achieve this successfully, provision had to be made in the Ordinance for the Registrar to be given curious options so that he should be free to adapt his procedure to the temperament and customs of those with whom he was dealing. The new law was not to regard a Cooperative Society as an ordinary corporate body. Few appeals against the orders of the Registrar were to be allowed and those appeals were to lie to an executive and not to a judicial authority.

The Palestine Government accepted the recommendations of Mr. C.F. Strickland almost in their entirety, and set up a Cooperative Societies Department which commenced to function in 1933. Mr. F.G. Lowick, an officer of wide and varied experience in the Palestine Administration was selected for the post of Registrar of Cooperative Societies. He was sent to several European countries to study cooperation and on his return Jewish and Arab Inspectors were provisionally recruited.

Mr. C.F. Strickland again came to Palestine in 1933 to advise the Registrar as to the first steps necessary for the formation of cooperative societies among the Arabs and for the improvement and promotion of the Jewish cooperative movement. He also assisted in the revision of the cooperative legislation. The new Ordinance was enacted in December, 1933, and thereupon the cooperative movement, both Jewish and Arab, entered upon a new phase of development. It will be convenient to describe the new developments of the two movements separately.

PROGRESS OF JEWISH MOVEMENT SUBSEQUENT TO 1933.

The progress of the Jewish societies during the years 1933-1937 is indicated in the following table :

TABLE IV. JEWISH SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND OWN AND BORROWED RESOURCES DURING THE YEARS 1933—1937.

YEARS	No. of societies on register	No. of societies included in this table	No. of members	Own resources		Borrowed resources		Total resources
				Share capital	Reserves	Deposits	Creditors for loans etc.	
				£P.	£P.	£P.	£P.	
1933	474	288	119,981	461,761	741,075	1,922,973	2,077,144	5,202,953
1934	543	352	148,451	658,108	928,799	3,014,608	2,966,168	7,567,683
1935	692	480	194,586	1,069,932	1,226,995	2,829,189	4,420,265	9,546,381
1936	770	610	220,295	1,331,881	1,635,247	3,145,783	5,023,145	11,136,056
1937	871	694	243,327	1,552,380	1,806,524	3,150,156	6,121,056	12,630,116

The new Ordinance involved many changes in the rules and regulations of the existing Jewish societies. Its enforcement called for the patient persuasion of nearly four hundred societies to make their proceedings conform to the new law. The law fixed no time limit for the transition process, believing that if a limit were fixed, the societies would take no action until the period was about to expire. It is gratifying to note that by the end of 1937 90% of the total number of societies registered under the 1920 Ordinance have adapted their rules to the new law, the majority of them discarding their former rules in favour of model rules. Those societies whose rules are still unchanged are either on the verge of liquidation or about to be converted into companies under the Companies Ordinance. Enforcement of the new law in such societies would have caused undue hardship to their members. This was considered undesirable and not in the interest of cooperation.

In order to facilitate relations between the Registrar and the Jewish societies, a Jewish Cooperative Advisory Committee was created early in 1934. The committee is composed as follows :—

Chairman : The Registrar of Cooperative Societies.

Members : H. Ariav, Secretary of Jewish Farmers Federation of Palestine.

Dr. J. Beham, Advocate, Chairman of the Audit Union of Credit Societies.

I. Brudni, Manager of Workers Bank Ltd.

J.L. Kahanowitz, Chairman of the Managing Committee of Artisans Bank.

H. Viteles, General Manager of Central Bank of Cooperative Institutions in Palestine Ltd.

Secretary : Jewish Inspector of Cooperative Societies.

The five committee members are leaders in the Jewish cooperative movement. Their selection was on a personal rather than a representative basis. It is an informal advisory body which is not intended to relieve the Registrar of his principal duties. This informal composition did not, however, diminish its value as an advisory body. As a matter of fact, this committee has been the main source from which the Registrar obtained advice and guidance in all matters affecting the Jewish movement. On no occasion was their advice disregarded and it is to their credit that a friendly spirit dominated the relations between the Department and the Jewish societies.

One of the first tasks of the Advisory Committee was to assist the Registrar in preparing model rules for the various types of societies. Nine models were evolved and it is gratifying to note that all societies which adopted these models operate very smoothly, have less occasion to amend their rules and have fewer internal disputes than any of the other societies which employed lawyers to draft theirs. Lawyers now apply to this Department for models in the few cases in which they are still entrusted with the drafting of rules for new societies. Other important subjects on which the Advisory Committee has been consulted are:—

1. Elimination of moribund societies.
2. Elimination of membership of political bodies and institutions.
3. Plurality of votes.
4. Issue of debentures.
5. Inter-lending between primary societies.
6. Liquidity of credit societies.
7. Regulation of submission of returns.
8. Registration of charges.
9. Circulation of balance sheets.
10. Proportion of loans to deposits.
11. Position of societies showing regular deficits.
12. Special exemptions from fees to be awarded to certain types of societies.
13. Regulations under the Cooperative Societies Ordinance.
14. Formation of audit unions.
15. Adaptation of rules of old societies to the new law.
16. Representation of cooperative movement on Government councils.
17. Classification of societies.
18. Audit by officers of audit unions and qualifications of such officers.
19. Loans to non-members.
20. Admission of new members in industrial producers societies.
21. Stamp duties on documents issued by cooperative societies.
22. Terminating building societies.
23. Limitation of number of credit societies.
24. Acceptance of deposits from non members by credit societies.
25. Monthly returns by credit societies.
26. Conversion of societies into companies.
27. Amendment of Cooperative Legislation.
28. Investments made by societies.
29. Provisional attachments on crops.

There is close collaboration between the Jewish Cooperative Advisory Committee and an unofficial central body of the Jewish cooperative movement known as the General Council of Jewish Cooperative Institutions and all important questions on which the advice of the Advisory Committee is sought, are discussed first by the General Council. During 1937, suggestions that the Jewish Cooperative Advisory Committee be reconstituted in order to make it more representative of the Jewish movement have been received from a section of the movement. It was suggested that audit unions formed in the past four years should be represented on a body of this description, the unions being the natural source from which the members of a cooperative committee should be drawn. These suggestions are still under consideration.

Five audit unions were registered during 1934 and a sixth union was registered at the end of 1937. By the end of 1937 396 societies were affiliated with these audit unions. Two unions are for credit societies, one for agricultural societies, one for consumers', one for industrial producers and service societies and one for housing societies. Five of the unions control and carry out the audit of societies whose members belong socially and politically to the General Federation of Jewish Labour in Palestine. The sixth audit union, the "Mercaz", embraces the large urban and rural credit societies whose members have no uniform political creed or social associations. The five labour audit unions are in effect sections of the General

Federation of Jewish Labour which itself is registered as a cooperative society under the name of Hevrat Haovdim Haivrim Hashetufit Haklalit be Erez Israel Limited. They have the backing and prestige of the parent organisation and also the advantage that their wards (the societies affiliated with them) are uniform in their methods of work and have a true community of interests. The fact that every individual member of a labour cooperative society is of necessity a registered member of the General Federation and subject to strict party discipline, greatly facilitates the work of these unions. They wield an authority which is rare in any other form of voluntary association; hence the perfection of their organisation and the thoroughness of their audit. They are spared the arduous task of patient persuasion. If a society wishes to remain within the fold of the Labour Organisation—for political, social or economic reasons—it is required to submit to a searching audit by the unions set up by the Federation. The officers of these unions have the comparatively easy task of auditing and supervision. They need not indulge in politics nor are they called upon to conceal unpleasant discoveries. In addition, these unions are in a position to regulate the work of the societies with a view to eliminating competition and wasteful practices. From a purely cooperative point of view, the objection may be raised that this form of audit unions imposed from above is not in keeping with cooperative principles. But this possible defect is amply compensated for by the thoroughness of the audit of these unions and the beneficial effect which they have on the operation of their societies. Their audit is all that a good audit should be and their staff possess a full knowledge of cooperative practices—a knowledge which, with rare exceptions, most licensed auditors do not possess.

The other audit union the "Mercaz" was not as fortunate as its fellows. It came into existence in 1928, long before audit unions received legal recognition. It was the creation of a few genuine and sincere cooperative workers who strongly desired to improve their societies and to eradicate from the credit movement any undesirable practices. Their task was most difficult. Their authority was not backed by any strong public organisation and they could only retain the adherence of some of the largest societies by overlooking and closing an eye to certain lapses.

The Mercaz had to behave with great discretion, their office was one of consummate difficulty as it required time to introduce important changes in established institutions. The methods of the Mercaz differ considerably from those of the other audit unions. The relations between the societies and the Mercaz are patriarchal. The Mercaz has managed to gather around its banner 42 societies with a membership of 49,028. In order to strengthen its hold over societies and in order to be in a position to supply credit societies with capital for long and medium terms a central bank by the name of Bank Zerubabel was established by the Mercaz in 1932. In 1937 a central insurance company was registered for the same purposes. In spite of these sincere efforts it is impossible to say that the Mercaz has achieved full success. It has, it is true, introduced many improvements into the smaller credit societies. It has also brought about uniform methods of accounts and its audit is as efficient as it is thorough; but it has not succeeded in eliminating and controlling inter-lending between primary societies, it has no control over the methods of investment and generally has failed to gain a guiding influence over the larger credit societies.

With the help of the Audit Unions and the advice of the Jewish Cooperative Advisory Committee, the Registrar has endeavoured to rid the Jewish Cooperative Movement of the errors which had been allowed to creep into it through the lack of proper control and the absence of unified guidance.

No progress can be claimed in the matter of eliminating duplication of membership. An enquiry instituted by the Mercaz early in 1935 showed that, while the extent of the evil had been exaggerated, the criticism was not unjustified and a serious effort was made to improve the position in this respect. It was realised, however, that legislation was not the proper remedy. As long as the banking system in Palestine remained what it was, the effect of any legislation restricting membership to one credit society would be to drive the member away from cooperative institutions and into the arms of the many small banks in existence. This would not bring about any control of credit which, after all, is the main object of credit co-operation. On the contrary, it would weaken the financial position of the member and with it that of the one society from which he continues to borrow. On enquiry it was also ascertained that frequently a man borrows from several societies for diverse purposes and that the loans are used principally for constructive and productive projects. It would be no easy matter to arrange for an exchange of members and a transfer of capital. Such developments could only be the outcome of voluntary action between societies functioning in the same areas.

All that the Registrar and the Audit Unions can do in this direction is to provide inspiration for such action and to serve as a constant reminder of the ultimate aim. The fact must not be overlooked that the cooperative credit societies have been in the field so long that they have had time to penetrate into and to become embedded in the economic life of their members. If this Department, with the help of genuine cooperators, were to attempt to uproot these practices entirely, it would require decades to build up a new system and meanwhile the credit system of the small man would be seriously disturbed and imperilled. For this reason it was deemed wise to abstain from legislation against duplication of membership. Instead, a practice was introduced into all credit societies compelling every member to divulge to his society the full amount of his indebtedness to other cooperative credit societies and to commercial banks.

A great improvement may be recorded in the matter of inter-lending between primary societies. This undesirable practice was very widespread in Palestine and gave cause for much uneasiness regarding the soundness of cooperative finance. In the past the justification for this practice, if any, had been the absence of a central bank which could serve as a clearing house for the societies, receiving the surpluses of some and financing others. Again, societies guilty of this practice claimed that they could not afford to keep surplus monies idle or at a very low rate of interest in the large banks, since they themselves paid high rates of interest to depositors. As the result of pressure on the part of the Department, aided by the audit unions, this practice is gradually disappearing. At the end of 1937 inter-lending in 106 Jewish credit societies amounted to £P.33,443. The proportion of monies used for inter-lending between credit societies to monies deposited by them with commercial banks was, therefore, no higher than 6.8%.

Similar progress can be recorded regarding the general issue of loans on the security of immovable property. The full extent of this practice will never be known. No complete enquiry into this matter has ever been made. It was alleged, however, that a small number of credit societies financed some of their members in land speculations or indulged in such speculations on their own account. By the end of 1937 this practice has almost completely disappeared. The small amount still outstanding represents loans which were made before the creation of this Department and which are being gradually liquidated. In some cases the security has been taken as a precautionary measure subsequent to the granting of the loan. Some of the loans are also connected with housing facilities which certain societies gave to their members.

Another improvement which may be recorded in the Jewish movement is the discontinuance of admission into societies of members living outside of Palestine. During the past four years the Registrar has refused to register societies which do not provide for residence in Palestine as a condition of membership. Existing societies in which a considerable number of members were found to be resident abroad were forced into liquidation after being allowed a reasonable period in which to put their affairs in order.

To conclude the catalogue of improvements in the Jewish movement it is only necessary to state that in the course of the past five years 94 societies were ordered to liquidate and 101 societies were declared defunct and struck off the register. The majority of the societies ordered to liquidate were pseudo-cooperatives. They were registered at various times for various purposes but they were never true cooperatives and their members had no intention of practising cooperation. The following figures show the process of the gradual elimination of these societies :—

Year	No. of liquidations
1933	12
1934	10
1935	15
1936	21
1937	36

With few exceptions, the societies declared defunct had never commenced operations and had never collected any assets. They were entered on the Register and had become a dead weight on the movement and on the Department. In reviewing such cases it was found that

the ordinary procedure of liquidation would not be feasible for these societies which had neither assets nor debts. A simplified procedure borrowed from the Companies Ordinance was applied accordingly. The following figures show the process of disappearance of defunct societies :—

Year	No. of societies declared defunct
1934	65
1935	—
1936	26
1937	10

Unceasing efforts were made to secure the prompt and regular audit of all societies. Societies in arrears received constant reminders regarding the submission of their balance sheets. On frequent occasions a personal visit from the Registrar or his assistant followed an unheeded reminder. The results on the whole may be said to have been satisfactory as is evident from the report of the Departmental Auditor at the end of this section of the report. In this connection it must be pointed out that although the law empowers the Registrar to impose fines for delays in submitting the balance sheet, no use has been made of these powers. In many cases the time limit fixed by the law for the preparation and submission of balance sheets is not adequate. In other cases the delays have been found to be the fault of the auditors for which it would be unfair to punish the societies. But the importance of regular and prompt audit has not been underestimated and early in 1937 a qualified auditor was appointed as Departmental Auditor. His function is to supervise the audit of societies by audit unions or by professional auditors. In addition, his services are used in connection with departmental enquiries into the operations of difficult societies and for liquidations.

It now remains to sum up the progress made by the Jewish movement under the new co-operative policy which the Palestine Government accepted and introduced during 1933, and to indicate the improvements brought about.

I. SUMMARY OF IMPROVEMENTS OF EXISTING JEWISH COOPERATIVE MOVEMENT.

- (a) All existing societies were made to change their rules and their procedure to conform with the new law.
- (b) All pseudo-cooperatives were struck off.
- (c) All defunct societies were struck off.
- (d) All societies were made to submit their audited balance sheets regularly, and their accounts were examined at regular periods.
- (e) Inter-lending between primary credit societies was reduced to very small proportions.
- (f) No loans against the security of immovable property for land speculation purposes are being issued. Loans of this nature are always connected with housing schemes for the benefit of members.
- (g) Membership of persons resident outside Palestine was greatly reduced.
- (h) Model rules were prepared for all types of societies. Free advice was given to all persons desiring to form cooperative societies and the majority of Jewish cooperators were able to dispense with the services of lawyers in organising their societies and in their subsequent management.
- (i) A Jewish Cooperative Advisory Committee was formed and its advice was sought in all matters of importance affecting Jewish societies.
- (j) The registration of new credit societies was restricted. No new Jewish credit society was registered if the Central Council of Jewish Cooperative institutions considered its formation unnecessary.

- (k) Full recognition was given to audit unions and no action was taken against any society affiliated to an audit union except after consultation with such union.
- (l) Free advice was given to Jewish citrus growers in connection with their efforts to reorganise the marketing methods of citrus fruit. The Registrar put himself and his staff entirely at the disposal of Jewish citrus marketing societies for the purpose of bringing about a unification and centralisation of the marketing organisations.
- (m) Frequent visits were paid to Jewish societies by the Registrar and his staff to advise and guide them in their difficulties.
- (n) No action was taken to stop the issue of lottery bonds by cooperative credit societies as it was felt that this matter should be dealt with under general legislation.
- (o) No legal action has been taken to prevent persons from becoming members of more than one credit cooperative society. The reports concerning the extent of this evil were unduly exaggerated. It is estimated that the number of individuals who are members in more than one credit cooperative society is comparatively small. It is further considered that in no case is such an individual a member of more than four such cooperatives and that the aggregate amount of his borrowings from all his societies does not exceed £P.500.
- (p) In spite of criticism from many quarters, it has not been found necessary to put a stop to the practice which is general in the Jewish movement of admitting paid managers to membership on the managing committees. A full acquaintance with the Jewish movement in Palestine more than justifies this practice which gives a certain stability as well as technical qualifications to the managing bodies.

DEVELOPMENT OF MOVEMENT DURING 1933—1937.

In 1933, 110 Jewish societies were registered. They consisted of 25 collective settlements, 13 smallholders' settlements, 10 irrigation societies, 6 citrus marketing societies, 5 general agricultural societies, 1 miscellaneous agricultural society, 25 co-partnerships of labour, 1 contracting society, 10 consumers' societies, 9 housing societies and societies for the development of suburbs, and 5 credit and thrift societies (3 urban and 2 rural).

This distribution indicates an increase over previous years in the number of societies for agricultural purposes (60 out of 110) and a decrease in the number of credit societies and of housing societies. The year was also marked by the large number of transport societies which were registered. Of the total societies registered during 1933, 27 have since been liquidated or declared defunct.

The upward trend which commenced in 1933 continued in 1934 when 144 societies were registered. A considerable proportion of the societies formed during this year had as their object the provision of better and cheaper housing for members in view of the abnormal rise in rents which Palestine commenced to experience. The societies of this type were registered, mainly by members of the working classes. The communal dwellings which were built by these societies were on the most modern lines, some containing their own schools, recreation grounds, laundries and consumers' stores.

In the sphere of agriculture, irrigation societies have been an outstanding feature of the Jewish movement. At the same time there has been no abatement in the formation of new cooperative settlements and of general agricultural societies which also supply credit facilities. The increased number of irrigation societies, testified to the more intensive forms of cultivation which penetrated the Jewish settlements.

No new societies for marketing of agricultural products (except one for wine) were registered during the year, but all existing societies have expanded considerably and their turnover has risen impressively. The citrus marketing societies handled 1,770,541 cases of fruit out of the general total of 5,479,886 cases marketed by Palestine during the year. Two modern and well-equipped cooperative citrus packing houses were registered in the course of the year. Only one such enterprise existed previously.

Thirty one co-partnerships of labour were registered and, as in former years, there was a marked increase in the number of motor transport societies owing to the opening up of new areas. One such society within the municipal area of Tel Aviv carried 24,000,000 passengers in 1934 as compared with 13,500,000 in 1933 and 8,000,000 in 1932.

Ten new local consumers' societies were added in 1934 bringing the total to 31

There has been little increase in the number of urban credit and thrift societies, as the registration of new credit societies in towns, where a sufficient number of such societies already exists, was refused. At the same time, the volume of business of existing urban credit societies has increased enormously owing to the large influx of capital.

The most noteworthy feature of the Jewish cooperative movement during 1934 was the formation of audit unions. The registration of these unions was regarded as a land-mark in the Jewish movement. Out of a total of 543 Jewish societies, 171 affiliated with these unions and with the union of credit societies, which has been in existence informally since 1924 and gained official recognition in 1934.

At the end of December, 1934, there were 543 Jewish societies in operation classified as follows :—

I. CREDIT AND THRIFT SOCIETIES.

(a) Urban	35
(b) Rural	61

II. AGRICULTURAL SOCIETIES.

(a) Collective Settlement Societies	65
(b) Smallholders' Settlement Societies	51
(c) Marketing Societies	30
(d) General Agricultural Societies	18
(e) Irrigation and Water Supply Societies	35
(f) Cattle Insurance Societies	3
(g) Miscellaneous Agricultural Societies	9
(h) Agricultural Contracting Societies	3

III. DIVERSE SOCIETIES.

(a) Co-partnerships of Labour	87
(b) Contracting Societies	6
(c) Suburban Development and Housing Societies	95
(d) Consumers' and Wholesale Societies	33
(e) Mutual Insurance Societies	3
(f) Audit Unions	5
(g) Miscellaneous Societies	4

TOTAL 543

In 1935 the Jewish movement continued its course of development and consolidation. The audit unions registered early in 1934 carried out their duties satisfactorily and their beneficial influence made itself felt in a large number of cases. The membership of these unions rose from 171 in 1934 to 243 in 1935, representing 35 percent. of the total number of active Jewish societies.

The following figures show the Jewish societies registered in the course of the year :-

Credit and Thrift (Urban and Rural) Societies	13
Collective Settlement Societies	20
Smallholders Settlement Societies	16
Marketing Societies	7
General Agricultural Societies	7
Irrigation and Water Supply Societies	12
Miscellaneous Agricultural Societies	2
Agricultural Contracting Societies	2
Co-partnerships of Labour	41
Contracting Societies	2
Development of Suburbs and Housing Societies	34
Local Consumers' Societies	6
Miscellaneous Societies	1
TOTAL	163

An analysis of these figures will show that housing societies, whose objects are to provide their members with better and cheaper houses, retained, as in 1934, their leading position, which was not unnatural considering the general increase in the Jewish population. The large number of copartnerships of labour reflects the penetration of cooperative methods in the industrial development of the country. But it is in the sphere of agriculture that there was very notable development, and the societies for diverse agricultural services represented 40 per cent. of the total number of societies registered in the course of the year.

The business turnover of all existing societies showed a considerable increase over previous years. The citrus marketing societies handled 3,129,894 cases of fruit out of a total of 7,283,705 cases exported from Palestine during the year.

Fifteen societies were liquidated in the course of the year as compared with ten in 1934. This increase in liquidations was a further sign of the process of consolidation which has been proceeding in the Jewish movement.

During the year, 214 societies out of a total of 376 societies registered prior to the enactment of the Cooperative Societies Ordinance, 1933, and still active adapted their rules to conform with the provisions of the new Ordinance. Most of the societies were able to accept the model rules prepared by the Registrar in consultation with the Jewish Cooperative Advisory Committee.

At the end of 1935 the total number of functioning Jewish Societies reached 692 classified as follows :—

I. CREDIT AND THRIFT SOCIETIES.	
(a) Urban	42
(b) Rural	67
II. AGRICULTURAL SOCIETIES.	
(a) Collective Settlement Societies	85
(b) Smallholders Settlement Societies	67
(c) Marketing Societies	37
(d) General Agricultural Societies	23
(e) Irrigation and Water Supply Societies	47
(f) Cattle Insurance Societies	3
(g) Miscellaneous Agricultural Societies	11
(h) Agricultural Contracting Societies	5
III. DIVERSE SOCIETIES.	
(a) Co-partnerships of Labour	119
(b) Contracting Societies	7
(c) Suburban Development and Housing Societies	127
(d) Consumers' and Wholesale Societies	39
(e) Mutual Insurance Societies	3
(f) Audit Unions	5
(g) Miscellaneous Societies	5
TOTAL	692

In addition, 51 societies were in the course of liquidation and 67 societies had been struck off the Register.

In 1936 there was a further increase in the membership of the five audit unions registered in 1934, and the total number of affiliated societies rose from 243 at the end of 1935 to 312 at the end of 1936. General progress was slightly affected by the disturbances. The number of societies registered during the year amounted to 129, as compared with 163 during 1935. The decrease was mainly noticeable in the number of societies for agricultural services, which in 1935 had represented 40 per cent. of the total number of societies registered in the course of that year. During the year 21 societies were ordered into liquidation and 26 societies were declared defunct.

The following figures show the Jewish societies registered during the course of the year.

Credit and Thrift (Urban and Rural) Societies	6
Collective Settlement Societies	18
Smallholders Settlement Societies	5
Marketing Societies	3
General Agricultural Societies	6
Irrigation and Water Supply Societies	10
Miscellaneous Agricultural Societies	1
Consumers' and Wholesale Societies	10
Contracting Societies	2
Suburban Development and Housing Societies	34
Miscellaneous Societies	2
Co-partnerships of Labour	32
TOTAL	129

It will be seen that, as in 1935, housing societies retained their leading position. An impetus to such development has been the mortgage loan facilities offered by several British Insurance Companies and the general increase of credit facilities resulting from the large influx of capital from abroad. An indication of this expansion was to be seen in the development of suburbs in the vicinity of Tel Aviv and Haifa by members of the General Federation of Jewish Labour.

All the societies showed constant and steady increase in their turnover. The citrus marketing societies handled 2,567,580 cases out of a total of 5,897,310 exported, or 43.5 per cent., as compared with 42.9 per cent. in 1934-35.

The general shrinkage of deposits and increase in lendings which became noticeable in credit societies early in 1936 as a result of the Italo-Abyssinian conflict did not last for any length of time and a marked recovery set in almost immediately. Developments were, however, carefully watched throughout the year and, on the advice of the Examiner of Banks, credit societies were called upon to render monthly statements of their assets and liabilities and steps were taken through the audit unions to ensure and enlarge the liquidity of their funds.

The increase in the number of societies liquidated during the year requires some explanation. The majority of these societies went into voluntary liquidation and were in a position to meet their liabilities in full. The 26 societies which were declared defunct and struck off the Register had never commenced operations and had incurred no liabilities.

The process of adapting their rules to the 1933 Ordinance was continued by societies registered prior to that date.

At the end of 1936 the position of Jewish Societies was as follows:—

Total number of functioning Jewish societies	770
Total number of Jewish societies in the course of liquidation	64
Total number of Jewish societies struck off the Register (cancelled after liquidation, declared defunct or amalgamated)	105

The functioning societies at the end of 1936 were as follows :—

I. CREDIT AND THRIFT SOCIETIES.	
(a) Urban	46
(b) Rural	65
II. AGRICULTURAL SOCIETIES.	
(a) Collective Settlement Societies	100
(b) Smallholders Settlement Societies	69
(c) Marketing Societies	33
(d) General Agricultural Societies	28
(e) Irrigation and Water Supply Societies	55
(f) Cattle Insurance Societies	3
(g) Miscellaneous Agricultural Societies	10
(h) Agricultural Contracting Societies	5
III. DIVERSE SOCIETIES.	
(a) Co-partnerships of Labour	133
(b) Contracting Societies	9
(c) Suburban Development and Housing Societies	153
(d) Consumers' and Wholesale Societies	48
(e) Mutual Insurance Societies	3
(f) Audit Unions	5
(g) Miscellaneous Societies	5
TOTAL	770

In 1937 a new audit union for housing societies was formed, bringing the total number of audit unions to six. The total number of affiliated societies rose to 396.

The number of new societies registered during the year amounted to 151. The number of societies liquidated, declared defunct, amalgamated or converted during the same year amounted to 50. The following figures show the Jewish societies registered in the course of the year :—

Credit and Thrift (Urban and Rural) Societies	6
Collective Settlement Societies	17
Smallholders Settlement Societies	14
Marketing Societies	22
General Agricultural Societies	3
Irrigation and Water Supply Societies	7
Crop Insurance Societies	2
Miscellaneous Agricultural Societies	1
Agricultural Contracting Societies	2
Co-partnerships of Labour	30
Contracting Societies	2
Suburban Development and Housing Societies	33
Consumers' Societies	9
Audit Unions	1
Miscellaneous Societies	2
TOTAL	151

The above figures show that 68 societies out of the total of 151 societies registered during 1937 were societies for agricultural services, i.e. irrigation, marketing, crop insurance and agricultural contracting. This high proportion of over 45% was mainly the result of the formation of new citrus marketing societies in the young citrus areas and of the establishment of new settlements on lands acquired by the Jewish National Institutions in recent years.

Co-partnerships of labour and contracting societies represented over 20% of the total number of societies formed during the year. This high proportion may be attributed to the economic depression which usually drives the individual artisan or labourer to collaboration with his fellows.

The majority of the 33 housing societies registered during 1937 had as their object the erection and maintenance of cooperative apartment houses. Only few societies were formed for the development of new suburbs.

The credit societies worked under considerable strain throughout the year owing to a continual drain on their resources both by the withdrawal of deposits and increased demands for loans. The position of credit societies at the end of 1937 is reflected in the following aggregate balance sheet.

Liabilities		Assets	
	£P.		£P.
Share Capital	392,758	Cash	130,007
Reserve Fund	244,979	Balance with Financial Institutions	676,550
Other Reserves	202,999	Members	2,577,238
Debentures	88,538	Bills discounted	745,824
Balances for other Financial Institutions	84,453	Overdues	93,413
Current & Deposit Accounts	1,677,597	Investments	133,907
Other Deposits	1,149,041	Premises and Fixtures	160,834
Loans Received	703,023	Other Accounts	303,943
Other Accounts	278,328		
TOTAL	4,821,716	TOTAL	4,821,716

The increase in the number of societies liquidated was due to increased activity of the Department which resulted in the liquidation of inactive and moribund societies. In most cases the liquidating societies were in a position to meet their liabilities in full. In addition to the 36 societies ordered into liquidation during 1937, 14 societies which went into liquidation in previous years, completed their liquidation and were struck off the Register.

The functioning societies at the end of 1937 were as follows :—

I. CREDIT AND THRIFT SOCIETIES.

(a) Urban	49
(b) Rural	64

II. AGRICULTURAL SOCIETIES.

(a) Collective Settlement Societies	110
(b) Smallholders Settlement Societies	81
(c) Marketing Societies	54
(d) General Agricultural Societies	31
(e) Irrigation and Water Supply Societies	61
(f) Cattle and Crop Insurance Societies	5
(g) Miscellaneous Agricultural Societies	11
(h) Agricultural Contracting Societies	6

III. DIVERSE SOCIETIES.

(a) Co-partnerships of Labour	139
(b) Contracting Societies	11
(c) Suburban Development and Housing Societies	177
(d) Consumers' and Wholesale Societies	56
(e) Mutual Insurance Societies	3
(f) Audit Unions	6
(g) Miscellaneous Societies	7

TOTAL 871

On the 31st of December, 1937, there were 871 Jewish societies of all kinds in operation of which 6 were audit unions, 1 central bank, 1 agricultural mortgage bank and 9 central societies in the sense that they were established to facilitate the operation of primary societies.

Of the total number of active societies 359 were for purely agricultural purposes, 113 for credit and thrift in urban and in rural areas, 177 for the provision of housing facilities and the development of residential quarters, 55 local societies of consumers, 1 wholesale society, 150 co-partnerships of labour and contracting societies, 3 mutual insurance societies and the balance societies for general purposes.

All these societies were formed on the basis of limited liability. In the credit societies mentioned above this liability amounted at the end of 1937 to £P.3,406,374. The movement accumulated a considerable amount of own capital and attracted considerable funds by way of deposits and loans. It gained and held the confidence of the investing public and obtained a position of increasing influence in the economic structure of the country. The total financial resources of all Jewish societies amounted to £P.12,630,116 of which 26.6% represented own funds composed of share capital, members' contributions, and reserve funds. The balance consisted of deposits from the public (24.9%), and of loans from banks, financial and national institutions and commercial credits generally (48.5%)

The average resources per member were £P.51.9. The reserve funds of all societies formed 53.8% of their total own funds. The total membership of Jewish societies amounted to 243,327. Assuming that the Jewish population at the end of 1937 was 400,000—there was one society for every 459 persons or for every 100 earners. Taking the total membership and making the usual assumption that a Jewish family consists of 4½ members on an average, it would appear that the entire Jewish population is connected with the cooperative movement. This calculation is however not entirely acceptable in view of the fact that one person is more often than not a member of several distinct societies at one and the same time.

The credit societies have made noteworthy progress and have become very popular. On the whole this side of the movement has done well and the urban credit societies have reached a point of complete saturation.

SUMMARY.

The Central Bank of Credit Societies (Bank Zerubabel) has made notable progress although failing to reach many of the objectives which its founders set out to attain. Owing to the difficulties previously explained and owing to the short time of its existence Bank Zerubabel has not been able to become the balancing centre and clearing house for its affiliated societies. Plans for the reconstruction of the bank are now under consideration.

Bank Zerubabel commenced operations in 1932. Its main object, as defined in its rules, is to "promote the development of cooperative undertaking of all kinds by providing the necessary capital for their consolidation and business expansion." Its founders intended that the bank should become a central financing agency for cooperative institutions generally and that its business should be conducted in accordance with cooperative principles.

Actually the bank limits its operations to credit cooperative societies and its membership is at present restricted to cooperative credit societies affiliated with the Mercaz union.

The following figures show the development of Bank Zerubabel since 1933 :—

		1933	1934	1935	1936	1937
Number of societies members		26	31	39	41	41
Individual membership of societies		25,864	31,000	40,088	45,576	49,171
Own funds	LP.	2,435	8,601	13,240	23,016	30,005
Bonds issued	LP.	112,075	192,085	239,385	250,000	250,000
Amounts paid on account of bonds	LP.	25,621	69,125	120,200	159,500	179,980
Loans granted	LP.	51,826	86,557	209,777	214,086	205,458
Number of borrowing societies		19	24	29	34	34

The capital of the bank consists of ordinary and preference shares of £P.1 each. Ordinary shares are held only by member societies. Preference shares have no voting rights and are held by sympathisers, mostly individual members of credit societies. The total share capital at the end of 1937 was £P.13,373 (of which £P.11,136 were in ordinary shares and the balance in preference shares). The balance of own funds consisted of general and other reserves.

Hitherto only the smaller societies have made use of loans from Bank Zerubabel. The larger credit and thrift societies are not in need of loans as their own funds plus the large deposits from the public are sufficient for their needs. Bank Zerubabel grants loans for the following specific purposes:— (1) for working capital (2) for strengthening the reserves (3) for special undertakings.

The second type of loan is usually made when a society's reserves are being depleted on account of large withdrawals of deposits. Both this type of loan and loans for working capital are repayable in monthly instalments over a period of one year. The third type of loan is made in connection with housing schemes, development of small holdings, purchase of machinery etc; repayments are made in quarterly instalments over a period of between 3 and 5 years.

The bonds issued by Bank Zerubabel are of the nominal value of £P.5 each, but are sold to the public at £P.5.500 (the premium being used to cover expenses). The conditions of issue are as follows:—

- (a) The nominal value of the bond is repayable at six months' notice.
- (b) Bonds may be acquired by instalment payments of 150 mils per month.
- (c) Bond holders receive a fixed interest of 2% and an additional 3% is divided by lots as long term loans free of interest.

The consumers' movement as a whole has been retarded by insufficient turn-over and owing to the competition of private traders who sell freely on extended credit.

The co-partnerships of labour have not existed long enough to justify an opinion with regard to the scope of their future development, though there are some notable instances of successful societies of producers of building materials, carpentries and printing houses.

The chief achievement of this branch of cooperation so far has been the establishment of transport societies both in municipal areas and on inter-urban routes. These societies have almost a complete monopoly of motor transport throughout Palestine. The cooperative restaurants have also made noteworthy progress.

On the agricultural side marketing societies have done fairly well but there is still much to be done in the economic interest of the agricultural producer. The agricultural insurance societies have been exceptionally successful. The cooperative settlements (collective and smallholders' settlements) on the whole have established their merit but it is impossible to forecast how and in what manner they will be able to withstand a prolonged period of depression and of falling prices.

One of the greatest and most deserving achievements of the Jewish movement during the last 5 years has been the establishment of housing societies.

The fundamental source of weakness in the movement has always been and still is the lack of cohesion between its various parts and the fact that it is mainly a producers' movement. The various parts of its structure have come into existence separately and function more or less independently of one another. The movement still lacks its central organisations and apex institutions. Instances of this last deficiency are the lack of central purchasing agencies and the independent activities of the citrus marketing societies.

The purchases by service societies, producers' societies, agricultural societies and housing societies amount to millions of pounds annually. But with few exceptions these purchases are made by societies independently and no advantage is taken of the benefit of collective bargaining. The citrus marketing societies' requirements in packing materials amount to about £P.300,000 per annum, their expenditure on shipping and transportation amount to a similar, if not a larger sum. Efforts to coordinate this side of their business have so far been unsuccessful.

The Jewish movement has reached a stage of development at which it must obtain access to a wider money market than that open to it at present. There is an increasing demand for intermediate and long term credits from all sides. Large sums are required for the proper financing of housing societies, co-partnerships of labour and settlement societies. The citrus industry requires substantial financial assistance, though not necessarily through cooperative agencies. In order to cope with the future expansions of the movement as well as to improve, coordinate and conserve the resources of the various financing agencies at work it is imperative that a central cooperative bank should be formed.

Such institution, besides ensuring an organised chain of credit for supplying all the needs of cooperative societies will also serve as a link between these societies and as a balancing centre between the various parts of the movement.

The following tables summarize the development of Jewish societies during the years 1921—1937.

TABLE V. JEWISH SOCIETIES REGISTERED, LIQUIDATED, DECLARED DEFUNCT, AMALGAMATED, CONVERTED AND RESTORED TO THE REGISTER DURING THE YEARS 1921—1937.

YEARS	Societies registered	Societies ordered into liquidation	Societies declared defunct	Societies amalgamated	Societies converted	Societies restored to register	Existing societies on register
1921	13	—	—	—	—	—	13
1922	20	—	—	—	—	—	33
1923	10	1	—	—	—	—	42
1924	23	—	—	—	—	—	65
1925	57	—	—	—	—	—	122
1926	27	4	—	—	—	—	145
1927	28	2	—	—	—	—	171
1928	27	—	—	—	—	—	198
1929	23	—	—	—	—	—	221
1930	42	2	—	—	—	—	261
1931	47	5	—	—	—	—	303
1932	76	3	—	—	—	—	376
1933	110	12	—	—	—	—	474
1934	144	10	65	—	—	—	543
1935	163	15	—	—	—	1	692
1936	129	21	26	5	—	1	770
1937	151	36	10	3	1	—	871

TABLE VI. JEWISH SOCIETIES ON THE REGISTER AT THE END OF EACH YEAR DURING THE PERIOD 1921—1937 BY CLASSES.

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
I CREDITS & THRIFT SOCIETIES																	
(a) Urban	2	4	7	9	13	15	16	19	23	24	27	31	34	35	42	46	49
(b) Rural	3	6	7	10	18	22	28	29	32	40	42	49	51	61	67	65	64
II AGRICULTURAL SOCIETIES																	
(a) Collective settlement societies	1	1	1	1	1	1	7	12	13	15	22	33	58	65	85	100	110
(b) Smallholder's settlement societies	—	2	2	4	7	7	7	7	7	9	17	27	40	51	67	69	81
(c) Marketing societies	1	1	1	4	7	6	14	17	18	19	19	29	35	30	37	33	54
(d) General agricultural societies	—	—	1	1	3	5	5	6	8	8	9	9	14	18	23	28	31
(e) Irrigation and water supply societies	—	—	—	—	—	—	—	—	2	4	7	10	20	35	47	55	61
(f) Agricultural insurance societies	—	1	1	1	1	1	1	2	2	2	4	4	4	3	3	3	5
(g) Miscellaneous agricultural societies	1	1	1	2	3	3	3	3	3	4	5	7	8	9	11	10	11
(h) Agricultural contracting societies	—	—	—	—	—	—	—	1	1	1	2	3	3	3	5	5	6
III DIVERSE SOCIETIES																	
(a) Co-partnerships of labour	—	—	1	3	9	14	15	22	29	39	46	59	75	87	119	133	139
(b) Contracting societies	—	—	1	3	3	3	2	2	2	3	3	4	5	6	7	9	11
(c) Suburban development and housing societies	4	16	18	24	53	64	69	74	76	80	81	88	94	95	127	153	177
(d) Local consumers' societies	—	—	—	—	—	—	—	—	1	7	12	15	25	31	37	47	55
(e) Wholesale societies	1	1	1	1	1	1	1	1	1	2	2	2	2	2	2	1	1
(f) Mutual insurance societies	—	—	—	—	—	—	—	—	—	1	2	3	3	3	3	3	3
(g) Audit unions	—	—	—	1	1	1	1	1	1	1	1	1	1	5	5	5	6
(h) Miscellaneous societies	—	—	—	1	2	2	2	2	2	2	2	2	2	4	5	5	7
	13	33	42	65	122	145	171	198	221	261	303	376	474	543	692	770	871

TABLE VII. JEWISH SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND OWN AND BORROWED RESOURCES DURING THE YEARS 1921—1937.

YEARS	No. of societies on register	No. of societies included in table	No. of members	Own resources		Borrowed resources		Total resources
				Share capital	Reserves	Deposits	Creditors for loans etc.	
				£P.	£P.	£P.	£P.	£P.
1921	13	1	796	1,970	1,024	1,705	15,806	20,505
1922	33	10	6,735	12,641	11,019	43,263	75,478	142,401
1923	42	16	8,569	35,508	19,055	48,564	195,884	299,011
1924	65	30	14,781	70,854	54,343	123,006	255,082	503,285
1925	122	51	40,460	140,133	133,708	232,301	450,995	957,137
1926	145	71	52,501	166,672	141,492	204,448	598,942	1,111,554
1927	171	87	55,995	190,813	146,876	198,353	576,485	1,112,527
1928	198	104	62,587	225,215	178,946	325,611	594,180	1,323,952
1929	221	137	68,922	250,043	276,440	467,658	1,090,187	2,084,328
1930	261	154	75,359	269,020	321,292	587,547	1,226,801	2,404,660
1931	303	180	81,835	313,025	418,899	687,640	1,338,324	2,757,888
1932	376	210	93,445	360,153	509,947	1,116,595	1,453,795	3,440,490
1933	474	288	119,981	461,761	741,075	1,922,973	2,077,144	5,202,953
1934	543	352	148,451	658,108	928,799	3,014,608	2,966,168	7,567,683
1935	692	480	194,586	1,069,932	1,226,995	2,829,189	4,420,265	9,546,381
1936	770	610	220,295	1,331,881	1,635,247	3,145,783	5,023,145	11,136,056
1937	871	694	243,327	1,552,380	1,806,524	3,150,156	6,121,056	12,630,116

Before closing the record of the Jewish movement it is necessary to describe several organisations and bodies which exercise direct influence over the Jewish cooperative movement and which are responsible to a large extent for its vigorous growth. First to be mentioned is the General Federation of Jewish Labour in Palestine or to give it its Hebrew name, Hahistadrut Haklalit shel Haovdim Haivrim be Erez Israel.

The Histadrut was created by the Jewish workers of Palestine in November, 1920, and is one of the most unusual labour organisations in the world. Any attempt to gauge this organisation by the criteria generally accepted in other countries would be out of place. It cannot be classified as a trade-union federation, limited to the improvement of working conditions of its members. Neither can it be classified as a purely political organisation though it fulfills political tasks, nor can it be considered merely a cooperative centre, though cooperation is one of its main activities. Including, as it does, trade unions, political activities and cooperative organisations it has additional and broader functions. From this assumption it is argued that the cooperative societies of the workers can have no claim to act as separate entities responsible to their own members. Cooperative societies can play their part by becoming departments of the labour federation. As such they may be autonomous. The broader aims of the Histadruth are reflected in its constitution. Unlike other labour federations in which each worker is directly a member of his own particular union and is affiliated only indirectly through that union with the federation, in the Histadruth the worker is directly a member of the organisation as a whole, his particular trade union being but a subordinate part of the general body. The complete autonomy of the individual trade union is sacrificed in order to ensure the greater efficiency of the general organisation. Elections to the conferences of the Histadruth resemble elections to a parliament. Each member of the organisation, irrespective of his trade union, chooses his candidates from lists of nominees offered by political factions within the organisation and they reflect ideological differences rather than vocational divisions. The Histadruth also accords equal voting rights to the wives of members even when they do not ply a trade of their own. The doors of the Histadruth are open to every Jewish man or woman of 17 years of age and over who lives by work and does not exploit others. Strict observance of the tenet of non-exploitation is expected of all members, without exception, whether they live in cities or villages, whether working in factories or in agricultural settlements. Because of its broad and varied functions the Histadruth has grown phenomenally. Founded with 4433 members in 1920 it had acquired a

membership of 104, 122, or 25% of the total Jewish population at the end of 1937. In addition to its members the Histadruth has a large following among the general Jewish population of Palestine especially among the small traders, artisans and professional men.

This organisation has developed a large number of economic, social and cultural institutions for the service of its members. With few exceptions its economic institutions are organised on a cooperative basis. The exceptions are those institutions which depend on the participation of outside capital and consequently must accord voting rights to contributors. No such rights could be granted in cooperative organisations where the principle of one man one vote applies. A list of the most important institutions of the Histadruth follows:—

A. ECONOMIC.

(1) The Workers Bank, a limited liability company serving as the central financial institution of the labour movement in Palestine. At the end of 1937 the capital of this bank, including reserves, amounted to £P.148,000. This bank does not deal with individuals, but all its clients are primary or central cooperative societies or groups operating as cooperative societies even though not registered as such. (The Managing Director of the bank sits as a member on the Jewish Cooperative Advisory Committee).

(2) Hasneh Ltd., a company dealing with various branches of insurance. Its authorised capital is £P.50,000 and at the end of 1937 it carried insurances to the value of £P.740,000.

(3) Nir Ltd., a company which secures long term credits for agricultural settlers. Its capital at the end of 1937 was £P.243,000.

(4) Nir Cooperative Society Ltd., serves as a central society for agricultural settlements. At the end of 1937, 97 collective settlements were affiliated with this central society. These settlements had a population of 21,670, a total area of land of 279,280 dunums and an investment of capital exceeding £P.3,500,000. In addition to collective settlements Nir controls the activities of all labour irrigation societies, and a number of workers' housing estates in rural areas.

(5) Tnuva Cooperative Societies, these organisations undertake the local marketing of all perishable products of agricultural bodies affiliated with the Histadruth (whether societies or other organisations) such as dairy products, poultry, farm products, vegetables and fruit. In order to regulate the market more efficiently the country has been divided into three districts or divisions, Haifa, Tel Aviv and Jerusalem. Each division is served by a separate organisation which has its collecting stations, cooling stations, central dairies and stores in convenient centres.

The divisional societies are united in a central organisation which has its headquarters at Tel Aviv and which regulates the transfer of surplus products from one division to another, deals with contracts of a general nature and supervises the regulation of prices and supplies throughout the country. The central organisation also undertakes advertising campaigns on behalf of the divisional societies, secures their capital requirements from financing institutions, and represents them in matters of taxation, transportation, etc.

The export trade of agricultural bodies affiliated with the Histadruth is undertaken by a separate society known as Tnuva Export.

The total turnover of the three divisional societies during 1936-37 amounted to £P.561,784.

Tnuva Export marketed during 1936-37, 540,000 cases of citrus fruit of all kinds, their chief customer being the Cooperative Wholesale Society in England. It also undertook a few experimental shipments of vegetables and other agricultural products to foreign markets.

(6) Hamashbir Hamerkazi Cooperative Society Ltd., serves as a central supply society for the local consumers cooperative societies, agricultural settlements and labour groups affiliated with the Histadruth and at the same time undertakes the marketing of cereals and other non-perishable products of the affiliated agricultural bodies. The capital of this society amounted at the end of 1937 to £P.55,000 and it served 232 cooperative societies and other organized bodies.

N.B. 1 dunum = 1000 square metres = $\frac{1}{4}$ acre (approx.)

(7) Yachin Cooperative Society Ltd., serves as a central contracting society for agricultural undertakings. It undertakes the cultivation and management of citrus plantations of absentee owners, and carries out this work through primary co-partnerships of labour or through members of collective settlements who are sent to work outside their own settlement. In connection with contracts for the management of citrus plantations Yachin also acts as an exporter of citrus fruit independently of Tnuva Export with resulting overlapping. This irregularity is now being corrected. During 1937 the value of contracts undertaken by Yachin amounted to £P.296,365.

(8) Solel Boneh Ltd., serves as a central contracting company for building and road construction operations. It carries out its contracts through primary contracting cooperative societies such as exist in all the main centres. The total value of contracts undertaken by Solel Boneh during 1937 amounted to £P.1,000,000.

(9) Shikun Ltd., serves as the central housing organisation of the Histadruth. It organises housing cooperative societies, acquires on their behalf building sites and erects detached houses or communal flats from funds secured at low rates of interest and repayable in easy instalments over a number of years. Since its inception in 1930 the Shikun Company has erected 3,322 flats and houses, for 3,460 members of housing societies. The total capital invested in these houses amounted to £P.1,190,000.

(10) Nachshon Ltd., serves as a central institution for maritime undertakings. Its capital at the end of 1937 was £P.15,000. This institution is still in its early stages of development.

(11) Even Ltd., serves as a central organisation for stone quarrying enterprises. It has a capital of £P.10,000 and operates, jointly with other interests, 5 large quarries. The work in these quarries is undertaken by co-partnerships of labour specially organised for the purpose.

(12) Audit Unions.

(a) The Audit Union of consumers societies attached to the Hamashbir Hamercazi Co-operative Society (No. 6 in this list) audits the accounts and supervises the transactions of 49 consumers societies with a membership of 5,592 and a turnover of £P.350,040.

(b) The Audit Union of Agricultural Societies attached to Nir Cooperative Society (No. 4 in this list) audits the accounts and supervises the transactions of 192 agricultural societies including collective and small holders settlements, general agricultural societies, marketing societies (Tnuva included), societies engaged in agricultural contracting and housing societies of agricultural labourers. The total number of members of societies affiliated with this union at the end of 1937 amounted to about 17,000.

(c) The Audit Union of Housing Societies attached to Shikun Ltd (No. 9 in this list) audits accounts and supervises transactions of 20 housing societies with a membership of about 2,000. This audit union was only formed at the end of December, 1937, and it is intended that housing societies in rural areas shall also affiliate with this union in due course.

(d) The Audit Union of Co-partnerships of Labour. This audit union is attached to the Histadruth directly and is responsible for all producers and service societies affiliated with the Histadruth. In addition to the ordinary functions of audit and supervision this audit union also undertakes the task of organising individual workers into co-operative units, securing for them the necessary machinery and initial capital and generally supervising and regulating their transactions in the early stages of their existence. This union also undertakes collective purchases of raw materials, cars, oils etc., for its member societies and negotiates on their behalf for contracts, loans and licences. At the end of 1937 69 societies with an individual membership of 2,000 were affiliated with this union. The general turnover of these societies during 1937 amounted to £P.1,094,000.

(e) The Audit Union of Credit Societies, attached to the Workers Bank (No. 1 in list), audits the accounts and supervises the transactions of 24 credit and thrift societies with a membership of 25,323 at the end of 1937. The capital of these societies including allocated and unallocated reserves amounted at the end of 1937 to £P.125,952; their deposits to £P.280,000, their borrowed funds to £P.157,777 while the total amount of loans which stood against their members reached the figure of £P.385,000.

B. SOCIAL.

(1) Sick Fund. Every member of the Histadruth contributes a monthly rate to this fund which is responsible for the provision of medical treatment and hospitalisation. This fund has a wide net of dispensaries all over the country (152 at the end of 1937) two district hospitals with a total accommodation of 187 beds and two convalescent homes. The fund grants maternity benefits to wives of members and takes an active part in combating infectious diseases and spreading information about elementary hygiene and preventive measures.

(2) Invalids Fund which provides benefits to permanent or temporary invalids. The income of the fund is derived from regular contributions of members. During 1937 these contributions amounted to £P.8,000.

(3) Unemployment Fund. This fund which is raised by voluntary contributions has two functions, namely, a) to give financial assistance to unemployed members of the Histadruth and b) to initiate public works for the relief of unemployment. During 1937 the collection for this fund exceeded £P.70,000.

(3) Habonah Ltd. Organises training centres for women workers. This institution maintains in cooperation with the W.I.Z.O. (World Zionist Organisation of Jewish Women) 9 training farms and two hostels for women immigrants.

C. CULTURAL.

(1) Marcaz Lachinuch. This organisation conducts the school system of the Histadruth, which is an autonomous system within the framework of the general Jewish education system. The Histadruth school system consisted at the end of 1937 of 62 elementary schools attended by 6,222 pupils in charge of 251 teachers and 78 kindergartens attended by 2,154 children. In addition to the elementary schools the system contained 5 vocational schools with special facilities for agricultural training.

(2) The newspaper Davar is the mouthpiece of the Histadruth. It has the largest circulation of any newspaper in Palestine (15,000 copies daily). Special supplements dealing with cooperative, general, agricultural and educational problems are issued by the Davar at regular intervals.

This completes the list of central institutions established by the Histadruth to provide its members with all their economic, social and cultural requirements. Cooperative societies affiliated with the Histadruth and supervised through the channels of these central organisations numbered 354 at the end of 1937.

The Histadruth itself is registered as a cooperative society under the name of "Hevrat Haovdim Haivrim Hashetufit Haklalit be Eretz Israel Limited" (General Cooperative Association of Jewish Labour in Palestine) and all the property and funds of the General Federation are held by this society as a juristic personality.

The affiliation of societies with the Histadruth is legally secured by special clauses in the rules of every primary society. These clauses define the powers of the Histadruth through "Hevrat Haovdim" vis-à-vis the society and specify the measures of control which the Histadruth may exercise over the society. These powers are as follows:—

(a) Hevrat Haovdim is a member of the society subject to the following qualifications:—
It is not entitled to any benefits of members. It is not liable to pay fees, contributions or other payments and assumes no liability for any debts or obligations of the society;

(b) Hevrat Haovdim is entitled to be represented at general meetings of the society and its representative holds 5% of the total votes of all members present at such meetings;

(c) A certain number of members of the committee of management are elected by the society from a list of members submitted by Hevrat Haovdim;

(d) The committee of management must transmit to the Hevrat Haovdim all applications for membership and if Hevrat Haovdim objects to any applicant and notifies its objection within one month from the date of submission the application must be refused;

(e) If the representative of Hevrat Haovdim considers that a proposal before a general meeting is contrary to the principles of labour cooperation in Palestine or to the rules of Hevrat Haovdim or that it is detrimental and harmful to the interests of the society he can ask that the proposal should be submitted to a board of arbitration (composed of three arbitrators appointed by the General Federation of Jewish Labour in Palestine) for a decision as to whether the opposition is or is not justified. If the board upholds the objection the proposal must be withdrawn. The board must give a ruling within one month. Failing such a ruling the society may proceed with the discussion of the proposal.

It will be clear from the above that the primary society retains its autonomy in every respect and that it only accepts the interference of the Histadruth in matters of general principle. This form of interference is not unusual in cooperative movements elsewhere and is common practice in countries where communities, religious or political organisations take a leading part in the organisation and direction of a cooperative movement. It is only natural that primary societies which owe their birth, existence and future prosperity to the Histadruth should submit to a measure of control which aims at ensuring that the society is correctly managed and that the principle of non-exploitation is strictly observed. The provisions establishing the affiliation of the society with the Histadruth are usually followed by a clause stressing their association with one of the five audit unions, and with one or other of the central societies.

To sum up it may be stated that nearly 40% of all Jewish cooperative societies are closely affiliated with one distinct organisation which has accepted cooperation as the economic form best suited for persons who agree to live by the principle of selfwork and non-exploitation of others. These societies affiliated with the Histadruth, are a compact body, well organised, interdependent — and run as a separate current within the greater stream. The only weak link in this chain is the absence of one central body which would centralise the supply of requirements of all local societies.

The Jewish Farmers' Federation and its associate the Bnei Binyamin Organisation (an association of young farmers) are also important factors in the Jewish cooperative movement—though their importance cannot be compared with that of the Histadruth. Their aims are well defined and clear. They are economic organisations established and existing for the sole purpose of protecting the interests of the Jewish farmers both inside the Jewish community and outside. The Jewish Farmers' Federation is interested in all matters which affect the welfare of the farmer such as taxation, markets, means of transport and communication, security, land tenure, credits, facilities for education, etc. The Bnei Binyamin organisation sets itself the special aim of assisting young farmers in the establishment and consolidation of their holdings. Neither of these organisations are concerned with the political faith of their members or with the principles which they adopt in their mode of life. It is from this point of view that these two organisations are interested in cooperative societies which endeavour to solve problems of marketing, irrigation and farm credit. They regard cooperative marketing as the best and most suitable form for safeguarding the interests of the individual farmer and for regulating markets. They realise the great advantage which joint schemes for irrigation or for packing based on cooperative principles offer to farmers with limited means and welcome any effort of members of the farming community to obtain their current credit needs by means of credit cooperative societies. At the same time their approach is individualistic. They take an active part in encouraging the formation of new societies. They are also interested in a movement of agricultural societies which would be interdependent and collaborate in as many spheres as possible. But they do not believe in a movement managed from above which deprives the farmer of a sense of responsibility for his own affairs. They prefer independent societies started by the initiative of the farmers, properly supervised by a Government authority and encouraged by their own organisation.

The Farmers' Federation through its Secretary is represented on the Jewish Cooperative Advisory Committee and on the Joint Council of Jewish Cooperative Organisations. Its central mortgage bank is organised on a cooperative basis to ensure its non-profit making character. The Bnei Binyamin Organisation also have a financing institution established on the basis of a cooperative society. The two organisations intend to organise one or more audit unions for their societies in due course. But the main cooperative activities of these organisations are to be encountered in the field of citrus marketing of which a detailed description will be found in the second part of this report.

The Central Bank of Cooperative Institutions in Palestine Limited is the joint creation of the Jewish Colonisation Association, the Palestine Economic Corporation and the Economic Board for Palestine—all of which are organisations striving to help in the upbuilding of Palestine on sound business lines as opposed to charitable methods. Its activities in the field of cooperation are described in an appendix at the end of this part of the report.

The General Manager of the Central Bank serves as a member of the Jewish Cooperative Advisory Committee and is represented on the Joint Council of Jewish Cooperative Organisations.

Other bodies which must be mentioned on account of their assistance to the Jewish cooperative movement are the Anglo-Palestine Bank and the Palestine Jewish Colonisation Association. The Anglo-Palestine Bank has always taken keen interest in the urban credit societies and in the central organisations of the cooperative movement. Of late this bank has extended its activities to other branches of the movement in rural areas and has set up a special cooperative section which deals with all applications for loans from cooperative societies. A description of its activities in financing cooperative undertakings will be found in an appendix to this part of the report.

The Palestine Jewish Colonisation Association (Pica) may be said to have been the founder of the Jewish cooperative movement in Palestine. Long before the war this organisation had started marketing and credit societies in several Jewish settlements and provided them with their working capital. The first Jewish credit society in Jerusalem was also financed by this organisation. The present activities of this organisation in the cooperative field are limited to a few collective settlements and to its interest in the Rishon Le Zion Wine Growers Association.

It would be futile to attempt an enumeration of the host of individual cooperative workers who have helped in the development of the Jewish cooperative movement and who deserve much credit for its success. The Jewish community in Palestine abounds in idealists who look upon cooperation almost as a religion and as an economic organisation which has been devised for the salvation of mankind. They are to be met on the committees of many societies and they are always eager to help. The Jewish community is fortunate in possessing such large numbers of public-spirited men.

PROGRESS OF ARAB SOCIETIES.

The first Arab cooperative society to be organised in Palestine was the Palestine Arab Tobacco Growers Cooperative Society Ltd. which was registered in Acre in 1924. The object of this society was to undertake the marketing of the tobacco crop of its members and to grant cultivation advances. In spite of the fact that the district authorities took keen interest in the society and nominated a special officer to guide and direct its activities—the society encountered many difficulties in its dealings with its members and after existing for a short period it was liquidated in 1927. The second Arab Society was formed in Jaffa in 1930. It was a co-partnership of orange stevedores, and its object was to pool the earnings of its members. This Society also failed in its purpose and was liquidated in 1931.

In 1931 and 1932 attempts were made by large citrus growers at Jaffa and at Ramleh to organise citrus marketing societies. They formed two societies for this purpose but neither of these societies commenced operations and have since been cancelled. In 1932 a cooperative society of transport workers was formed at Jaffa. This society worked successfully up to the end of 1937 when disputes arose between its members who are composed of Moslems and Christians. It was still in existence at the end of 1937. In the early part of 1933 eight Arab societies of transport workers and one society of citrus exporters were formed. All but one of these societies were unable to manage their affairs properly and have since been liquidated.

Government took no active part in the formation of these societies. Members were not guided on the proper lines. The members in these societies lacked community of interests and the constitution of the societies was not truly cooperative. At no time of their existence did their members understand the spirit or the principles of cooperation.

Towards the close of 1933 the Arab movement entered upon its new phase of development under Government control and guidance. The formation of Arab societies became one of

the primary functions of the Registrar and of his newly constituted department. It was intended that he should follow an active policy, the chief element of which was cooperative education of prospective members and managers before and after the registration of a society. Before starting the actual formation of societies the Registrar launched an extensive campaign in Arab villages and town centres to bring home to the Arab population the advantages of cooperation and to explain the process of forming credit and thrift societies as well as other societies for economic and social purposes. Numerous meetings were held and lectures were delivered at teachers' conferences, to units of the police force, to district officers and to students and teachers at the Tulkarem agricultural school. The campaign in the rural areas was restricted during 1933 to 74 carefully chosen villages, but many of the meetings were attended by representatives from neighbouring villages. District officers always accompanied the Registrar on his tours and were given an opportunity to become familiar with the theory and practice of cooperation. It was necessary to exercise great caution at the beginning. It was realised that a handful of well taught and successful societies would do more good for the Arabs and would be more creditable to Government than a host of uninstructed and erratic institutions. When the Cooperative Societies Department was established in 1933, it was decided upon the advice of Mr. Strickland to commence operations in the field of cooperative credit. It was recognised that the fellah's primary necessity was controlled credit at a moderate rate of interest. It was not unlimited cheap credit, almost invariably imprudently used, that he needed. The fellah had had too much of this kind of credit from various sources. The policy of the Department, therefore was to inaugurate a number of credit societies, ranging according to the needs of the village, from those which need only small working capital to those which handle larger sums for the cultivation of citrus or other expensive crops. The plan was to begin operations in each village with a small group of trustworthy cultivators who trusted each other. The procedure followed in the formation of Arab societies in villages has been fully described in a pamphlet issued by this Department in October, 1933. (Pamphlet No. 3). A concise description is here recorded for the benefit of administrative as well as technical officers of Government, on whose constant collaboration the Registrar must depend if success is to be achieved.

A village is selected for experimental purposes. The villagers are notified through the district authorities of the proposed visit of the Registrar or his Inspector and a date for the visit is fixed. A meeting takes place and the Registrar obtains full information concerning the social and economic conditions of the village. He is interested chiefly in the state of indebtedness of the villagers, the revenue derived from their agricultural holdings and from other sources, and the personal relations between the villagers. If he finds that there is much party strife in the village, he endeavours to discover which groups are more apt to trust each other and which of the villagers display any sign of public spirit. He then addresses the meeting regarding cooperation, its principles, objects and benefits. He points out that cooperation is not an easy accomplishment, that it requires a sustained effort and that it is a plant of slow growth, but that every person can learn to cooperate and that the fellaheen in particular have every qualification to do so, that their natural intelligence is at least equal to that of peasants in many other countries, that all that is needed is to change their outlook upon life and their attitude towards their fellow villagers. They are reminded of the many admirable institutions which already exist in their village and which dominate many aspects of their life. The "Kafala Mutasalsila" is mentioned as well as the other collective undertakings with which the fellaheen are well acquainted. In general terms the Registrar tells of the success of cooperation in other countries and communities and of the benefits it has bestowed on the peasantry. Throughout his talk, the Registrar tries to impress upon his listeners the fact that cooperation is not based on the wealth of the members but upon their honesty, straightforwardness and punctuality in redeeming promises. In simple form the fellaheen are told about the different methods of cooperation. They are told of cooperative marketing and collective bargaining. They are advised to think about what they have just heard, and the first meeting is adjourned. In the course of this meeting the Registrar has an opportunity to form an opinion on the village's suitability for a cooperative experiment. He will wait however, for a response from the village itself. This response usually comes sooner or later in the form of a "mazbata" (petition) signed by a group of individuals. In it the Registrar will be asked to undertake the formation of a cooperative society in the village. Upon receipt of this application a second visit is paid to the village and a searching enquiry made into the trustworthiness of the persons who have signed the application, their financial position, and their general standing in the village. If they all represent a single faction in the village, the Registrar will not readily accept their application. In a large village with a large population, he may agree to form a society for a faction. During the second and subsequent meetings the applicants will be instructed in cooperative methods. If the object is the formation of a credit

and thrift society—as is almost unvariably the case—the villagers are asked to prepare a financial statement concerning every person who intends to become a member of the society. The statement contains full details concerning the sources of revenue of the individual from agriculture or from work outside the village, the size of his agricultural holdings, and the amount of his indebtedness to Government, banks or money lenders and of any taxes paid by him. These statements are prepared in open session with the full knowledge of the entire village, thereby diminishing the likelihood of false statements. On the basis of the information contained in this statement, the Department calculates the creditability of each member. The formula adopted for this calculation is as follows :—

25 per cent. of income derived from agriculture which includes rent from agricultural lands, income from cultivation of field crops, fruits, vegetable, etc., and income from herds, flocks, poultry, bees, etc., plus 50 per cent. of income derived from other sources.

A general statement concerning all the persons desiring to join the society is then prepared, showing the credit requirements of each person and the purposes for which this credit is needed. On the completion of these formalities, the model rules of the proposed society are read out in the presence of all prospective members and the meaning of each clause is fully explained. Particular stress is laid on the clause dealing with the unlimited liability assumed by each member and its consequences. Then the rules together with the application required by law, are signed by all prospective members. The certificate of registration is issued to the society and the first general meeting, at which the officers of the society are elected, is convened. This initial meeting is attended by an officer of the Department who instructs the secretary-elect in the methods of keeping the accounts of the society in books and on forms supplied by the Department at cost price.

The officer also supervises the enlistment of members and the first payments made by them on account of their shares. In the societies formed during the first year after the establishment of the Department the share value was fixed at £P.10 payable in ten yearly instalments. Subsequently the value was reduced to £P.5 payable in ten yearly instalments. This reduction has proved desirable in view of the small loans taken by the majority of the members.

After the completion of all these formalities, the society applies for a loan from Barclays Bank (D.C.&O.). This application is made through the Registrar who supplies the bank with full information regarding the position of members. An arrangement has been made with Barclays Bank to finance Arab credit societies in the early stages of their existence. A credit society usually requires additional funds for a certain period, approximately ten years or more. The Government, in accepting cooperation as a definite policy, agreed to assist any society which the Registrar recommends as trustworthy and which for exceptional reasons cannot obtain an advance from a financing institution. For this purpose all monies available in the Treasury on account of the old Ottoman Agricultural Bank have been earmarked. At the end of 1937 these funds totalled some £P.24,000. It was felt that this money, derived from the pre-war inhabitants of the country, should be made available for small initial loans to Arab peasant cooperatives formed on the basis of unlimited liability. In view, however, of the fact, based on experience, that the Arab fellah is more likely to recognise an obligation of payment to a commercial institution than to Government, it has proved healthier for the movement to borrow from banks. Barclays Bank had for some time past instituted a system of joint loans in many villages. These loans were extended to groups of fellaheen on the "Kafala Mutasalsila" system mentioned earlier in this report. Under an arrangement between Government and Barclays Bank, the bank agreed to withdraw this privilege from any village in which the Registrar was ready to organise a society and to finance the society instead. In consequence of the reduced risks to which the bank is exposed when dealing with a cooperative body, the bank further agreed to reduce the rate of interest. At present the rate of interest charged by the bank is 3% lower for cooperative societies than for individuals or groups of borrowers.

There is close cooperation between Barclays Bank and the Department in the matter of granting advances to cooperative societies. The bank is notified in advance regarding villages in which societies are to be launched. Operations are not undertaken in villages where the bank has large and complicated interests. On the other hand, the bank does not undertake to criticise in detail the loans which a society gives to its members. This is the function of the Registrar and his staff and the bank accepts their decisions. The only security issued by the society for the bank loan is a bond by the society undertaking repayment within not more than one year from the date of issue. In the case of a society in which the members

have additional debts, the members create a charge on their crops in favour of the society, and the society assigns the same to the bank.

In this manner and in accordance with this procedure, this Department has been forming societies in the Arab villages since 1933. The results of this work are illustrated in the following paragraphs.

During the month of October, 1933, 14 credit and thrift societies were formed in the Northern, Southern and Jerusalem Districts.

These societies were started with a membership of 263 who subscribed to a share capital of £P.1,330 of which £P.133 was paid up at the date of formation. Arrangements were made with Barclays Bank (D.C. & O.) to supply the requirements of these societies for additional funds and a sum of £P.3,270 was accordingly obtained by these societies in the form of short term loans bearing interest at the rate of 7%.

The preliminary activities of these societies were closely superintended, the Arab Inspector attending their first meetings and supervising the issue of the loans to the members as well as instructing the committees in the methods of accounting in books and forms specially printed for them by the Department.

During this period efforts were also made to organise cooperative societies among Arab orange growers in the Southern District, banana growers at Beisan, weavers at Majdal, tanners at Jaffa as well as fruit fumigation societies at Acre, and while for a variety of causes no definite progress was made the advantages of cooperative organisation were suitably represented to those concerned.

During the course of the year the Department published 3 pamphlets, the Arabic copies of which reached a large number of villages, on the following subjects:—

Pamphlet No. 1 — The Cooperative Organisation of the Arab Population of Palestine. (issued April, 1933).

Pamphlet No. 2 — Rural Cooperative Societies for Social Purposes. (issued October, 1933).

Pamphlet No. 3 — Agricultural Cooperative Credit and Thrift Societies. Their formation and operation. (issued October, 1933).

The credit and thrift societies formed in the autumn of 1933 made satisfactory progress during 1934. Their membership increased from 263 to 651 all told. All members were regular in the repayment of their loans and the societies were thus able to refund their borrowings from Barclays Bank in advance of the fixed date. The Registrar and his staff continued to encourage these societies, whose objects were enlarged so as to promote better farming, prevent extravagance, arrange amicable settlement of disputes and provide for better education. Every endeavour was also made to assist societies to accumulate savings during good seasons as provision for bad years. Nevertheless, having full regard to the dangers of a too rapid expansion unaccompanied by patient education and constant supervision, the Registrar proceeded cautiously in the formation of new societies among Arab cultivators. Out of 60 villages in which propaganda was carried on during the year only 18 were selected for immediate cooperative work, and after a full course of preparation new credit and thrift societies were formed in these villages in the autumn. These new societies were spread all over the country, their membership was 260 all told, who subscribed to a share capital of £P.933, one tenth of which was paid up at the date of formation. This brought the total membership of Arab rural credit and thrift societies up to 911; with a subscribed capital of £P.5,046 and accumulated (own) funds of £P.1,034. Following the practice of the previous year, Barclays Bank supplied all the Arab rural societies with their requirements in additional funds in the form of short term loans, bearing interest at the rate of 7%. The sum so obtained in this year by both old and new societies amounted to £P.13,595 as compared with £P.3,270 in 1933. The major portion of this amount was used by the members for the purposes of cultivation, while a fraction was utilised to pay off old debts borrowed formerly at exorbitant rates of interest. The arrangements for the utilization of the assets of the Ottoman Agricul-

tural Bank in liquidation, for the purpose of making advances to the Arab cooperative societies through the Registrar in the form of medium term loans, were deferred pending a decision regarding the disposal of the Palestine loan funds earmarked for long and medium term loans generally.

In the towns 5 new Arab transport societies were registered, while one was liquidated, bringing the total of Arab transport societies to 13. These societies had a membership of 244, own funds amounting to £P.27,256 and borrowed funds amounting to £P.37,356.

Early in the same year one society of master lighterman at Jaffa was formed. The objects of this society are to undertake and organise on a cooperative basis the transport of passengers and merchandise between the ships in the roadstead of Jaffa and the Jaffa quays. Its membership consists of lighter owners, who are licensed by the port authorities to ply their trade in the port of Jaffa. It cannot be claimed that the society is managed in accordance with strict cooperative principles. Many of its members had been licence holders for many years prior to the formation of the society and as such had certain vested interests which could not be eliminated immediately. The income of the society from lighterage fees and transport amounted to £P.108,057 in 1934 and £P.123,306 in 1935. It dwindled to £P.50,257 in 1936 as a result of the disturbances.

Other Arab societies formed, or the formation of which was commenced during the year, included a general agricultural society at Beisan, a tractor ploughing society at Mujeidal, an irrigation society at Samakh, a fishermen's society at Tantura, an arbitration society at Khan Yunis, an urban credit and thrift society at Hebron and a railway workers building society at Haifa. The experience of two years of cooperative activity among the Arab population proved that as long as societies can obtain loans on more advantageous terms than those available to individuals or groups of individuals and with proper guidance, there is an almost unlimited field for the expansion of the movement among the Arab population.

Progress in 1935 was slow owing to the serious illness and untimely death of Mr. F. G. Lowick who had filled the post of Registrar of Cooperative Societies after the reorganisation of the Department in 1933. Mr. Lowick was an enthusiastic and devoted worker who gave great attention to detail. His death was a great loss to the cooperative movement in Palestine. He believed implicitly that the task of uplifting the fellaheen could best be performed through the medium of cooperative societies and realized, rightly, that there was no short cut to this uplift.

During 1935 29 Arab credit and thrift societies were formed in rural areas. This brought the total of Arab village credit and thrift societies to 61. The following figures show the position of these societies at the end of 1935 :—

1. Membership	2,422
2. Subscribed share capital	£P.11,365
3. Paid-up share capital	£P. 1,709
4. Accumulated other funds	£P. 1,772
5. Borrowed funds	£P.39,013
6. Loans issued to members	£P.42,329

As in the past, societies were able to obtain all their borrowed funds from Barclays Bank in the form of short term loans and no encroachment was made on the funds of the Ottoman Agricultural Bank, which, as previously stated, had been allocated for the purpose of the development of the cooperative movement among Arab cultivators. These funds accordingly remained in reserve and it was decided that they should be used as and when deemed necessary, for any of the following purposes :—

- (a) Grant of seasonal loans to Arab credit and thrift societies when such credit cannot be obtained from commercial banks;
- (b) Grant of medium term loans up to five years to Arab credit and thrift societies for the purpose of undertaking small works of development in cases in which they cannot be otherwise financed by commercial banks or as long as no other public sources are available.

These loans were to be granted on the following conditions :—

- (a) The rate of interest to be in any case not less than 5% but usually 1% above bank rates with a maximum of 7% ;
- (b) The maximum amount of any one loan not to exceed £P.500.—;
- (c) The securities to be :—
 - (i) In the case of seasonal loans the unlimited joint and several liability of members and, if the Treasurer deems necessary, also a charge on the crops of members taken by the society and assigned to Government;
 - (ii) In the case of intermediate or medium term loans, chattel mortgage or other adequate security.

The rate of interest charged by Barclays Bank on loans granted to societies was reduced from 7% to 6% in order to enable the societies in their turn to reduce the rate of interest on loans to their members to 9%, which corresponds with the rates charged by the Bank to borrowing bodies not organised as cooperative societies.

In all societies, members were regular in the repayment of the loans granted to them and the year concluded without a single case of default or delay in repayment. In the field of thrift and accumulation of savings or deposits by the societies, no progress was made.

To assist in the supervision of the Arab rural credit and thrift societies and in the education of villagers in cooperative methods generally, five field organisers were stationed in the rural districts after a period of training at headquarters. These officers are called upon to visit villages selected for cooperative development and prepare the people for their task.

In the towns, two new Arab transport societies were registered while seven societies were struck off (five transport and two citrus shipping societies) owing to internal difficulties. Preliminary steps for the formation of a model olive oil pressing, storing and marketing society in the northern district and of a lime burners society in the southern district were also undertaken.

Owing to the disturbances which broke out in April 1936, it was not possible to proceed with the formation of new societies in Arab villages, nor was any progress feasible in other fields of cooperation among the Arab population. The village credit and thrift societies formed during the preceding years continued to be of great help to their members. They were able to enlarge their membership and increase their own funds to a limited extent. As in previous years, Arab societies obtained all their borrowings from Barclays Bank in the form of short term loans. In spite of the unsettled conditions, with the resultant hardship to the fellaheen, who lost their regular markets for vegetables and fruits, all societies, except five, could report regular repayments by their members of the loans granted to them.

In the towns, one co-partnership of vegetable sellers was registered, while the registration of one marketing society was cancelled.

In 1937 sixty new credit and thrift societies were formed in Arab villages, bringing the total number of Arab village societies to 121. In the meantime the older Arab societies had enlarged their membership by 66,3% and increased their own funds by 65,7%. The following figures illustrate the position of Arab credit and thrift societies at the end of 1937 as compared with the period ending December 1936 :—

		end of 1936	end of 1937
Number of societies		61	121
Number of members		3,078	5,121
Own funds	LP.	6,330	10,492
Borrowed funds	LP.	49,629	59,456
Loans issued	LP.	55,662	69,371

Repayment of loans by members continued to be satisfactory on the whole and the majority of societies were able to meet their liabilities to Barclays Bank on due date. Several societies, however, experienced some difficulty in collecting loans granted to their members owing to the unsettled conditions prevailing and as a result of their inability to dispose of their citrus and olive crops. Some of the older village credit and thrift societies arranged to start small and regular saving accounts for their members. For this purpose they have distributed among their members 2,000 saving boxes suitably inscribed with passages from the Koran in praise of thrift. Arrangements were completed for the formation of two olive oil pressing societies in the Samaria district. It is hoped that these societies will receive long term loans from the funds allocated by Government for developments in the hilly districts of Palestine and will commence operations in the 1938 olive season if conditions of public security become more settled.

No new Arab societies were registered in the towns during 1937 and of the old societies, seven were ordered into liquidation. An application for the registration of a citrus marketing society composed of owners of large groves in Jaffa was submitted during December.

The progress of Arab village credit and thrift societies since 1933 is indicated in the following tables :—

TABLE VIII. DEVELOPMENT OF ARAB VILLAGE CREDIT AND THRIFT SOCIETIES DURING THE YEARS 1933—1937.

		30-9-33	30-9-34	30-9-35	30-9-36	30-9-37
No. of Societies on register		14	32	61	61	121
Total membership		263	911	2,422	3,078	5,121
Share capital subscribed	LP.	1,330	5,046	11,365	12,872	19,084
Paid up share capital	LP.	133	546	1,709	2,922	4,595
Total own funds (paid-up share capital plus accumulated reserves)	LP.	194	1,034	3,481	6,330	10,492
Loans made to societies by Barclays Bank	LP.	3,270	13,595	39,013	49,629	59,456
Loans issued to members by societies	LP.	3,405	14,446	42,329	55,662	69,371

TABLE IX. MEMBERSHIP, LAND OWNERSHIP, INCOMES AND LOANS IN 121 ARAB VILLAGE CREDIT AND THRIFT SOCIETIES AS ON THE 31ST OF DECEMBER, 1937.

SUB-DISTRICT	No. of Societies	No. of Members	LAND OWNERSHIP OF MEMBERS				AGRICULTURAL INCOME OF MEMBERS				OTHER INCOME OF MEMBERS				LOANS GRANTED TO MEMBERS			
			up to 100 Dunums	100 to 200 Dunums	above 200 Dunums	Land-less	TOTAL LP.	up to LP. 50	up to LP. 100	above LP. 100	TOTAL LP.	up to LP. 50	up to LP. 100	above LP. 100	up to LP. 10	between LP. 10-20	bet. LP. 20-50	above LP. 50
JERUSALEM	12	347	271	50	26	—	15,162	262	69	16	12,435	229	61	267	51	18	—	11
HEBRON	8	991	139	229	620	3	118,571	128	467	393	33,541	744	145	223	508	209	32	19
RAMALLAH	16	494	364	85	44	1	29,764	283	160	50	13,688	324	55	340	116	26	1	11
TOTAL FOR JERUSALEM DISTRICT	36	1,832	774	364	690	4	163,497	673	696	459	59,664	1,297	261	830	675	253	33	41
JAFFA & RAMLE	10	375	293	45	31	6	34,079	235	53	81	13,337	182	59	238	69	43	22	3
GAZA	7	274	183	55	30	6	26,919	91	90	87	7,601	134	30	160	57	34	4	19
TOTAL FOR SOUTHERN DISTRICT	17	649	476	100	61	12	60,998	326	143	168	20,938	316	89	398	126	77	26	22
JENIN	10	296	169	68	49	10	22,459	147	94	45	8,322	122	41	163	59	64	6	4
TULKAREM	5	145	113	12	19	1	16,993	59	50	35	5,882	78	29	52	58	18	6	11
NABLUS	11	283	185	66	31	1	17,665	148	110	24	6,585	143	37	185	61	16	1	20
HAIFA	8	284	224	35	14	11	22,865	120	98	55	9,442	222	37	165	72	39	8	—
TOTAL FOR NORTHERN DISTRICT	34	1,008	691	181	113	23	79,982	474	352	159	30,231	565	144	565	250	137	21	35
NAZARETH	4	157	88	38	22	9	10,416	72	60	16	3,190	46	14	94	36	12	3	12
TIBERIAS	2	82	7	10	15	—	3,315	6	15	11	894	13	5	9	9	7	—	7
BEISAN	1	70	18	35	16	1	5,583	17	40	12	653	19	2	44	24	1	1	—
SAFAD	15	627	429	114	52	32	47,324	257	237	101	14,647	541	34	451	108	48	8	12
ACRE	12	675	556	88	27	4	53,927	321	240	110	23,779	525	100	375	163	91	26	20
TOTAL FOR GALILEE DISTRICT	84	1,561	1,098	285	132	46	120,565	673	592	250	43,163	1,144	155	973	940	159	38	51
TOTAL FOR PALESTINE	121	5,050	3,039	930	996	85	425,042	2,146	1,783	1,036	153,996	3,322	649	2,766	1,391	626	118	149

It is, perhaps, too early to express an opinion on the work accomplished by the 121 village societies. Certainly they have had insufficient time to prove their worth in the villages as moulders of character. This must be a slow process which takes time. Superficial observation may lead one to criticise and to contend that up to the present the village societies have achieved nothing beyond collective borrowing, that there is no sign of thrift as yet, that, as formerly, villagers who have money convert it into gold or silver and hoard it against a rainy day, that the societies have not become the recipients of deposits, nor have they taken the initiative to improve the conditions of their members in other aspects of life. It may also be argued, with some force, that up to the present the membership has been limited to solvent peasants who can show a surplus of revenue over expenditure and who own land in the village. The landless and the very poor are still outside the pale, although in some societies a narrow entrance has been opened to them and some poor fellaheen, known for trustworthiness, have been accepted as members.

All these contentions, while based on apparent facts, need not be discouraging. Cooperation is a plant of slow growth, it is not only a business enterprise but also a spiritual faith. When the Palestine Government decided to accept cooperation as a definite policy, it did so with the full knowledge that it was a long term policy and not a temporary expedient. If the achievements of Arab village societies are surveyed from this angle it will be found that in villages where societies were formed there are already signs and indications that the people are endeavouring to draw together the threads of their social and economic life. A great contributing factor has been the accumulation of their "own funds". This is perhaps the first time in the history of the fellaheen that they have seen tangible results fructify from a joint effort. In at least one society (Dura Village) pride in their own achievement has developed a feeling of confidence among the cooperators and they are planning to build a house from their own funds for the offices of their society. On the other hand "own funds" have also led to an increase in the intrigues ("fassad") so unhappily prevalent in Palestine village life. A considerable period must elapse, however, before cooperative education takes root and business acumen develops. Some village societies are beginning to consider the introduction of a system of regular compulsory savings. The keen observer will therefore not miss these first signs of a growing spirit of cooperation in many of the villages where societies were formed.

The audit of the accounts of Arab village societies is carried out by the staff of the Department free of charge. It will be some years before Arab societies are ready to form an audit union and up to the present their balance sheets have not been large enough to justify the appointment of a professional auditor. This practice of free service will be continued until such time as it is considered expedient to levy an audit fee. Mr. Strickland has suggested that such fees should be allocated to a special audit and supervision fund to be used to assist an audit union when formed.

A map attached to this report shows the distribution of Arab village societies in the various districts. The map shows only those villages in which credit and thrift societies were actually formed. It does not show the many villages in which a considerable amount of preliminary ground work has been done nor does it give any indication of the activities of the Department in other fields of Arab cooperation. It is, perhaps, not out of place to describe these activities, even though such description does not present a record of accomplishments. The question of forming marketing societies has received the fullest attention of the Department. Every credit and thrift society when formed has been made to realize that the next step must be towards organised marketing. Many villages producing citrus fruit and olives were visited repeatedly with a view to inducing the fellaheen to form some collective marketing organisation. In the case of olive growers, villages were actually selected for the organisation of cooperative oil pressing and storage associations, and long term loans have been secured for this purpose. In another village lime-burners were approached with a view to organising them into a cooperative limeburners association. In all these cases, the main difficulty to contend with, has been the character of the fellah. So long as his outlook on life is one of hopelessness and his attitude towards his fellow villagers one of suspicion only, there is little hope that he will be loyal to a marketing association. The same arguments apply to attempts made to organise fishermen on cooperative lines, attempts which so far have proved abortive. It all comes back to the basic problems and a fuller acquaintance with the Arab village communities enhances the conviction that there will be little room for some time to come for a large variety of types of cooperative societies. The foundation of the "societies" will be the first offspring. Upon this foundation, if stable, other societies should rise later and flourish. For it is obvious that in the present mood of the fellaheen some

tangible economic goal, easy of attainment, must be the first step on the thorny path towards cooperative principles which, in the words of the Royal Commission, is bound to be "a protracted and perhaps unpleasant course".

Increased impetus towards village uplift can undoubtedly be given by the teaching of cooperative principles in village schools and teachers' training classes as well as in all schools where "civics" or "economics" are normally included in the curriculum. A knowledge of these principles is surely vastly more important in after life, than the detailed information about a multitude of subjects which students forget as soon as the examinations are over. The formation of cooperative societies amongst the pupils of schools and colleges in which thrift, cooperative buying and selling, pooling of produce (from students' plots) and marketing in agricultural schools, and so forth can actually be practised would appear to be a most desirable step forward in this connection. That the education of the women of the village — not necessarily on the lines of "the three R's" but in the simpler and more essential virtues of thrift, cleanliness, hygiene, cottage industries, self-help, etc.—must play an increasingly important role in village improvements will need little emphasis.

The village schoolmaster should be the most important agent and organiser of "rural uplift". Excellent results can be seen in India under conditions far more unfavourable than those obtaining in this country and given the real will to help the inhabitants of his village rather than waste his energies on less desirable objects, the schoolmaster could be a tower of strength in beneficial reform.

The possibilities and effect of such work are lucidly described by F.L. Brayne Esq., the Commissioner of Rural Reconstruction in the Punjab.

It is obvious, however, that the process of rural betterment must be a slow one, the path a difficult one and the goal visualized a distant one which entails much concerted planning and action before it can be attained.

DEPARTMENTAL AUDITOR'S REPORT.

On 1st April, 1937, a chartered accountant with a long experience in practice in England and Palestine was appointed as Auditor of the Department. The purpose of the appointment was to enable the Registrar effectively to carry out the duty devolving upon him of supervising and guiding the activities of the societies from the point of view of their accounts and their audit.

The results of the first year's service of the Departmental Auditor have proved the need of such a technically qualified assistant, and have been very satisfactory. The first task to which the auditor addressed himself was to secure stricter compliance by many of the Jewish societies with the law requiring societies to prepare annual audited balance sheets promptly after the close of their financial year. In order to ascertain the reasons for the delinquencies of many Jewish societies to carry out their obligations in this respect and to bring pressure on them to conform, advantage was taken of the powers of the Registrar to institute enquiries under Section 43 of the Ordinance. In only one case was it necessary to institute a prosecution under section 57 and this was subsequently withdrawn on the officers of the society fulfilling their statutory duties. The worst offenders as a class were the housing societies. Many such societies own a single house consisting of, say, 10 apartments each occupied by a member. Such a society tends to consider its house as a family concern and deems the submission to its members of an audited balance sheet as quite superfluous. In these societies, owing to the fact that their foundation is of recent date, the problems arising out of the incidence of deaths, of transfers of tenancy, and of extensive structural repairs have hardly yet arisen, but when these problems do arise, the members will be thankful for the pressure exerted by the Department in order to compel their societies to keep a permanent accurate day to day record of their financial transactions. Numerous other housing societies organised by the Labour Federation also displayed slackness in conforming to the requirements of the Ordinance as regards bookkeeping and annual accounts, and in these cases pressure by the Department has resulted in the formation of an audit union comprising some 20 societies, under the guidance of which a marked improvement in the state of affairs can be anticipated.

By the end of 1937 out of the 875 active non-Arab societies, only 64 were in default, and in the case of approximately half of these latter there were adequate and excusable reasons for their failure to submit accounts.

The Cooperative Societies Regulations 1934 provide that the audit must be completed not later than 3 months after the close of the financial year, but the Registrar has power to extend this period. The financial year usually ends on 31st December, except in the case of agricultural societies where 30th September is the date usually chosen. It would be manifestly impossible for the auditors and the audit unions to complete the audit of all the societies in this time limit, and so the general policy of the Department is to grant a further 3 months extension either tacitly or expressly. But such extension is refused in special cases, such as those where complaints are received from members or creditors, where avoidable long delays have occurred in the preparation of the balance sheets of past years, where societies are working at a loss or where, because of insolvency or the desirability of reconstruction, immediate accounts are essential.

Coincidentally with this task the Departmental Auditor took it upon himself to improve the form of accounts and of the auditor's certificate and report in the case of many of the societies. Interviews were arranged with several of the auditors engaged on the accounts of societies and suggestions for improvement were made, all of which, it is gratifying to record, were willingly adopted. For example, one of the largest and most important co-operatives on the Register was prevailed upon to commence to submit to its members a profit and loss account. In the case of an important insurance cooperative inadequate accounts have now been replaced by a set of accounts which are fully informative.

The law provides that the accounts of all societies have to be audited by auditors approved or licensed by Government, with the result that the standard of accounting and auditing of societies is very satisfactory, and is incomparably better than that of the Friendly Societies of Great Britain in general, where a similar provision is lacking. One of the consequences is that the particular fraud common in England, of misappropriation of assets and its concealment by non-existent assets being shewn in the balance sheet, is entirely absent in Palestine. Throughout the movement in Palestine, no peculation of any appreciable amount has come to light, and this of course is a tribute to the efficiency of the system of audit.

Audits are conducted either by licensed auditors or by approved auditors appointed by the audit unions. The standard of auditing in the case of the audit union is uniformly good, and with insignificant exceptions the same can be said of the licensed auditors. In addition to auditing, the unions have the important duties of supervision and tuition, which guidance is essential in the case of societies engaged in the complications of modern finance, industry and trade, where under the constitutions of cooperatives the personnel comprising the executive is liable to complete change at the annual elections.

Liquidations.

The Ordinance places onerous duties on the Registrar in connection with winding-up. He it is who has to decide whether a winding-up order should be made, to appoint the liquidator, to control his actions, and to act as a Court of Appeal against certain orders made by the liquidator in the course of the liquidation. The Registrar has called for accounts from all liquidators, and where either because of the size or complexity of the liquidation it has appeared desirable, licensed auditors have been appointed to carry out an audit. The number of liquidations in progress at the beginning of 1937 was 69, and 43 Winding-Up orders were made in the year. At the end of the year, 96 liquidations were still in progress, 31 having been concluded.

The Departmental Auditor, in addition to his work in connection with the above statutory duties imposed on the Registrar by the Ordinance, has freely acted as consultant on difficult cases with liquidators, and has himself acted as liquidator in those cases where it appeared that no funds would be available for liquidator's remuneration.

STATEMENT BY THE ANGLO PALESTINE BANK LTD.

The Russian Jews who formed the large majority of the Jewish population of Palestine before the war were well acquainted with the system of credit cooperatives. Many of them had been members of such cooperatives in Russia and the Anglo-Palestine Bank found no difficulty in introducing the system into Palestine.

The bank found it more convenient to grant small loans, mainly in the agricultural districts, but also to small clients such as artisans, shopkeepers, etc. of the urban population, through the medium of credit cooperatives. It started its main activities in this direction in the year 1907 and by 1914 it had formed a network of not less than 50 credit cooperatives with over 2,300 members between them. These societies were supplied by the bank with an aggregate loan capital or operating credit of 700,000 Gold Francs (£.28,000.—). They had no capital of their own to speak of nor any deposits worth mentioning. All loans granted by the societies were subject to the approval of the bank.

During the war all these societies with the exception of two ceased to function. Scarcely any amount of the credits granted through the rural societies was lost; the individual members shouldered the debts and in most cases repaid them. In a number of urban societies some modest amounts were lost, and this was to a large extent due to the enforced migration of the urban population during the war.

After the war it was found difficult to resuscitate the old societies, and the reason for this was their inherent lack of vitality. They had enjoyed no autonomy to speak of, they had not been able to attract deposits, they had scarcely accumulated any capital. Their committees had no feeling of responsibility towards the cooperative as such; though they were elected by the members, they were in effect nothing but agents of the bank for the purpose of allocating loans. There existed no real cooperative spirit. When during the war the bank, as an enemy institution, was prevented from exercising its guardianship over the societies, they ceased functioning. It is certainly no accident that the only two societies which survived (and which have continued an honourable career until this day) are the Halvaa Vehisachon of Zichron Ja'aqov and the Kupat Milveh of Rehovot, both of which had been created by the own initiative of their members, and which possessed, alone among all the societies, a fair measure of autonomy and a spirit of pride and solidarity.

Nevertheless, the cooperative spirit had taken root and very soon after the occupation independent efforts were made to start more modern and autonomous credit cooperative societies. The bank, having learned from experience, left the new cooperatives strictly alone to develop by their own efforts. It made no more efforts to take them under its wings; it promised them its help if needs be but it made no attempt to influence their growth or policy. It believed that only in a sphere of autonomous effort and self help could the true cooperative spirit evolve.

This does not mean that there was no contact between the bank and the cooperative societies. In many instances the societies applied to the bank for credit and every sound proposal was favourably considered. On several occasions societies proved to be in need of support, and in practically all cases support was given. No losses were sustained by the bank. In 1922 the Central Bank for Cooperative Institutions was established and the Workers Bank, too, gave increasing attention to workers' cooperatives. The Anglo-Palestine Bank found it proper to leave the credit cooperative business in the hands of these two banks.

In the course of time the urban credit cooperatives were able to attract deposits to such an extent that they felt themselves in no need of credit and support, and many of them rather resented the suggestion that a time could arise when support would be needed. Some of the societies developed into banks and waged strong competition with each other.

The Italo-Abyssinian crisis and Mediterranean war scare of September, 1935, shattered this illusion. There were fairly considerable withdrawals in nearly all cooperatives and there was a sudden need for considerable support. For quick support on such a scale the cooperatives had mainly the Anglo-Palestine Bank to look to, and the bank gave its support liberally wherever it was needed and justified. Within a fortnight an amount of over £P.500,000 was promised and for the greater part actually taken. In most of these cases the bank was in direct contact with the cooperatives; to the lesser cooperatives support was granted through the medium of the Zerubabel Bank.

The situation resulting from the Italo-Abyssinian crisis was got under hand quickly enough, but as might be expected some of the cooperatives did not remain with strength unimpaired and there is considerable concern at the fact that in a number of cases the liquidity of the cooperatives is not up to the standard laid down by their own audit union. In friendly co-operation with a number of leading cooperatives the bank has, through the granting of credits specially adapted to requirements, made an effort to re-establish liquidity of these cooperatives, and generally to encourage them to improve their position through their own proper exertions. Nevertheless, some doubt may be expressed as to whether the necessity radically to cope with the situation is being sufficiently insisted upon.

So much for the credit cooperatives.

Cooperatives in general have always received the special attention of the Anglo-Palestine Bank in whatever direction their efforts lay.

The citrus cooperatives deserve special mention. During the first years after the occupation the Anglo-Palestine Bank was alone in the field with seasonal advances, but very soon the other commercial banks and the Central Bank of Cooperative Institutions,—at a later time also the Palestine Corporation,— found the business attractive, and the considerable development of the orange industry provided sufficient business for all these banks. It was found to be to the advantage not only of the banks but of the industry as well, that the credit granting banks should co-ordinate their business, and since several years the seasonal advances are being granted on a basis fixed by the leading banks in mutual consultation and agreement.

The agricultural cooperatives pursuing mixed farming latterly received increasing attention at the hands of the bank, and modest amounts have been advanced to them in the form of intermediate loans repayable over three to five years for the extension of vegetable growing and poultry raising, in addition to the usual seasonal or special advances for purchase of fodder, for operating capital and the like.

In all, the Bank's advances to cooperatives amounted on the 31st December, 1937, to over £P.760,000. Of this amount £P.370,000 was in the form of seasonal and similar advances to the citrus cooperatives, £P.120,000 to agricultural (mixed farming) cooperatives and £P.130,000 to credit cooperatives. A considerable part of the latter amount was given to finance special business and not for ordinary current requirements.

STATEMENT BY THE CENTRAL BANK OF COOPERATIVE INSTITUTIONS IN PALESTINE, LTD.

The Bank was established and registered under the Palestine Companies Ordinance in July, 1922, on the initiative of the American Joint Distribution Committee which succeeded in interesting both the Jewish Colonization Association and the Economic Board for Palestine in the project. The original capital was £P.30,100, increased in 1928 to £P.100,200 and in 1935 to £P.150,200. At the end of 1937, the paid in share capital was £P.123,193 of which £P.60,333 were "A" shares, £P.62,760 "B" shares and £P.100 ordinary shares, held as follows:—

Palestine Economic Corporation (who had taken over the holding of the American Joint Distribution Committee)	£P.95,810
Jewish Colonization Association	£P.20,025
Economic Board for Palestine (and private individuals and institutions)	£P. 5,025
Cooperatives (clients of the Bank)	£P. 4,760

From the outset, it was apparent that the restricted scope of the Jewish cooperative movement in the Diaspora—credit cooperatives—was too narrow for Palestine with its kvutsoth (cooperative agricultural settlements), irgunim (cooperative groups for future small holders settlements), the new type of transportation cooperative with workers and not consumers as members. Without deviating from accepted cooperative principles and in particular from the principle that "unless cooperation is good economics it won't last long. It must be a superior way of doing business for the individual and for the community as well", the Bank has considered and met the special needs—and therefore the special forms—of cooperation of a country in the making. It was the recognition of these special needs and the appreciation of its responsibility for the fostering and supporting of the newer and smaller cooperatives, particularly those of and for the small man, which led the Bank to organize cooperatives in the Emek (the Valley of Esdraelon) when the new workers small holders settlements on Jewish National Fund leasehold land were just established and in the Sharon within a year or two of the establishment of settlements (mostly middle class) on freehold land in the citrus belt. The underlying tenet of the Central Bank's work continues to be assistance to all cooperatives without distinction as to type, political, religious or social creed.

In Palestine colonization is the driving force of all economic undertakings including co-operation. The Bank accordingly has included in its scope of work intermediate and long term loans, among the first of which were loans for viticulture, rehabilitation of almond groves,

poultry raising, dairying and for the development of small areas (not exceeding 20 dunums) of citrus groves. Study and investigation of each of these branches by experts were the necessary preliminary to the issue of loans and the Bank's monographs on aviculture, viticulture, almond growing, cooperative marketing of citrus and the possibilities of banana cultivation in Palestine have been published.

Cooperation with the Palestine Government has been the persistent policy of the Bank. The Bank served on the committee appointed by the Government to make recommendations for amending the Cooperative Societies Ordinance in 1929, and has served on the General Agricultural Council and the Jewish Cooperative Advisory Committee since their inception. It also serves on a number of special sub-committees appointed to study special agricultural—economic problems: Poultry and Eggs, Citrus Transportation and Marketing, Citrus Advertising and Fumigation, Rural Land Taxes, Dairy Industry, Establishment of a Clearing Bureau, Apiculture, Import Duty on Potatoes and the Olive Oil Industry.

Prior to the organization of Auditing Unions, the Bank organised or assisted in organising most of the credit, marketing and water cooperatives. Through its instructor-auditing department scores of bookkeepers have been trained and a satisfactory and simple accounting system developed for several types of cooperative societies. The instructor-auditing department of the Bank, in addition to auditing and certifying of formal annual balance sheets of cooperatives, makes frequent checks and follow-up interim audits and investigates the use and productivity of both short term and intermediate loans.

Cooperation, rather than competition, with the other financial institutions in Palestine has always been a feature of the Bank's policy. This has resulted in the Bank acting as the agent in granting joint loans with other Banks and institutions. The Central Bank participates in two Revolving Funds jointly with the Workers' Bank; the first for the granting of capital investment loans to industrial producers co-operatives and the second for advances to kibbutzim and rural credit cooperatives for dairying, poultry raising, vegetable growing, etc.

Practically since its inception the Bank has received invaluable guidance and assistance from its Palestine Advisory Committee on Short Term Loans, on which have served representatives of the colonization institutions, the Anglo-Palestine Bank, the Workers' Bank, the farmers labour groups and since 1930 of the cooperatives, elected by the Auditing Unions and in the case of those societies not affiliated with Auditing Unions by the societies themselves. In 1927 an Advisory Committee on Long Term Loans was instituted, consisting of some of the members of the first Committee with the addition of various economic and agricultural experts.

Since its inception the Bank has issued loans for over £P.3,000,000 of which over £P.2,500,000 were short term (up to one year) and nearly £P.500,000 were intermediate and long term (mainly 3—5—8 years). Repayments have amounted to £P.2,250,000. on account of the former and £P.300,000 on account of the latter. Only £P.7,000 or less than one-quarter per cent. of the total amount advanced has had to be written off as bad debts.

At the end of 1937 loans outstanding amounted to £P.453,707 from 173 clients; £P.282,986 from 93 clients on account of short term loans and £P.170,721 from 156 clients on account of intermediate and long term loans.

STATEMENT BY BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS).

From its earliest days in Palestine as the Anglo-Egyptian Bank Ltd., Barclays Bank took a benevolent, and as soon as circumstances permitted, an active interest in the cooperative movement. In accordance with the actualities of the situation that interest has taken two distinct forms. In the Arab community the movement was somewhat late in starting. The need, nevertheless, was felt in the villages, where the seasonal harvests of olives and grain were financed by private money-lenders who charged unconscionably high rates of interest.

To meet the need the Bank devised a system of seasonal crop loans which was in effect the forerunner of the Arab rural cooperative societies. From the Bank's offices in Nablus and Nazareth and also later in Acre, Gaza and Hebron, the farmers were given loans against the guarantee of their fellow villagers. Thus, for example, if twenty men in a village required loans each individual produced the signature on a promissory note of the nineteen others. This

educated the villages to the cooperative principle of mutual responsibility. When, later, cooperative societies were formed the seasonal loans were given to the societies, which in turn distributed them to the members.

The earlier system is still maintained in the districts where societies have not been formed. The extent of the assistance afforded to the Arab farming community and of the work involved can be gauged from the fact that over 20,000 individuals in nearly 500 villages receive seasonal crop loans from Barclays Bank. Personal touch is kept with each through visits to the villages by Outdoor Investigators apart from the more formal contacts of the Managements and staff. The needs of the villages are studied and, largely for their own sakes, the tendency for the borrower to overburden himself with debt is checked by restricting the seasonal loans to about 25% of the estimated agricultural income.

A special, and somewhat unusual feature of the lendings to the Arab cooperative societies is that they are supplied with nearly all their funds. At present they have a small capital only of their own, which is made up of Share Capital and undistributed profits, viz. the difference between the 6% interest charged to the societies by the Bank and the 9% charged by the societies to their members after deduction of working expenses.

The second form in which the Bank's interest in the cooperative movement in Palestine shows itself is in connection with its Jewish side. Here conditions are very different. The societies are well organised, wide-spread, embrace all forms of economic activity, and they have considerable capital of their own. Barclays Bank's business with them is variegated in character. For the agricultural societies it is seasonal, for the urban, industrial and distributive societies it takes all the forms that ordinary commercial business takes, and on occasion even somewhat unorthodox forms according to the needs of the times. Thus in 1923 when the Bank financed the building of the Tel Aviv Commercial Centre among those receiving long-term mortgage loans was "Hamashbir Hamercazi" (Wholesale Cooperative Society) for the construction of their headquarters.

Cooperative societies distributing the products of the Jewish cooperative and communal villages; societies for building contracting; suburban communal settlements the members of which carry out work in the cities; these and other large and small societies have relations with the various offices of the Bank in Palestine on an ordinary commercial basis, as distinct from the seasonal lendings to the agricultural cooperatives. Not only is contact maintained between the Bank and the urban societies through direct accounts, debtor and creditor, but their commercial bills are accepted by the Bank on not less favourable terms than the bills of commercial enterprises of good standing.

The Bank has been of particular assistance to the larger of the cooperative banks. As early as 1926, for example, it placed at the disposal of the Ashrai Bank Cooperative Society Ltd. useful sums towards a special fund out of which loans were given to artisans. It is unnecessary here to describe in detail the whole course of Barclays Bank work with the Cooperative Banks, but special mention might perhaps be made of the special assistance rendered in the autumn of 1935, when there was a run on the small banks as a result of the Abyssinian war scare.

Barclays Bank contacts with the important citrus cooperatives form a chapter in themselves. Some of these were already in existence before the Anglo-Egyptian Bank entered Palestine, but relations were entered into very early and have become closer with the advancing years. Barclays Bank took an active part in the formation of a consortium of banks to put the seasonal financing of the Jewish citrus cooperatives on a sound basis; and now the individual cooperatives are firmly established.

During the 1936-37 season £P.277,077 was lent for Agricultural purposes. £P.57,192 of the total was distributed between 68 cooperative societies and the balance of £P.219,885 was lent to 443 villages and distributed between approximately 20,000 persons.

As at 31.12.37 the approximate total lendings of the Bank to cooperative societies of all kinds was as follows:—

Arab Cooperatives 103	£P. 51,500	(All village agricultural societies).
Jewish Cooperatives :		
5 Citrus Marketing	190,000	
9 Kvutsoth	7,000	
12 Others	110,000	
	<u>£P.358,500</u>	(This figure includes industrial cooperatives, etc.).

STATEMENT BY THE WORKERS' BANK LTD.

The Bank was established in 1921 by the General Federation of Jewish Labour in Palestine, and remained since its inception the central financial institution of the labour economy in town and country, built mainly on cooperative principles.

One of the main objects of the Jewish Labour movement in Palestine, is the establishment of workers' rural and urban cooperatives. Even in prewar days cooperative undertakings were already in existence, such as agricultural workmen's cooperatives in Petah-Tiqvah and Hederah, agricultural settlements in the Jordan Valley ('Degania A') and Emeq-Israel ('Merhavia'), "Achduth" printing press in Jerusalem and others.

The initiative for the expansion of the cooperative movement was evinced even during the war, when the agricultural cooperative settlements of Kinereth, Ayeleth Hashahar and Kfar-Giladi were founded, as well as the first consumers' cooperative of the agricultural workmen in Galilee and Samaria, which has developed into the central institution of the consumers' societies, i.e. "Hamashbir Hamerkazi".

Those were only the first attempts of the labour movement in the cooperative field. The real development and expansion of the cooperative movement began only when the country was set free and entered upon a new era of revival and upbuilding, and it was in 1920 that the conference of the Palestine workers laid down the foundation of the Workers' Bank to finance the ramified cooperative movement of the Palestine workers.

The aims of the Workers' Bank are expounded in its Articles of Association, as follows:—

"To aid, strengthen, further and assist by cash and by any other means of assistance, all the branches of works of institutions, societies or groups of workers of all classes, who were formed for the purpose of improving the position of their members in accordance with the principles of cooperation".

Accordingly the Bank grants credits for the maintenance and consolidation of the manifold cooperative cells of the Jewish labour movement as cited below:—

(1) To the 160 agricultural cooperatives (Kibutzim, Kvuzoth and small holders' settlements) having a population of 10,000 families with a cultivated area of 300,000 dunums approximately.

(2) To consumers' cooperatives and their central institution "Hamashbir Hamerkazi" whose sales in 1937 rose to £P.750,000.

(3) To Tnuva Ltd., and producers' societies which marketed during 1937 products valued at £P.500,000.

(4) To the agricultural cooperative societies for the marketing of the citrus products of the Workers' cooperative settlements which shipped during last season over a million of cases to various European markets (mostly to Great Britain through the Cooperative Wholesale Society).

(5) The Agricultural Contracting Cooperative Associations, which carried out in 1937 contracts to the amount of £P.160,000 and employed 2,000 workmen.

(6) The Central Contracting Offices of the Histadruth (Solel Boneh and the affiliated offices in Tel Aviv, Jerusalem and Haifa), which carried out in 1937 works valued at over a million Pounds and employed several thousands of workmen. Those cooperatives are considered as the largest contracting bodies in the country.

(7) To the producers' and service cooperatives of various branches, such as transport, metallurgists, electricians, carpenters, printers and others), in which 3,000 workmen are employed.

(8) To "Shikun" Workmen's Housing Company and Housing cooperatives, which built until the end of 1937, 3,000 houses and apartments, sheltering a population of several thousands of families.

(9) To the Workers' Cooperative Credit Societies in town and country with a membership of 25,000, a capital of £P.50,000 and savings and deposits amounting to £P.300,000.

Some of the above societies are also granted credits by a few other banks, but they are mainly financed by the Workers' Bank.

The following table shows the development of the Bank :—

		At the end of 1922	At the end of 1937
1) Capital	LP.	30,000	148,000
2) Savings and Deposits	LP.	10,000	454,000
3) Balance of outstanding loans	LP.	70,000	475,800

During its existence the Bank distributed loans of over five millions of pounds embracing all the activities of the Histadruth.

For the past eight years the Bank has been paying a yearly dividend of 4% to its shareholders.

Through the initiative of the Workers' Bank and its assistance, 5 Audit Unions of the co-operative movement have been founded, i.e. of the Agricultural Cooperative Societies, Credit Societies, Consumers' Cooperative Societies, Producers and Service Cooperative Societies, Housing Cooperative Societies.

The Bank, through the Audit Unions, supervises the operations of its cooperative clients: instructs them and takes an active part in their activities.

PART II.

CREDIT AND THRIFT SOCIETIES.

The general progress of credit and thrift societies since 1921 is indicated in the following table :—

TABLE IX. CREDIT AND THRIFT SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES (OWN AND BORROWED) DURING THE YEARS 1921—1937.

YEAR	Number of societies on register				Number of societies included				No. of members	Own resources		Borrowed resources		Total resources
	Jewish	Arab	Others	Total	Jewish	Arab	Others	Total		Share capital	Reserves	Deposits	Loans received	
										L.P.	L.P.	L.P.	L.P.	L.P.
1921	5	—	—	5	—	—	—	—	—	—	—	—	—	—
1922	10	—	—	10	4	—	—	4	3,568	7,725	6,254	41,996	5,869	61,844
1923	14	—	—	14	6	—	—	6	5,053	10,561	9,341	47,993	7,186	75,081
1924	19	—	—	19	13	—	—	13	7,942	32,185	11,663	119,673	10,203	173,724
1925	31	—	—	31	18	—	—	18	11,955	49,359	24,836	210,717	23,406	308,318
1926	37	—	—	37	26	—	—	26	16,573	59,867	27,996	182,265	48,217	318,345
1927	44	—	—	44	36	—	—	36	19,058	73,672	31,550	196,934	63,642	365,798
1928	48	—	—	48	42	—	—	42	22,204	89,480	37,178	310,464	85,783	522,905
1929	55	—	—	55	45	—	—	45	25,307	100,939	45,235	452,382	123,911	722,467
1930	64	—	—	64	52	—	—	52	28,578	121,746	62,389	561,556	188,075	933,766
1931	69	—	—	69	59	—	—	59	33,304	134,762	79,459	661,511	194,486	1,070,218
1932	80	—	—	80	62	—	—	62	36,996	151,319	116,462	1,067,651	181,287	1,516,719
1933	85	14	—	99	73	14	—	87	45,030	186,537	160,812	1,884,223	286,228	2,517,800
1934	96	32	2	130	82	30	—	112	56,183	248,913	220,005	2,935,245	423,081	3,827,244
1935	109	61	2	172	95	60	2	157	73,576	343,198	299,801	2,771,271	975,556	4,389,826
1936	111	61	3	175	107	61	1	169	83,334	385,185	421,487	3,098,482	747,404	4,652,558
1937	113	121	3	237	107	121	1	229	91,884	421,862	459,373	3,136,522	778,215	4,795,972

Columns 2—4 in the above table show that at the end of 1937 there existed in Palestine 113 Jewish, 121 Arab, and 3 other credit and thrift societies.

The Arab societies are all of the Raiffeisen type with unlimited liability. They are situated in rural areas and serve only the agricultural population. At the same time they have a small number of members who have no agricultural income but who derive their livelihood from other occupations in the village.

The great majority of members in Arab societies are Moslems but in some villages in the Haifa, Acre, Nazareth, and Ramallah sub-districts the memberships consist of Moslems, Christians, Druzes and Mutawallies. One Arab society has even a sprinkling of Jewish members. This society operates in the village of Buqeia in the Acre sub-district in which Jewish peasantry have continued to live uninterruptedly "since the days of Nebuchadnezzar".

Membership in Arab societies is not restricted to males and in a few instances female members play a prominent part in the affairs of societies.

A description of the methods of work of Arab societies appears in part I of this report.

The three societies which are classified as "others" include one thrift society of the staff of two Government Departments, one society of Armenian artisans in Jerusalem and one society of Moslem and Christian workmen in Haifa. These societies adopt the principle of limited liability.

The Jewish societies are all of the Schultze Delitzsch type in which the liability of members is limited by a fixed multiple of the amount with which they participate in the capital of their societies. The membership in Jewish societies consists almost entirely of Jews with a

small sprinkling of non-Jews in some urban and rural societies. Only one Jewish society in the village of Athlit in the Haifa sub-district has a large Arab membership. The Arab members come from the neighbouring villages and are employed in the salt works of the Palestine Salt Co. Ltd. which are located in Athlit village. This society publishes its Balance Sheet in Hebrew and Arabic and both Jews and Arabs sit on the managing bodies.

The Jewish societies are divided into two main groups, urban and rural. At the end of 1937 there existed 49 of the former (including one central financing society), and 64 of the latter. The following tables show the progress of Jewish credit and thrift societies during the years 1921-1937, and their position at the end of 1937 :—

TABLE X. JEWISH CREDIT AND THRIFT SOCIETIES IN URBAN AND RURAL LOCALITIES (INCLUDING ONE CENTRAL FINANCING SOCIETY), THEIR MEMBERSHIP, OWN AND BORROWED RESOURCES AND CREDIT GRANTED DURING THE YEARS 1921—1937.

YEARS	No. of Societies on register	No. of Societies included	No. of Members	Share capital	Reserves	Deposits	Loans received	Total resources	Credit granted
				LP.	LP.	LP.	LP.	LP.	LP.
1921	5	—	—	—	—	—	—	—	—
1922	10	4	3,568	7,725	6,254	41,996	5,869	61,844	45,956
1923	14	6	5,053	10,561	9,341	47,993	7,186	75,081	57,628
1924	19	13	7,942	32,185	11,663	119,673	10,203	173,724	123,598
1925	31	18	11,955	49,359	24,836	210,717	23,406	308,318	203,107
1926	37	26	16,573	59,867	27,996	182,265	48,217	318,345	236,101
1927	44	36	19,058	73,672	31,550	196,934	63,642	365,798	267,698
1928	48	42	22,204	89,480	37,178	310,464	85,783	522,905	418,473
1929	55	45	25,307	100,939	45,235	452,382	123,911	722,467	554,162
1930	64	52	28,578	121,746	62,389	561,556	188,075	933,766	750,362
1931	69	59	33,304	134,762	79,459	661,511	194,486	1,070,218	839,742
1932	80	62	36,996	151,319	116,462	1,067,651	181,287	1,516,719	1,096,251
1933	85	73	44,767	186,404	160,751	1,884,223	282,958	2,514,336	1,919,248
1934	96	82	55,272	248,367	219,517	2,935,245	409,486	3,812,615	2,902,993
1935	109	95	71,093	341,489	298,029	2,770,975	936,543	4,347,036	3,516,605
1936	111	107	80,178	382,263	418,078	3,098,096	697,775	4,596,212	3,448,153
1937	113	107	86,697	417,267	453,474	3,136,070	718,759	4,725,570	3,621,933

TABLE XI. JOINT BALANCE SHEET OF JEWISH CREDIT AND THRIFT SOCIETIES IN URBAN AND RURAL LOCALITIES AS AT 31-12-37 SHOWING SEPARATELY SOCIETIES AFFILIATED WITH AUDIT UNIONS AND UNAFFILIATED SOCIETIES.

LIABILITIES

	"Mercaz" Audit Union	Labour Audit Union	Unaffiliated Societies	Total
Share capital	235,818	56,142	100,798	392,758
Reserves	286,143	53,126	108,709	447,978
Demand deposits	1,104,258	172,463	400,876	1,677,527
Time deposits	775,959	120,813	252,269	1,149,041
Loans	428,322	152,346	122,855	703,023
Debentures	26,388	—	62,150	88,538
Other accounts	298,519	73,110	231,808	603,437
	3,155,407	628,000	1,278,965	5,062,372

A S S E T S

	"Mercaz" Audit Union	Labour Audit Union	Unaffiliated Societies	Total
Cash & Bankers	502,913	128,962	174,682	806,557
Advances to members repayable within one year	1,298,703	214,979	477,802	1,991,484
Repayable after one year	314,754	144,866	126,134	585,754
Bills discounted	522,054	11,546	212,224	745,824
Overdues	68,144	1,268	24,001	93,413
Investments	99,732	5,088	29,087	133,907
Premises	107,977	26,162	26,695	160,834
Other accounts	241,130	95,129	208,340	544,599
	3,155,407	628,000	1,278,965	5,062,372
	£P.	£P.	£P.	£P.
Nominal Liability of members	2,041,788	569,763	794,823	3,406,374
No. of members	49,028	25,323	12,305	86,656
No. of Societies on Register	40	24	49	113
No. of societies included in above balance sheet	39	24	43	106

Although there is no fundamental difference as far as principle and type of business is concerned between the urban and rural credit societies, it is nevertheless desirable to discuss them separately, as many of their problems require special illustration. In following this method some repetition is unavoidable.

The urban credit societies came into being with the object of supplying the financial requirements of the lower middle class and the poorer classes of the population, the small traders and shopkeepers, salaried classes, small contractors and labourers. They set out to do for these what the commercial banks are doing for the big trader and the big merchant. The credit problems of the lower middle class population are many. Credit may be required for financing individuals to set up a small business. Financial accommodation may also be required for the payment of advance rent, medical and educational expenses, taxes or insurance premiums, or for the purchase of household equipment. Small contractors often have to borrow cash to finance their contracts. Small traders and shopkeepers mostly sell on credit and therefore require regular credit facilities to carry on their business. No association or institution for supplying these facilities to this class exists in Palestine. None of the existing credit agencies specialize in granting credit facilities on condition that the loans be repaid in instalments. The urban societies were created for the purpose of supplying these needs.

It must be stated at the outset that the origin of this movement was not invariably inspired by true cooperative ideals which are essentially a combination of material with moral elements. Its chief object was generally material success and it regarded the moral aspect of cooperation as of secondary importance. In this attitude Palestine credit cooperative societies are not exceptional. In many other countries cooperation in actual practice often falls short of the standard aimed at and details inconsistent with cooperative ideals are often accepted in the hope that they may lead to better results. In Palestine, where the many needs of a pioneer community had to be supplied urgently, developments of this nature were almost unavoidable.

The dealings of a true cooperative credit society should be as follows:—

It should lend to its members only and the loans should be given for productive purposes or for necessities which, such as essentials of daily life, can be classed as productive. When a loan has been given it is essential that the committee of the society or some other agency should ensure that the money is expended on the purpose for which the loan is granted. The constitution of the society should be democratic; each member should have one vote and no more, and all business should be transacted with the maximum of publicity within the society. The ultimate authority should never be delegated to the office bearers but should be retained in the hands of the members who must take a practical interest in the business of the society.

The expressed object of the society should be the development of thrift among its members and this should be aided by efforts to build up as soon as possible strong reserve funds from profits. Together with these factors the elementary business principles of honesty, punctuality and the keeping of proper accounts must be observed. To ensure this there must be adequate control from within and constant vigilance and supervision by the office bearers.

The Palestine urban credit societies adhere to some of the above principles. They observe strictly the precept of lending to members only. They make every effort to build up strong reserve funds from profits. They also adhere to the practice of allowing a member one vote only irrespective of the number of shares held or the size of his participation in the capital of the society. Business principles also receive fair treatment in most societies and it may be claimed that from a business standpoint, the cooperative credit organisation has many reasons to be proud of its accomplishments. It has erected a very imposing cooperative edifice. But this edifice lacks in its composition a number of cooperative materials. The cooperative education of members has been neglected, very little control is exercised over the application of loans, authority is almost completely in the hands of office bearers, and members do not take sufficient interest in the affairs of their societies. Their chief interest in the society is the credit facility which it offers. This attitude of indifference is evidenced by the poor attendance at general meetings. In most of the larger urban credit societies, an attendance of 20% of the members at any general meeting is high indeed.

With regard to their dealings and business practices it may be said briefly that they all started with small loans repayable in regular instalments, they insisted on punctual repayments and made an attempt at mutual watchfulness and supervision. But transactions were swift. As they developed, loans increased in size, and in some societies instalment loans were either eliminated or reduced to a negligible proportion of the total number and advances repayable in full after a short term took their place. The discounting of bills, whether for clients or mere accommodation notes, became an important part of their business and their chief interest became the attraction of large deposits from the public. To achieve this, many ingenious methods have been employed, the most popular being the lottery bond, of which more later. To attract large deposits is the aim of almost all urban credit societies and it is usually accompanied by a desire to grow and expand, to show a bigger turnover of business and an increasing membership. In admitting a new member, many societies do not mind if he is also a member of another credit society. As a result of this general practice a situation developed in which some members of urban credit societies were members in several societies simultaneously, borrowing regularly from all societies and borrowing sometimes from one society to repay the other.

These observations are not made as a criticism. They are a mere record of facts. For it should be remembered that it is the tendency everywhere for urban credit societies to develop on similar lines and to be guilty of identical practices. In most countries, urban credit societies, though restricted in the area of their operations, soon expand and become unwieldy. They are all on a limited liability basis and members take up a reserve liability in a varying multiple of the amount of their participation in the capital of the society. This offers a good safeguard for creditors in case of bankruptcy and is calculated to increase the confidence of the investing public. The management is usually in the hands of qualified and paid officials. Urban credit societies undertake all kind of banking business to meet the requirements of their members. They deal with their members in current account, they grant cash credits, deal in cheques and undertake the discounting of bills, clearing of goods and remittance of money. Generally they advance short and intermediate credits.

It will be obvious from the above that the Palestine urban credit societies follow the usual and accepted practices of institutions of this type elsewhere and that they do not deserve to be regarded as bodies which have lost their cooperative character, or described as cooperatives which have degenerated into ordinary money lending concerns. These criticisms have been made very frequently and need refutation.

At the same time, it must be admitted that as a result of their rapid development in a situation as unsettled as that which has prevailed in Palestine since the British occupation, where so many cross currents were moving under the surface, constantly changing in force and direction, these societies, like so many other institutions, could not plan their operations in strict conformity with cooperative ideals. Further complications arose through the absence of any real guidance and through certain actions by Government. As has been stated in Part I of this report, audit unions only came into being as late as 1934. Prior to that date the

law did not recognise either audit unions nor central societies, and primary societies were allowed to develop freely and without any central control or direction. The Registrar, in his turn, did not exercise any direct supervision over the business of the societies. His control was so light as to be almost nominal. To add to the confusion, Government, in 1921, applied the Banking Ordinance to credit societies which undertook banking business as defined in that Ordinance. By this legislation, credit societies were subjected to a dual control and an anomalous position was created. This anomaly was removed in fact when this Department was established in 1933 and in law only at the end of 1937. The interval is largely responsible for many undesirable practices which took root in the movement.

In the subsequent paragraphs the more purely business aspects of the urban credit societies are discussed.

SOURCES OF FUNDS.

The urban credit societies rely for their funds partly on deposits and savings from members and non-members, loans from banks and central financing institutions, and partly on the capital invested by members in the form of shares, admission fees and contributions to special funds.

(a) Deposits. For the present, the main source of outside funds in urban credit societies consists in deposits which are either time deposits or demand deposits. These deposits are not in every case of a truly local character, but they are all made in the first place from confidence in the working of the society and in the second place on account of the higher rates of interest which societies pay as compared with banks. A part of the deposits is also derived from deposit certificates or debentures issued by societies on different terms. Their main feature is a small rate of interest paid regularly while larger prizes either in cash or in the form of long term loans without interest, may be won in a lottery. Although these deposits are withdrawable on short notice, the lottery attraction is sufficient to keep them permanently with the societies.

The figures below show the total amount of deposits held by urban societies at the end of 1937 and their division into time and demand deposits. The deposits derived from the so called deposit certificates and debentures are shown separately :—

Time Deposits	LP.
Repayable within 3 months	467,127
Repayable between 3 months & 6 months	268,659
Repayable between 6 months & 12 months	150,879
Repayable later than 12 months	119,940
	1,006,605
Demand deposits	1,372,880
	2,379,485
Deposit Certificates and Debentures	
Deposit certificates	126,000
Debentures	88,538
	214,538
	TOTAL
	214,538

The rates of interest which urban credit societies pay to their depositors vary considerably in accordance with the requirements and the financial position of the society. The average rates of interest paid by urban credit societies during 1937 for time and demand deposits were 4-6% and 2-4% respectively. (The average of foreign banks during the same period is stated to have been $\frac{1}{2}$ —1% for demand, and 2½% for time deposits.)

As regards the nature of deposits, it is claimed that they are not real investments and do not represent the savings of the depositors. In the view of many, these deposits are mostly of a temporary nature and are liable to be withdrawn whenever some other avenue of investment is opened to them. There is no means by which these assertions can be proved or disproved. It is natural, however, that in a country in the process of upbuilding, deposits

should be of a less permanent nature than in other more stabilised countries. The great advantages of the deposits in the urban credit societies is that they are composed of small sums. An illustration of the composition of deposits is contained in the following figures, which show the position which existed during the same period in 6 leading urban credit societies affiliated with the Mercaz Audit Union and with the Labour Audit Union.

Affiliation	No. of societies included	No. of depositors	Total amount of deposits	Average per depositor
			L.P.	L.P.
Mercaz Audit Union	3	7,497	494,500	62.2
Labour Audit Union	3	5,780	214,659	37.1
Total	6	13,727	709,159	51.7

(b) Loans from Banks. The amount of capital obtained by urban credit societies by way of loans from commercial banks has been decreasing steadily and at the end of 1937 represented only 3.1% of the total of their external sources. In the earlier days of their formation credit societies were more dependent. The chief reason for this decrease is to be found in the high cost of money borrowed from banks. Up to the end of 1935, the usual rate of interest charged on money borrowed from banks was between 7% and 9% plus a certain percentage as commission fees. This rate has gone down in the past two years and many banks are now ready to advance money at 6% or even less. But even this reduced rate is high as compared with the rate paid by societies to depositors. Moreover, loans from banks have to be secured and then repaid on a fixed date while deposits, whether time or demand, require no security and are not usually withdrawn at maturity. For these reasons, as well as for other reasons inherent in the personal relations between the managements of banks and of credit societies, the volume of business with banks has gradually decreased and, given normal conditions, it may be expected that short term loans from commercial banks will cease altogether to form part of the external sources of urban credit societies.

At the end of 1937 urban credit societies owed to commercial banks the sum of £P.90,189 and to cooperative banks (i.e. banks limiting their business to cooperative societies) the sum of £P.120,614

(c) Loans from other sources. In addition to deposits from members and non-members and loans from banks, urban credit societies also receive loans from two other sources, namely from other urban credit societies and from private individuals or institutions. At the end of 1937 loans from these two sources represented a total of £P.51,959.

The loan of money by one society to another is a survival of some of the undesirable practices which crept into the movement in the early days. It was intended to put a stop to this practice at the time of the revision of the Ordinance in 1933. In view, however, of the large amount which was found to be involved and in order not to cause drastic disturbances to the work of many societies, a compromise was agreed upon and a provision was inserted in the law requiring the special sanction of the Registrar to the loan of money by one society to another. This compromise aimed at sanctioning by law a practice existing in fact. As a result of constant pressure, societies have been led to reduce their interlending practices considerably and it is proposed in 1938 to amend the Ordinance in accordance with the original intentions.

The amount of loans made by individuals to societies is not really known as these are amalgamated in the returns with time deposits. There is indeed no clear distinction between a loan and a deposit and there would seem to be no reason to classify them separately. They are nevertheless shown under a separate heading as "loans from other sources".

(d) Savings. All credit societies have as one of their objects the encouragement and popularisation of regular savings among their members. Actually only a few credit societies have achieved any tangible results in this direction and the total amount represented by savings at the end of 1937 was £P.49,385 held by seventeen societies affiliated with the Mercaz Audit Union. Different methods are employed by these societies to attract savings, but their common features are small regular instalments, and accumulating interest. Some of the schemes are connected with children's savings and are spread over a period of 18 years.

The growth of savings in recent years by the above 17 societies is shown in the following figures :—

1934	—	LP. 31,202
1935	—	LP. 37,084
1936	—	LP. 44,023
1937	—	LP. 49,385

The total external or borrowed funds of urban credit societies at the end of 1937 amounted to £P.2,856,735 made up as follows :—

	£P.
Time deposits over one year	119,940
Time deposits under one year	886,665
Demand deposits (including savings)	1,372,830
Deposit certificates and debentures	214,538
Loans from commercial banks	90,189
Loans from cooperative banks	120,614
Loans from other societies	20,766
Loans from individuals and other sources	31,193
Total	2,856,735

OWN FUNDS.

The other sources of capital in urban credit societies are, as already stated, shares, contributions to special funds, admission fees and accumulated reserves.

(a) Shares. Members' contributions to capital take two forms. Some urban credit societies have a share capital and members have to take up shares to the value of 10% of the credit for which they are assessed. The value of shares in these societies is usually £P.1 per share but there are shares of higher as well as of lower denominations, the highest being £P.25 and the lowest 500 mils (one half of a Palestine Pound). Other societies have no shares and issue no share certificates. In these cases, members are required to contribute a fee equivalent to 10% of their ordinary credit or a smaller contribution in the case of a discount credit, or where the advances are secured by collateral security. In most cases members are required to pay their shares in full and the practice of payment by instalments is rare. It is the usual practice to deduct this amount from the loan given to the member. In all urban credit societies, with one exception, members are entitled to a refund of their contributions to the share capital within a certain period after withdrawal from the society. This source constitutes a substantial part of the funds of urban credit societies and at the end of 1937 it formed 48.8% of their total own funds and 8.8% of all the funds, external and internal, which were at their disposal.

The Cooperative Societies Ordinance, 1933, authorises societies to pay a dividend not exceeding 6% on share capital on condition that no dividends shall be paid until their reserve fund is at least equal to their paid up share capital and while any claims against them by depositors or lenders remain unsatisfied or unprovided for. These stipulations in effect bar the payment of any dividends by credit societies as long as they receive deposits from the public.

(b) Other contributions. In addition to the contributions to capital in the above forms urban credit societies increase their funds by admission fees and by capital contributions for specific purposes. Some societies have an arrangement of compulsory contributions to a building fund or to a fund for bad and doubtful debts or to other funds of mutual aid. The admission fees are usually small and some societies do not collect any admission fees. At the end of 1937 these sources represented the imposing figure of £P.89,695 or 13.7% of the total own funds of urban credit societies.

(c) Accumulated Reserves (reserve fund and unallocated reserves). These reserves represent the surplus assets accumulated from annual profits. They depend mainly on the difference between the rates at which societies borrow and those at which they lend, but are increased by profits from other sources such as fines, sales of property at a profit and, sometimes, donations. In the case of some societies the admission fees are added to the reserve funds. Under the law, credit societies are required to carry at least 25% of the surplus from their transactions to the reserve fund. Most of the urban credit societies, however, carry more than the said percentage to the reserve. The remaining surplus is usually allotted to special funds, such as funds for bad and doubtful debts, etc., and a small proportion is used for distribution of contributions either to charities or to Jewish national institutions approved by the Registrar. The major part of the reserve fund is used in the business of the societies and only a small portion is invested in securities.

The total own funds of urban credit societies at the end of 1937 amounted to £P.653,530 made up as follows:—

	£P.
Share capital	308,949
Reserve funds	190,184
Allocated reserves	89,695
Unallocated reserves	64,702
Total own funds	653,530

The position of all funds, internal and external, of urban credit societies at the end of 1937 was as follows:—

	£P.
Internal funds	653,530
External funds	2,856,735
Total	3,510,265

EMPLOYMENT OF FUNDS.

In practically every urban credit society it is the duty of the general meeting once a year to fix the limit up to which individual members may receive normal credit, discount credit, as well as other forms of credit. Usually, however, the general meeting decides to delegate these powers to the committee of management.

The most common forms of loans are the following:—

(1) Instalment advances repayable in monthly instalments over one year and in rare cases over two years. These loans are given on promissory notes of the borrower endorsed by at least two guarantors. The guarantors may or may not be members although in some societies only members are accepted as guarantors. The limits of these advances vary in different societies. Their object is to provide members with credit for constructive purposes. Members are asked to state the object for which the loan is to be used and the rules of every society provide that an advance may be called in before its date of maturity if it is not used as stated. No supervision of any kind is exercised, however, on behalf of the society regarding the method of employment of such loans. These loans still represent a high proportion in the transactions of some urban credit societies, as will be shown in the tables at the end of this paragraph.

It is claimed that up to the present, instalments are repaid regularly and that the percentage of overdues is lower than in the case of other loans. How far this claim may be justified it is difficult to say. The annual returns of societies do not indicate the regularity of instalment repayments, but treat the loans as single units. It is customary not to regard a loan as overdue until the date for the last instalment has passed and the member has failed to pay. It is only then that the societies take steps to press for the repayment of the loan, first by reminders to the borrower and the guarantors and then by legal proceedings.

(2) Ordinary loans for repayment in full after three or six months. These loans are also given on a promissory note of the borrower endorsed by two guarantors. This form of loan is common in the case of larger amounts and is intended to supply the credit requirements of members engaged in business or as small contractors. The borrower is usually expected to pay the full amount on the date of maturity when he may apply again for a loan which is usually granted after a short interval. In many cases, however, only a portion of the amount is paid and the balance is renewed for a further period of between three and six months.

Cooperators of all shades of opinion have been loud in condemning this form of loan on the ground that its productiveness cannot be assured and that it leads to the insidious practice of allowing renewals based on fictitious repayments. But in spite of this criticism, this method of loan has expanded because it offers societies quick returns of interest and consequently larger surpluses at the end of the year. Committees of some societies are prepared to admit that they are in no way anxious to recover the principal outstanding, so long as interest is paid regularly. It needed a financial crisis to impress societies with the justice of the objections of theoretical cooperators and this came at the end of 1935 during the Italo-Abyssinian conflict. As a result of this crisis societies restricted loans of this type and in many cases converted them into instalment loans to secure regular recoveries.

(3) Discount loans or loans against bills of clients, of tenants, of employers, etc.

This form of loan has been on the increase in recent years for reasons connected with the general development in urban areas. It has come in for a great deal of criticism. It has been objected to on the grounds that it undermines the chief principles of cooperation, that in some cases the notes are only accommodation bills and that societies have been neglectful in ascertaining the real value of the securities offered. The experience of this Department has shown, however, that the criticism was not altogether justified. The majority of urban credit societies find the securities to be largely real, and the proportion of overdues in the case of these loans is smaller than in other forms. The bills discounted are usually for small amounts. In any case the proper method of combatting this evil is for the auditor or audit union to bring to light all cases where the security is of questionable value.

(4) Intermediate loans for periods of 2—3 years repayable in monthly or quarterly instalments. These loans are granted on a small scale by urban societies. (They are restricted by their rules to grant intermediate or long term loans only out of long term deposits held by them or out of long term loans made to them). The security in respect of intermediate loans varies and in most cases the societies demand additional security of real property. The objects of these loans are usually for productive undertakings and they are repaid from the proceeds of such undertakings.

(5) Long term loans for a period between 5-10 years. These loans are made for the acquisition of houses or small farms and are secured by a mortgage on the property. This practice is not altogether undesirable, and in fact is growing more common in many European countries. In Palestine, however, as long as fixed long term deposits with cooperative societies are few, this practice should be resorted to sparingly.

(6) Loans for special purposes. In this category are included loans which are granted to groups of members for the purpose of the execution of a common project such as the construction of roads and sidewalks in the neighbourhood of their residences, etc. In the case of these loans the circumstances and repaying powers of the borrower as well as the amount of the loan are taken into account by the committee when fixing the dates of repayment and the securities to be offered.

(7) Advances against crops and industrial products. Advances against crops are usually granted to those members who, while residing in an urban centre, own a plantation or a farm outside the society's area of operation. But some societies actually enlarge their sphere of operation to include rural localities in the immediate neighbourhood of towns.

(8) Loans against deposit certificates. This form of loan represents one of the peculiarities of Palestine cooperation and its existence must always serve as a reminder of the results of an improperly controlled and directed movement. As has been stated previously, some societies including a central bank, have issued deposit certificates and bonds on which they pay a small fixed rate of interest while a larger sum is distributed in the form of prizes either in cash or in the form of long term loans without interest, to the winners in a lottery. As an inducement

to purchase, holders of deposit certificates may obtain a loan on the security of the certificates equal to their full value. A considerable number of depositors avail themselves of these facilities, and borrow from the societies at a higher rate of interest than they receive for their own deposits. This arrangement offers them the advantage of being able to speculate on winning a prize for the low cost represented by the difference between the rates of interest which they pay and receive. In view of the fact that cooperative societies can only lend to members and in order to enable societies to grant these loans, a device had to be found whereby the holders of deposit certificates should be members in the societies without, at the same time, taking up shares or assuming any liabilities. The Cooperative Societies Ordinance, 1920, therefore allowed societies to have associate members who are exempt from the requirements of participation in capital or assumption of liability. This undesirable practice has been discarded in the revised legislation of 1933. Societies which had already issued deposit certificates have been exempted from the restrictions of the new law for fixed periods at the end of which they will have to do one of two things, either convert their associate members into full members or redeem their deposits.

The following figures illustrate how the funds of Jewish urban credit societies were employed at the end of 1937 :—

Loans to members		£P.
(a) on short terms	1,488,795	
(b) on long terms	326,518	
		1,815,313
Bills discounted for members		805,881
Total credit granted and outstanding		<u>2,621,194</u>

The manner of audit of urban credit societies and details regarding their profits from their various transactions are described in the summary at the end of this chapter.

Before concluding the section on urban credit societies, it is necessary to add some observations regarding three labour credit societies included among them. These labour societies differ to a certain extent in their methods of work from the other urban credit societies. They do not lend to persons who are members in other labour credit societies (although they do not object to membership in other non-labour credit societies); they do not issue loans on the security of promissory notes but concentrate mainly on instalment loans; they exercise stricter supervision over the use of loans granted and, additionally, they keep their loans to much lower limits than the other societies. Many of the observations in the preceding paragraph are not therefore applicable in their case.

The following tables complete the description of urban credit societies and illustrate their operations and methods of work.

TABLE XII. JOINT BALANCE SHEET OF JEWISH URBAN CREDIT SOCIETIES AS AT 31ST DECEMBER, 1937.

LIABILITIES		ASSETS	
	LP.		LP.
Own funds	653,530	Cash & bankers	715,344
Demand deposits	1,372,830	Loans to members	1,815,313
Term deposits	1,006,605	Bills discounted	805,881
Advances from banks and other sources	262,762	Investments	116,477
Deposit certificates and debentures	214,538	Premises	134,989
Other accounts	398,693	Other accounts	321,004
	<u>3,908,958</u>		<u>3,908,958</u>
Number of members			67,689
Nominal liability of members			£P.2,577,250

TABLE XIII. JEWISH URBAN CREDIT SOCIETIES DURING 1937.

Month	No. of members	Share capital	Reserves	Deposits including deposit certificates and debentures	Loans received & outstanding	Loans granted & outstanding	Bills discounted
		LP.	LP.	LP.	LP.	LP.	LP.
January	62,550	284,842	321,746	2,507,317	224,152	1,653,142	798,400
February	63,122	287,315	320,293	2,533,690	225,512	1,695,805	803,150
March	63,685	290,787	324,319	2,582,043	219,444	1,709,688	811,132
April	64,149	292,846	325,495	2,608,985	217,863	1,724,002	810,971
May	64,521	294,449	323,332	2,639,882	216,521	1,749,200	812,594
June	65,107	296,150	328,111	2,719,098	232,043	1,806,157	835,164
July	65,614	298,821	323,464	2,662,771	247,037	1,794,283	840,439
August	66,245	300,624	329,046	2,635,567	247,706	1,813,100	843,011
September	66,674	301,711	332,858	2,662,010	267,277	1,867,671	844,542
October	66,795	302,979	338,777	2,604,818	256,228	1,877,804	835,136
November	67,347	304,581	342,490	2,531,648	245,908	1,839,960	823,277
December	67,689	308,949	344,581	2,593,973	262,762	1,815,313	805,881

JEWISH RURAL CREDIT SOCIETIES.

The Jewish rural credit societies are constituted on lines similar to the urban credit societies but with the following fundamental differences :—

(1) The field of operation of the rural society is restricted to a smaller and well defined area and the members are mutually acquainted. With few exceptions, there is one rural society in each settlement. The exceptions are to be found in large settlements or in settlements in which the settlers are divided owing to social or other causes. Such settlements are served by two and sometimes three societies. Another exception, but in the opposite direction is the case of a group of small contiguous villages being served by a single society.

(2) Rural societies are much smaller in size than the urban societies. As a result their committees carry on a business which does not exceed their capacity and thereby prevent domination by any one man. The average membership of Jewish rural societies is 316 compared with an average of 1,471 members in urban credit societies. The attendance at general meetings is large and members take a keen interest in the affairs of their society. The difference in size does not in any way affect the cost of management and the rural societies, although smaller, do not spend more — in proportion — on their management than the urban societies.

The following figures illustrate the cost of management in the various categories of credit societies as compared with the total of loans granted.

Societies affiliated with Mercaz

(a) Urban	4.49 per cent
(b) Rural	3.13 per cent

Labour Societies

(a) Urban	8.77 per cent
(b) Rural	4.77 per cent

The higher percentages in labour societies are due to the larger number of small loans dealt with.

(3) A third and very marked difference between urban and rural credit societies is in the composition of their membership. In urban societies the members belong to a great number of occupations. No single occupation dominates the society. The rural societies are more exclusive. They are composed chiefly of members whose main occupation is agriculture, although village artisans, small traders and agricultural labourers are also admitted.

The following statement shows the composition of membership in four large urban societies and in a similar number of rural societies :—

<i>4 Urban Societies</i>			<i>4 Rural Societies</i>		
	No.	%		No.	%
Artisans	5,673	26.4	Agriculturists	921	42.7
Office employees & teachers	4,703	21.9	Labourers	401	18.6
Merchants	3,850	17.9	Owners of immovable property	266	12.3
Labourers	2,247	10.5	Office employees & teachers	176	8.1
Liberal professions	2,095	9.7	Artisans	171	7.9
Agriculturists	1,088	5.1	Merchants	145	6.7
Industrialists & contractors	657	3.1	Industrialists & contractors	13	0.6
House owners	380	1.8	Corporate bodies	12	0.6
Hotel & restaurant owners	302	1.4	Liberal professions	10	0.5
Corporate bodies	58	0.3	Others	43	2.0
Others	405	1.9			
Total	21,458	100.0	Total	2,158	100.0

In some rural societies there exists a tendency, although not definitely expressed, to exclude elements which do not own immovable property in the settlement. The reasons for this exclusiveness are not so much social as economic. Some of the larger and older rural societies have succeeded in building up considerable reserves out of their transactions with their members, who, for many years were mainly agriculturists. In view of their supposed vested interests they try to discourage the admission of new members. On the other hand they appreciate that a mixture of occupations is necessary in a society in order to keep the funds in constant circulation. Under the Cooperative Societies Ordinance of 1920, the difficulty could be overcome by the admission of non-agriculturists as associate members who were not entitled to vote. This remedy is no longer available under the 1933 legislation which does not recognise different classes of members. This development resulted in a multiplication of societies in some of the settlements. It also led to the appointment of management committees for a number of years in order to ensure control by the original founders.

(4) The funds of the rural societies, like those of urban credit societies, are composed of four main items namely :

- (1) share capital
- (2) deposits
- (3) loans, and
- (4) surplus assets or reserve funds.

But the proportion between these items in their composition differs greatly in the two types of societies. The difference is illustrated in the following table showing the composition of own and borrowed resources, in rural and urban societies.

TABLE XIV. COMPOSITION OF RESOURCES IN JEWISH RURAL AND URBAN CREDIT SOCIETIES AT THE END OF DECEMBER, 1937.

	RURAL CREDIT SOCIETIES		URBAN CREDIT SOCIETIES	
	LP.	%	LP.	%
(1) Share capital	83,809	8.8%	308,949	8.8%
(2) Deposits including deposit certificates and debentures	321,208	33.9%	2,593,978	78.9%
(3) Loans	440,261	46.4%	262,762	7.5%
(4) Reserves	103,397	10.9%	344,581	9.8%
	948,670	100.0%	3,510,265	100.0%

It will be seen from the above table that while in the urban credit societies the main source of capital is deposits, in rural credit societies it is composed mainly of loans. These loans can be classified according to the following main heads :

- (1) Loans from commercial banks
- (2) Loans from cooperative banks (banks limiting their business to cooperative societies)
- (3) Loans from other credit societies
- (4) Loans from other sources.

According to returns for the 31st December, 1937, the amounts under these heads were as follows :

	LP.
(1) Loans from commercial banks	124,932
(2) Loans from cooperative banks	263,060
(3) Loans from other credit societies	7,761
(4) Loans from other sources	44,508
Total	440,261

The rates of interest paid by rural societies on the loans obtained varied in 1937 between 7% in the case of long term loans and 5% for other loans. These rates are considerably lower than the rates which were common prior to 1937, but even these allow only a very small margin of profit to the societies which lend at between 8% and 9%.

The second source of capital in rural credit societies is composed of deposits. The total amount of deposits at the end of 1937 in rural credit societies was 321,203 or 33.9% of their total resources. These deposits are received both from members and non-members. The monthly returns made by credit societies do not distinguish between these two sources, but annual statistical returns rendered on the 30th September in each year indicated that the proportion between these two sources is 3 to 2. In the majority of rural credit societies the deposits are strictly confined to men with local interests. It must be admitted, however, that up to the present, rural credit societies have succeeded only to a very small degree in tapping local capital. A large number of persons in the Jewish settlements prefer to keep their deposits with urban institutions and do not care to watch over their own deposits in their own settlement. Rural societies have done very little to tempt members or other local investors to increase their deposits with them and this neglect will have to be remedied in the future.

The periods for which deposits are received vary and at the end of 1937 the deposits held in rural credit societies were for the following terms :—

	LP.	%
(1) Repayable on demand	178,767	55.6
(2) Repayable within 3 months	22,106	6.9
(3) Repayable between 3 & 6 months	28,785	9.0
(4) Repayable between 6 & 12 months	33,401	10.4
(5) Repayable later than 12 months	58,144	18.1
	321,203	100.0

A large proportion of the demand deposits represent in effect current accounts which members keep with their societies. The acceptance of money on current account from non-members is limited to societies which are registered also under the Banking Ordinance. Only two rural credit societies are thus registered. The others can receive money on current account from members only, but this restriction is not strictly observed. These current accounts, like the deposits are usually for small amounts and there is a general reluctance in societies to accept large deposits.

The third source of capital in rural credit societies is represented by members' contributions to the capital of the society. This source appears as an item in the balance sheet of every rural credit society. The majority of societies show a leaning towards the system of contributions rather than that of shares. Contributions usually represent a fixed proportion of the assessed credit of members. At present it is common to fix this proportion at 10% on ordinary loans and at a lower percentage on long term loans or on loans granted on a collateral security of immovable property. The face value of shares, where they exist, is commonly £P. 1.— and members are required to take up shares to the value of 10% of their credit. Such shares or contributions are paid as a rule on admission by reduction from loans granted and they serve as a basis for the adjustment of the liability of members in the event of liquidation. They are only withdrawable on cessation of membership. The shares or contributions may carry a dividend not exceeding 6%, but, as already stated, the law provides that no dividend on share capital may be paid by any society until its reserve fund is at least equal to its paid up share capital and while any claim against it by a depositor or lender remains unsatisfied or unprovided for. It further provides that the Registrar may by general or special order direct that a registered society shall not pay a dividend or shall pay dividends at a reduced rate as long as it receives loans or deposits from non-members. In effect these restrictions prevent many credit societies from paying dividends.

The fourth source of capital in rural credit societies is composed of accumulated reserves. Under section 39 of the Cooperative Societies Ordinance, 1933, credit societies are required to carry to a reserve fund at least one fourth of their surplus in each year. The same section proceeds to lay down the objects to which such funds may be applied. Reserve funds may be used in the business of the society or may be invested as required by the Regulations. The section further requires that the reserve fund shall be indivisible except on the liquidation of the society. The Regulations issued under this section are silent with regard to the methods of investment of reserve funds. The method is usually prescribed in the rules of the societies and the rules of the majority of rural societies give express permission to use the reserve funds in the business of the societies. The objects of the reserve fund are not defined in the Ordinance or in the Regulations issued thereunder but in the cooperative movement it is generally regarded as a fund to meet possible losses and to serve as additional security to would-be depositors or lenders. As a rule, rural credit societies, place more than 25% of their net profits to the reserve fund. The majority place 50% and even more. The rest of the profits are allotted to special reserves.

The amount of the reserve fund in rural credit societies at 31st December 1937, and its relation to share capital and outside borrowings is indicated in table No. XIV. In this table the reserve funds appear as one item but as a rule, the fund is divided in credit societies into three separate classes namely :—

- (1) Reserve fund
- (2) Allocated reserves
- (3) Unallocated reserves.

The allocated reserves represent special funds for bad and doubtful debts, funds for the acquisition of premises or for the provision of provident funds for employees. The unallocated reserves represent the balance of the profit and loss account. The position of these reserves in rural credit societies at the end of 1937 was as follows :—

	LP.
Reserve fund	54,795
Allocated reserves	17,898
Unallocated reserves	30,704
TOTAL	103,897

It is not considered that the figures given for the reserves represent the actual surplus of assets of rural credit societies. Not all societies have been prompt in writing off bad debts and to a certain extent the reserves cover a considerable amount of unrealizable debts which can not be regarded as genuine assets. At the same time it is to be presumed that the position of rural credit societies in this respect is better than that of the urban credit societies in view of the stricter control over borrowers exercised by the former.

A part of the profits is used by all credit societies for contributions to charitable purposes. Section 42 of the Cooperative Societies Ordinance provides that any society may contribute a portion of its surplus, remaining after due allocation has been made to the reserve fund, to any charitable purpose of public utility recognised as such by the Registrar. Almost all credit societies avail themselves of this provision for a variety of objects of a philanthropic or sentimental character. The Registrar leaves the societies a wide discretion in this matter in view of the great difficulties which exist in Palestine when it is attempted to define charitable or public utility purposes. There are, however, occasions when the intervention of the Registrar is necessary, particularly in societies in which members do not share the same social or political outlook.

(5) Employment of funds.

The following table illustrates how the funds of rural credit societies were employed at the 31st December 1937 and draws a comparison between rural and urban credit societies :—

TABLE XV. EMPLOYMENT OF FUNDS IN RURAL CREDIT SOCIETIES ON 31ST DECEMBER, 1937; COMPARISON WITH URBAN CREDIT SOCIETIES.

	Rural credit societies		Urban credit societies	
	LP.		LP.	
(1) Cash & bankers	91,213	or 8.4%	715,344	or 19.1%
(2) Advances repayable within one year	502,689	or 46.3%	1,488,795	or 39.9%
(3) Advances repayable after one year	259,236	or 23.9%	326,518	or 8.7%
(4) Discount of bills maturing within 3 months	21,163	or 1.9%	427,123	or 11.4%
maturing between 3 & 6 months	6,099	or 0.6%	174,453	or 4.7%
maturing after 6 months	1,736	or 0.2%	115,160	or 3.1%
(5) Arrears	4,358	or 0.4%	89,055	or 2.4%
(6) Investments in shares & securities	17,430	or 1.6%	116,477	or 3.1%
(7) Premises & fixtures	25,895	or 2.4%	134,939	or 3.6%
(8) Other accounts	155,679	or 14.3%	148,594	or 4.0%
	1,085,498	100.0%	3,736,548	100.0%

The above figures would indicate that rural credit societies keep a smaller cash reserve, that they invest more in short and medium term loans and that they employ a negligible part of their funds in the discounting of bills.

The official returns submitted by credit societies do not show the objects for which loans are granted. But from the annual reports prepared by rural credit societies it may be gathered that the chief objects are usually cultivation expenses, purchase of fodder, personal maintenance, payment of old debts, purchase of implements, trade, payment of taxes and the like. In this respect there is a clear line of division between the larger and the smaller rural credit societies. The former make advances for a larger variety of objects while the latter restrict their activities to objects more closely connected with agriculture.

As a matter of fact some of the rural credit societies include in their objects the functions of general agricultural societies. At the end of 1937, 28 of the total of 64 rural credit societies included in their rules the following objects :—

- (a) To provide members with credit facilities ;
- (b) To provide for the better marketing of their products ;
- (e) To purchase collectively their agricultural requirements ;
- (d) To promote better farming methods.

The societies are in effect general agricultural societies the principal object of which is the provision of agricultural credits.

An enquiry carried out in 24 rural credit societies showed that at the end of 1937, 54.8% of their advances to members were for objects connected with agriculture. It may be stated that the larger rural credit societies take few measures to ensure that loans are used for the objects for which they are given. All societies indeed provide in their rules that loans may be recalled for misuse but no case is known in which this provision was made operative. In some rural credit societies there is a practice to fix at the annual general meeting the periods for which the loans for different objects should be given, but the majority of societies fix the period at the time when loans are actually sanctioned. In all societies the committees are given wide discretion to vary the terms at the time of granting the loans.

The rules of rural credit societies regulating this subject of loans are as follows :—

- (a) Loans to members shall include cash advances, discounting of members' bills, guarantees granted by the society to members for any approved purpose and advances on the members' produce, crops or other property as the case may be.
- (b) The society shall issue loans to members for specified purposes approved by the committee of management on their personal guarantee and/or the guarantee of one or more sureties and/or such additional securities as may be required in each case; provided that the committee of management may dispense with the security in addition to a personal guarantee in the case of loans not exceeding £P.10.
- (c) The committee of management in joint session with the council shall fix the maximum credit limit of each member and shall decide on the conditions to be attached to the grant of any loan and the nature of security required in each case.
- (d) The total amount of medium or long term loans to be granted by the society shall be regulated having due regard to the total amounts of funds held by the society for similar terms.
- (e) A member applying for a loan shall state the purpose for which he requires the loan and the names of his sureties.
- (f) It shall be the duty of the committee of management and of the sureties to satisfy themselves that the member has utilised the loan for the purposes for which it was granted and if it has been used for other purposes the society may call upon the member to repay it and the member shall thereupon refund it forthwith.

(6) Sureties. Rural societies, like urban credit societies, insist that in the case of short term loans the borrower shall produce at least two sureties. While it is open to societies to accept as sureties persons other than their own members, rural societies take very little advantage of this privilege, and, as a rule, sureties are all members. This practice may bring about a position whereby members become responsible on their own behalf as principals and as sureties for more than they can be relied on to pay. On the other hand it has the advantage that sureties can be dealt with under sections 23 and 24 of the Cooperative Societies Ordinance, 1933, which provide simpler methods of execution and create a charge in favour of societies upon the share, interest in capital or deposits of members in respect of debts due from them to their society. In the case of other loans and especially long or medium term loans for specific objects connected with agriculture—societies insist on a tangible security as a collateral protection. This security consists mostly of a charge on crops or a mortgage on immovable property. An enquiry made in 24 rural credit societies showed that at the end of 1937 the amount of £P.131,165 or 32.6% of the total loans advanced by them and outstanding at that date was secured by tangible securities of all kinds including crop charges.

(7) Rates of interest on loans to members. The rates in various societies differ considerably since local conditions vary and the presence or absence of other credit agencies affects margins. But generally, the rates charged are higher than in urban societies and the average for all rural societies during 1937 was 8—10% for short and medium term loans and 9—11% for long term loans.

(8) Overdue loans. Up to the present it has not been possible to obtain clear information as to the punctuality or otherwise with which loans are repaid. The difficulty in dealing with arrears is particularly great in the case of loans repayable in instalments. The majority of societies maintain that a loan of this nature cannot be regarded as overdue unless and until

the member has failed to pay up the whole loan at the date of the final instalment. In the case of other loans also it is held by some societies that a renewal of the loan at the date of maturity is not to be regarded as an extension of an overdue debt. Owing therefore to the fact that the term "overdue loans" is interpreted differently, by different societies—too much reliance cannot be placed on the figures for overdue debts quoted in the monthly or annual returns.

The responsibility of audit unions in this respect cannot be sufficiently stressed, for, unless loans are repaid punctually, cooperation is both financially and educationally an illusion. It is essential therefore that audit unions should introduce a uniform system of accounts which would bring to light on inspection any cases of unpunctual payments.

The following tables complete the description of rural credit societies and illustrate their operations and methods of work :—

TABLE XVI. JOINT BALANCE SHEET OF JEWISH RURAL CREDIT SOCIETIES AS AT 31ST DECEMBER, 1937.

LIABILITIES		ASSETS	
	LP.		LP.
Own funds	187,206	Cash & bankers	91,213
Demand deposits	178,767	Loans & advances to members	761,925
Term deposits	142,436	Bills discounted	33,356
Advances from bankers and other sources	440,261	Investments	17,430
Other accounts	204,744	Premises	25,895
		Other accounts	223,595
	1,153,414		1,153,414
Number of members		18,967	
Nominal liability of members		£P.829,124	

TABLE XVII. JEWISH RURAL CREDIT SOCIETIES DURING 1937.

MONTH	No. of members	Share capital	Reserves	Deposits	Loans received & outstanding	Loans granted & outstanding	Bills discounted
		L.P.	L.P.	L.P.	L.P.	L.P.	L.P.
January	18,056	79,926	87,776	333,613	416,577	746,568	55,541
February	18,026	80,126	87,566	336,921	407,860	751,514	46,298
March	18,247	80,819	89,372	345,525	407,336	749,985	44,556
April	18,372	80,918	88,627	344,144	398,751	738,670	44,622
May	18,271	81,787	90,403	353,675	385,303	730,661	42,203
June	18,480	82,208	92,537	342,388	391,265	734,922	41,284
July	18,742	82,897	93,179	340,167	400,338	738,601	42,861
August	18,768	82,920	91,806	322,225	425,438	749,942	44,115
September	18,815	82,915	92,115	324,574	440,608	753,864	45,845
October	18,978	83,507	91,250	312,847	439,055	749,572	46,986
November	19,094	83,876	92,214	321,150	436,773	766,180	35,155
December	18,967	83,809	103,397	321,203	440,261	761,925	33,356

The following are general observations on the Jewish credit movement and apply to urban as well as rural societies :—

- (a) It will be observed from the above and previous statements that in spite of the fact that two audit unions of credit societies exist there is still a large number of credit societies which remain unaffiliated. Some of the unaffiliated societies prefer to remain

outside an audit union for reasons which are entirely personal between the members of their committees of management and the cooperative workers at the head of the audit unions. Other societies are not willing to submit to any supervision or control by a central organisation. The unaffiliated societies are a source of considerable anxiety to the Department and continual efforts are being made to induce them to join an audit union.

- (b) The existence of two separate audit unions for credit societies is not really justified. There is no reason why labour credit societies should have an audit union apart from other credit societies—for after all there is a community of objects and interests among all members of credit societies. It is to be hoped that a unification of the two audit unions may be brought about. Such development would be to the advantage of the credit movement as a whole.
- (c) An unsatisfactory feature of cooperative administration in the past has been the registration of credit societies without adequate reference to local conditions and needs. Up to 1935 credit societies were registered on application without prior enquiries as to the scope for an additional credit institution in the particular locality, the financial position of prospective members, the character of applicants, or how far adequate working capital could be raised locally. This has resulted in the duplication of societies in certain areas, in competition between societies for the receipt of deposits and in a large amount of overlapping. The effects of this development are still prevalent in most urban centres. In spite of the efforts of audit unions and central organisations there is still no uniformity in the rates of interest on deposits and loans in the urban societies, and very little co-ordination in matters of common interest to all of them such as joint collections of loans, cooperative protests, interchange of information, collective purchase of stationery and uniform methods of accounting. To remedy this situation and to prevent an aggravation thereof it was arranged in 1935 that no new credit societies should be registered without previous enquiry. The enquiry is undertaken by the Joint Council of the Jewish Co-operative Societies and the Registrar refuses registration if the Joint Council is not satisfied that there is a real need for a new society.
- (d) The question of multiple membership has already been referred to in other parts of this report. Many cooperative workers hold that multiple membership (i.e. a person joining a number of credit societies and obtaining credit facilities from all of them) is an abuse which should be stopped by all possible means. This was also the view of Mr. C.F. Strickland who proposed that cooperative legislation should contain a definite and unequivocal prohibition of such practices. It was considered, however, that legislation would not bring about the desired effect. It is no doubt desirable that, if possible, a man should obtain all the credit he needs from a single institution. If he cannot he tries to obtain it from a number of sources without disclosing to one source the extent of his borrowing from the other. His indebtedness may thus increase beyond his capacity to repay. Unhappily the position in Palestine is such that a man cannot obtain all his credit needs from one source. Owing to the existence of a large number of credit societies and small banks the available funds are split up and held in many hands. None of these institutions is prepared to grant large loans and thus take large risks. Nor are they prepared to widen the sphere of their operations so as to include loans for a large variety of objects. People are compelled, therefore, to join several institutions for their credit needs. If the cooperative law were to restrict membership to one credit society—members would still be able to borrow additionally from a number of small banks. The remedy against multiple membership is to be sought in the co-ordination of the activities of credit societies and in the exchange of information between them. Such co-ordination and mutual consultation may lead to a suitable redistribution of membership among societies. Failing favourable development along these lines and should the abuse become more extensive, steps will have to be taken to limit the unrestricted freedom to borrow in credit societies and the High Commissioner has powers under the Cooperative Societies Ordinance, 1933, to issue the necessary regulations. In the meantime new societies are made to provide in their rules that members of other credit societies are disqualified from membership.
- (e) With the exception of a few cases—the management committees of credit societies do not perform their functions regularly as a body but hand over the duties and responsibilities to one or two active members who are usually trained to their task and are paid for their services. This is especially the case in the larger societies. Another

defect in the constitution of credit societies is that committees of management are to a certain extent beyond the control of the general meetings which, as a rule, are not well attended. Although subject to election they remain in office for long periods and sometimes permanently. While this arrangement has the advantage of ensuring experience and continuity in policy, it deprives the ordinary member from a voice in the administration of his society. The existence of intermediate boards of control or councils of supervision has not been of any great advantage to the urban societies with their complicated and extensive operations. In the rural credit societies these councils have been useful in supervising loans.

(f) No restriction is placed on the number of members admitted for the simple reason that in credit societies with limited liability mutual knowledge is of little consequence and the business is more technical than personal. But in some of the urban credit societies the membership has become excessive with the result that the interests of members are not properly looked after.

(g) The amounts of fluid resources which credit societies are required to keep, whether in cash or in easily realized outside investments in order to meet the claims of depositors or to provide for financial needs in times of special scarcity, are not fixed by the 1933 law. But in anticipation of the amendment of the law this Department has insisted on adequate fluid resources being kept and in consultation with the Examiner of Banks and the Jewish Cooperative Advisory Committee has fixed the standards of these resources from time to time. For 1937 the following standards were fixed:—

For current accounts—40%.

For small savings and thrift deposits at call—20%.

For fixed deposits up to 6 months—40%.

For fixed deposits exceeding 6 months and not exceeding one year—20%.

For fixed deposits exceeding one year—10%.

For funds of deposit certificates—15%.

For correspondent accounts—100%.

The majority of societies affiliated to audit unions are keeping near these figures. But some of the unaffiliated societies, as well as some affiliated societies, have been unable to keep to this standard during 1937 and were compelled to secure emergency credits from commercial banks. Arrangements are being made for monthly statements to be submitted by all credit societies to the Registrar, showing in detail that the standards of fluid resources are being observed.

(h) The question as to the form in which these liquid resources should be invested presents certain difficulties in Palestine owing to the absence of trustee securities.

(i) The reserve funds of credit societies constitute an important element in their working capital since they are the only permanent and indivisible property of the societies and since they are at the disposal of societies free of any interest. The reserve funds are of two classes: general reserves set aside out of the profits and specific reserves (e.g. reserves for depreciation of investments, for bad debts, for the acquisition of premises, etc.). The law prescribes a minimum for the general reserves of at least 25% of the net profits in each year. Actually most credit societies allocate a substantial amount in excess of this minimum to their general reserves. The greatest part of the general reserve fund is used in the business of societies and is not kept idle. The law in this respect gives free choice to societies to use the reserve fund in business or to invest it in outside institutions.

The specific reserves are formed in part from the profits of societies and in part from special additional levies imposed on borrowers. While the creation of funds for extension of premises, for provident schemes and similar objects are in themselves desirable, yet it is preferable to postpone such provisions until an adequate general reserve has been provided. The eagerness of almost all credit societies to form special building reserves is not a matter to be commended, as the existence of such a reserve, small though it may be, tempts the society to assume larger liabilities through the acquisition of expensive building premises.

Subject to the above observations it may be summed up that the Jewish credit societies are deeply rooted and in general are developing on proper lines. The societies are very popular and are contributing definitely to a growth of the habit of banking, and, to a certain extent, of thrift among the smaller men. As regards the future possibilities of the credit movement it may be observed that rural credit societies have a large field of development, that they have a great deal to accomplish in order to increase their own capital, to absorb all local deposits and to undertake the financing of the larger agricultural industries connected with citrus, wine, etc. Urban credit societies have already reached the stage where they are no longer simple money lending institutions. They are people's banks in the real sense of the word rendering to their members such services and facilities as are ordinarily afforded by commercial banks. Provided they are efficiently managed and financially sound and having due regard to their resources and the limit of safe investments, there is no reason why they should not finance economic activities calculated to secure the well-being and prosperity of their members. They can do much to encourage the development of industries and trades and housing facilities. What they must aim at is coordination of activities and elimination of overlapping and for this purpose they must sooner or later construct their apex institutions in the form of central banks or unions.

2. AGRICULTURAL COOPERATIVE SOCIETIES.

The general progress of agricultural cooperative societies since 1921 is indicated in the following table:—

TABLE XVIII. AGRICULTURAL COOPERATIVE SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	No. of Societies on Register				No. of Societies included in this table			No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
	Jewish	Arab	German	Total	Jewish	German	Total						
1921	3	—	—	3	—	—	—	—	LP.	LP.	LP.	LP.	LP.
1922	6	—	—	6	2	—	2	471	—	739	—	1,999	2,738
1923	7	—	1	8	4	—	4	735	3,202	2,586	—	17,277	23,065
1924	13	1	1	15	6	—	6	1,162	15,227	19,021	—	28,497	62,745
1925	22	1	1	24	10	—	10	3,235	34,332	43,412	7,452	71,332	156,528
1926	23	1	1	25	13	1	14	3,471	42,840	37,614	11,308	136,950	228,712
1927	37	—	1	38	15	1	16	3,771	66,128	40,426	—	184,765	291,319
1928	48	—	1	49	22	1	23	4,742	76,666	52,086	13,851	181,669	324,272
1929	54	—	2	56	39	1	40	6,327	100,123	141,826	14,190	692,032	948,171
1930	62	—	3	65	41	2	43	7,532	128,146	170,149	24,303	799,955	1,122,553
1931	85	1	4	90	48	3	51	8,658	142,444	183,922	19,739	903,888	1,249,993
1932	122	2	4	128	64	3	67	10,637	156,858	258,428	41,638	1,006,067	1,462,991
1933	182	3	4	189	114	4	118	14,668	175,763	374,287	35,345	1,271,263	1,856,658
1934	214	4	5	223	136	5	141	19,079	208,798	383,857	79,844	1,645,365	2,317,864
1935	278	2	5	285	204	5	209	27,253	352,494	445,387	58,084	2,182,906	3,038,871
1936	303	1	5	309	245	5	250	32,242	424,680	617,556	25,809	2,774,167	3,842,212
1937	359	1	5	365	285	5	290	34,790	431,056	674,910	22,656	3,505,513	4,634,135

Columns 2—4 in the above table show that at the end of 1937 there existed in Palestine 359 Jewish and 5 German agricultural societies. The few Arab societies which were on the Register in previous years had ceased to exist, with one exception, by the end of 1937, owing to lack of cohesion among their members and as a result of the absence of business experience. In a few cases Arab societies failed on account of the opposition of vested interests.

As the German societies are described in part I of this report (vide page 11) this chapter will deal only with the Jewish societies. Until 1933 there was a wide diversity among Jewish agricultural societies. To a certain extent these variations were not always the result of differences of local conditions and requirements but were due to lack of guidance and supervision

when the societies were formed. A multitude of societies sprang up in the various settlements. Some were credit societies which combined in their functions the granting of loans, joint purchasing of necessities and collective marketing of products. In the long run, however, these societies absorbed more and more of the settlements' population, including those who had no agricultural interests, with the result that the purchasing and marketing functions of the societies shrank. In some settlements a number of societies were formed for several specific functions and this resulted in much overlapping. The pure Raiffeisen society did not take root in the Jewish settlements. The position improved in 1933 when, as a result of the new legislation, all existing societies were called upon to adapt their rules to the new law. This opportunity was taken to endeavour to eliminate confusion and to introduce some uniformity into the activities of the societies serving the agricultural community. Special model rules were prepared and at present the Jewish agricultural societies may be properly divided into the following types in accordance with their principal objects:—

- (a) Societies for the management of cooperative or collective settlements (Kvutzoth and Kibbutzim) ;
- (b) Societies for the management and development of smallholders settlements in which individual ownership exists ;
- (c) General agricultural societies ;
- (d) Societies for processing and marketing of agricultural products ;
- (e) Societies for water supply for agricultural and domestic purposes ;
- (f) Societies for insurance of cattle, crops and plantations ;
- (g) Miscellaneous agricultural societies ;
- (h) Societies for agricultural services (including co-partnerships of labour for specific agricultural services such as fruit packing, well-drilling, deep ploughing and agricultural contracting) ;
- (i) Societies for the provision of agricultural credit.

The above nine types are not entirely distinct from each other either in their functions or in their methods of business. Most of the societies included under (a), (b) and (c) undertake also, for instance, the processing and marketing of products and in this sense they are also marketing societies. They also undertake the supply of water for agricultural and domestic purposes and are as such irrigation societies. Similarly some of the miscellaneous societies subject their commodities to certain processes before marketing and become for this reason also processing and marketing societies. The societies for the management of collective settlements are so closely interrelated with those which aim at the management of smallholders settlements that the one type cannot rightly be divorced from the other.

A clear line of division between the above types is, however, to be found in the principal objects which they set out to achieve. What is the principal object to one type of society may be only of second or third rate importance in the functions of another type and *vice versa*.

The following paragraphs adopt this division and describe every type separately, with the exception of type (i) "Societies for the provision of agricultural credit", which, are described in detail in the previous chapter. The reason for this differentiation is that agricultural credit societies do not limit their activities to providing advances for agricultural purposes only. Nor can it be said with certainty that such advances represent the major part of their operations. They are, therefore, not separated from other credit societies which engage in the provision of loans to their members for many purposes, including agriculture.

A. SOCIETIES FOR THE MANAGEMENT OF COOPERATIVE OR COLLECTIVE SETTLEMENTS.

The objects of these societies are:—

- (a) To manage and develop a collective farm ;
- (b) To undertake agricultural and other works outside the settlement whether by contract or on the basis of a fixed wage ;
- (c) To organise various industries in the settlement ;
- (d) To dispose of the products of the settlement and purchase its requirements ;
- (e) To maintain a common purse into which all the earnings of their members shall be paid and from which all their requirements shall be provided ;

- (f) To assist members in raising their economic, cultural and social level by mutual aid; to care for their sick, to support the old and feeble and other persons dependent on members; and to maintain and educate their children;
- (g) To supply all the social, cultural and economic requirements in the settlement and to undertake all steps deemed necessary for improving these conditions, and, in particular to establish and maintain creches, kindergartens and schools for the education and training of the children, to establish and maintain in the settlement public institutions and services and, in general, to undertake all activities which customarily are undertaken by village authorities.

These societies are commonly divided into two categories and are distinguished by their Hebrew denominations of "Kvutzoth" and "Kibbutzim" (the literal translations of which are "communal groups" and "communities", the singular being 'Kvutza' and 'Kibbutz' respectively). The first category usually includes societies which are permanently settled in a fixed locality, which have obtained their full requirements in land and working capital and which concentrate their activities on the first of their stated objects namely the development of a cooperative village. These societies are primarily engaged in agriculture and rely only to a small extent on outside work to supplement their revenue during the slack season on their own farms. The second category includes societies which are not yet permanently settled, which live in temporary buildings and depend largely for maintenance on the wages earned by their members on labour outside the settlement. Agriculture on their own small farms yields only a subsidiary income. Most of these societies are accordingly in a transitory stage and will one day become members of the first category.

The two categories have identical constitutions and with few exceptions their members are affiliated with the General Federation of Jewish Labour.

The "Kvuzoth" and "Kibbutzim" with labour memberships are federated with "Nir, Hevra Shetufit Lehityashvut Ovdim Ivrim Ltd.", a central colonisation society organised by the General Federation of Jewish Labour. They are further affiliated with an audit union established by the Jewish Agricultural Workers Union.

Both the "Kvutzoth" and "Kibbutzim" are legally constituted bodies with perpetual succession. Members are admitted or expelled by the general meeting. The society owns all the property in the settlement. The member owns nothing privately. Even the clothes he wears and the books he reads are the property of the society. The society is governed by an elected committee which forms itself into sub-committees. These committees allot to each member his work, whether inside or outside the farm. Inside the farm there are no fixed hours and the members are expected to work until their task is finished. Members are transferred from one kind of work to another at regular intervals. They receive no wages. When members are sent to work outside the farm, their entire earnings go to the society. The members obtain their food from common kitchens, their clothes from common store houses, their pocket money from a common purse and have their lodgings in common buildings. Married members have separate cottages or apartments and their children are kept in common creches. The individual member owns nothing personally and has nothing to sell. If he leaves the society, he takes nothing away with him just as he is not required to bring anything with him when he enters. The society operates entirely on borrowed capital. Its land is obtained on long term leases. It raises one or more loans for the construction of farm and other buildings, for the purchase of cattle, implements, machinery, seed, and for all other requirements and working expenses. Some of the larger societies have established rural workshops and factories of considerable size. These societies are able to launch themselves entirely on borrowed capital because the Jewish colonising institutions have included this form of settlement in their colonisation policy. The produce of these societies is sold collectively either to or through cooperative marketing societies (of which more will be said later) or in the open market. Any surplus of revenue over expenditure is retained by the societies as a reserve. The society maintains all communal institutions, creches, clubs, hospitals and schools and pays the expenses of outside hospitalisation or education when this is necessary. The society also undertakes the support of the dependants of its members (mainly aged parents), who in many cases reside outside the settlement.

In short it may be said that these societies constitute communal groups which pool their earnings, keep common household and are primarily engaged in agriculture.

The "Kvutzoth" as well as the "Kibbutzim" are established on land of the Jewish National Fund or on land leased from the P.I.C.A. The number of "Kvutzoth" and "Kibbutzim" at the end of 1937 was 110 and the number of their members amounted to nearly 13,000. If the families of the members are to be included, then these societies had a population of about 17,000 or 17% of the total number of Jews living in agricultural communities. In this connection it is to be noted that in the "Kvutzoth" and "Kibbutzim" the wives of members are members themselves with equal rights and duties.

The area of agricultural land of a Kvutza" may vary from 350 dunums to 11,000 dunums, the average being 2,728 dunums or an average of 17.9 dunums per member. The area of a "Kvutza" is not based on a calculated theory but on the size of its membership and on the methods of cultivation employed. Some "Kvutzoth", by using very intensive cultivation, support a large membership on a very small area. This is particularly the case in "Kvutzoth" located in the neighbourhood of urban centres. The area of a "Kibbutz" may vary from 10 to 300 dunums, the average per society being 25 dunums or an average of 0.9 dunums per member.

In order to remove any misconception which may exist regarding the nature of the "Kvutzoth" and "Kibbutzim", it is necessary to state that for all their similarity to collective farms of the type known as "Kolkhoz" in the U.S.S.R., there is no basic identity between them. Indeed the two types have little in common either in origin or method of work and any apparent similarity fades away on closer examination.

The collective farm in Russia is a former village of individual owners converted into a legally constituted body with perpetual succession. Members are admitted or expelled by the general meeting. Its property includes only the cultivable lands and common pasture of the village, the central farm buildings and buildings used for social purposes, draught animals, implements, machinery, the common herd of cattle and poultry. But every member has his own cottage, cowshed, garden and livestock. The farm is governed by a paid, if elected, committee. The actual work of the farm is carried on by brigades each under a brigade leader appointed by the committee. The number of brigades varies with the size of the farm and the nature of the work. Hours of work are fixed seasonally. The production of the farm is controlled by the State, each farm receiving annually a production plan. The plan is carried out on the responsibility of the committee but under the supervision of an agricultural expert of the State. The members are paid cash wages and also a wage in kind. These payments are calculated on the basis of the "working day". It is not a unit of time. All farm labour is divided into groups, a day's work of each group being counted as a smaller or larger fraction of a labour day as the case may be. A member may receive higher wages if the quality of his work is above a certain standard and he may be fined if it falls below it. In addition, he receives an allowance of grain and other produce which he is free to sell. Finally, he lives rent free and has the produce of his own garden and livestock which he may either eat or sell. Each farm is an isolated unit from the administrative point of view. Each farm has its school, creche and hospital dispensary.

It is outside the province of this report to compare the two systems and to give an assessment of their respective merits or demerits. This comparison, as well as the question of the stability of the Palestine society, the effect of its internal growth, its future generally, the efficiency of collective farming and its soundness from an economic point of view must be left to the social student.

The following observations, however, are relevant :—

- (a) Of late there has been a growing tendency among some members of the Palestine societies to revert to a system of collective farming but individual living. The proposed system would develop settlements on the following lines :— The farms would be held collectively. Every member would be an employee of the society but he would have his private cottage and household. Every member would be paid a daily wage in respect of work done by him and would share in the profits of the society on this basis. Members would be mutually liable in case of illness or invalidity. The education of children would be undertaken by the society.
- (b) The "Kvutzoth" and "Kibbutzim" aim to build up sufficient capital of their own in the same manner as credit societies or societies of producers, which also start on borrowed capital. They do not ignore the fact that it may be a lengthy process. But they are proud to point to the actual achievements of some "Kvutzoth" which after

several years of existence are in a position to show the beginnings of an accumulating reserve. Some "Kvutzoth" have even commenced to make repayments on account of loans and interest.

(c) The "Kvutzoth" serve as absorbing centres for large numbers of new immigrants and as training grounds for agricultural labourers. These services which the "Kvutzoth" render to the Jewish colonising organisations have their value and should be included in any calculations which are made of the cost and of the returns of these collective settlements.

(d) From the point of view of the community, the "Kvuza" offers all the advantages of controlled and planned mass production. It is well known in Palestine that for high quality products, unadulterated milk, pure cream and exotic vegetables and fruits one can always turn to the "Kvutzoth". There are very few other institutions in Palestine which have acquired such a reputation or which have developed specialised farming for the market to such an extent.

The general progress of "Kvutzoth" and "Kibbutzim" since 1921 is shown in the following tables:—

TABLE XIX. KVUTZOTH AND KIBBUTZIM ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	No. of Societies on register	No. of Societies included in this table	No. of members	Share capital	Reserves	Loans received and amounts due to creditors	Total resources
				£P.	£P.	£P.	£P.
1921	1	—	—	—	—	—	—
1922	1	—	—	—	—	—	—
1923	1	1	11	—	—	14,522	14,522
1924	1	1	39	—	—	15,355	15,355
1925	1	1	53	—	—	17,200	17,200
1926	1	1	53	—	—	17,200	17,200
1927	7	1	57	—	—	19,553	19,553
1928	12	2	108	—	197	47,604	47,801
1929	13	12	792	266	3,286	351,566	355,118
1930	15	12	794	496	3,673	421,774	425,943
1931	22	15	1,164	382	8,178	417,098	425,658
1932	33	24	1,849	1,604	21,536	525,830	548,970
1933	58	38	3,148	2,230	94,762	627,075	724,067
1934	65	50	4,569	2,783	82,907	778,098	863,788
1935	85	70	8,644	3,336	134,404	1,056,812	1,194,552
1936	100	80	11,531	7,795	166,742	1,324,090	1,498,627
1937	110	96	12,546	9,371	176,336	1,624,018	1,809,725

TABLE XX. ASSETS AND LIABILITIES OF KVUTZOTH AND KIBBUTZIM AS AT THE END OF SEPTEMBER, 1937.

LIABILITIES		ASSETS	
	L.P.		L.P.
Share capital	9,371	Cash in hand and with banks	9,558
Reserves	176,336	Shares in other societies and securities	60,885
Loans received and creditors	1,624,018	Movable property (including live-stock & machinery)	393,058
		Stock and nurseries	129,219
		Immovable property	967,939
		Sundry debtors	125,718
		Other accounts	123,848
	1,809,725		1,809,725

NB.—This table refers to 96 Kvutzoth and Kibbutzim out of 110 on register.

The following description of a particular "Kvutza" may give a more concrete picture of the work and constitution of this type of society.

Geva is a settlement situated in the eastern part of the Plain of Esdraelon. It was established in 1921 with a membership of 20 and in 1937 it had 110 members and a population of 215 souls. 60 of the members are men and 50 are women. The members immigrated to Palestine from Russia, Latvia and Poland. The admission of each member was approved at general meetings after reference to the central settlement agency of the General Federation of Jewish Labour. (There are only a few "Kvutzoth" in which the members do not belong to the General Federation of Jewish Labour). Every member admitted assumed a nominal liability of £P.50.—.

The total area of land owned by the society was at the end of September, 1937, 2,950 dunums cultivated in the following manner:—

UNIRRIGATED	dunums
Cereals	2,347
Forests	67
IRRIGATED	
Fodder	270
Vegetables	10
Young plantations	105
Vineyards	90
Nurseries	7
Roads, yards etc.	54
Total	2,950

The herd consists of 123 milch cows. The poultry branch consists of 3,445 hens. The total value of the livestock was £P.5,210 (including working animals). The income from agricultural produce for the 1936/37 season was as follows:—

	Units	Quantity	Value L.P.
Milk	litres	305,481	3,709
Grain	tons	404	2,050
Poultry farm	head	—	1,800
Poultry farm	eggs	375,017	1,558
Fodder	tons	1,060	1,050
Grapes	boxes	4,315	864
Meat, calves etc.	—	—	162
Vegetables	—	—	97
Outside work	—	—	1,600
Other income	—	—	1,094
Total			13,979

Work in the village is divided among the members as follows (average number of members per day for the year 1936/37), 7.6 members work in the field; 9.6 members in the cow sheds; 6.9 in the poultry branch; 5.9 in the plantations; 40.0 in service and communal institutions; 10.0 are sent out as agricultural labourers outside the village; 6.0 work in other branches and 14.0 are on holiday (excluding Saturdays).

All the products with the exception of cereals were marketed through the "Tnuva" Marketing Cooperative Society, Haifa. The grain was sold through the "Hamashbir Hamerkazi" which is the central supply society of the consumers' societies.

The cost of marketing through "Tnuva" amounted to 18% of the gross returns for vegetables, poultry, eggs and fruits. This cost covered transportation expenses from the settlement

to the markets and commission. In addition, the society contributed the sum of £P.743.— toward the cost of the milk cooling station and the central dairy managed by "Tnuva". The cattle are insured with the "Haklait" Cooperative Insurance Society. For the services of this society, which includes veterinary inspection, an average of £P.1.4 per head was paid. In addition, the society contributed a sum of £P.80.— toward the cost of erecting a cattle dipping bath which also serves the neighbouring villages. A sum of £P.23.— was paid to the government in taxes and a sum of £P.258.— was spent on guarding the property. The settlement consists of 45 building units. Of this number, 6 are cattle sheds; 6 poultry sheds; 5 store houses; 2 public dining rooms and club rooms; 4 children's creches and schools; 15 living quarters and 7 public bath rooms, laundries, bakery, clothes repair shop, etc. The living quarters consist of 67 rooms. As far as possible, arrangements are made for every unmarried member to have his own room, while married couples share a room. 16 aged parents of members live in separate quarters in the settlement and they are given light work in the farm yard and in the clothes repair shop. The society owns 3 tractors, 3 combine harvesters and other agricultural machinery. The village obtains its water from a well belonging to the cooperative water supply society in the Harod valley of which the society is a member. During 1936/37 it consumed 289,035 cub.m. of water for irrigation and domestic purposes. The society is affiliated to the audit union of agricultural societies and is assessed at £P.17.— for the cost of audit and supervision. The financial position of this society as at September 30th, 1937, is shown in its balance sheet which is reproduced below:—

LIABILITIES		ASSETS	
	L.P.		L.P.
Contributions by members	1,262	Cash & banks	91
Reserve fund	2,593	Securities & participations in other societies	1,289
Other reserves	888	Immovable property	23,613
Jewish national institutions	17,980	Movable property	7,799
Loans received	10,859	Sundry investments & advance expenditure	2,754
Banks	147	Sundry debtors	2,231
Advances	663	Other accounts	126
Nir Cooperative Society	37		
Sundry creditors	3,474		
TOTAL	37,903	TOTAL	37,903

B. SOCIETIES FOR THE MANAGEMENT AND DEVELOPMENT OF SMALLHOLDERS SETTLEMENTS.

The objects of these societies as defined in their rules are as follows:—

- (1) To organise and bring about the settlement of their members as farmers;
- (2) To enter on behalf of their members into collective agreements for the acquisition of lands or rights in lands for the settlement of members and to arrange for the partition of such lands and their allocation to their members;
- (3) To organise in the settlement collective activities of production, cultivation, sale or purchase;
- (4) To maintain in the settlement public institutions and other communal services and generally undertake any of the functions that are customarily performed by local village authorities.

Unlike the collective settlements the settlers in these societies are individual cultivators, either proprietors or tenants of their own holdings. Work outside and inside the settlement is carried out on an individual basis, every member being entitled to the proceeds of his labour. Farms are held and managed individually but certain branches of farming and works are undertaken collectively. The society lays down the farming plan in the settlement and to a certain extent supervises the work of the individual members. Every member is bound to participate in any economic or cultural enterprise undertaken by the society collectively on

a decision of the majority of members in general meeting. In addition members are bound to observe certain principles in the working of the farms and in the general conduct of their affairs.

The collective undertakings usually carried out by these societies are :—

- (a) Collective cultivation of certain areas and products ;
- (b) Collective irrigation and water supply ;
- (c) Collective sale of products and purchase of requirements ;
- (d) Collective use of agricultural machinery and storage ;
- (e) Collective guarding of property.

In addition to these collective undertakings the societies negotiate loans for the settling of members against the security of their individual holdings. In some cases the societies agree to act as surety for such members. The societies further manage institutions of mutual aid and provide education facilities for the children of members. In some settlements the cattle, stock and property are insured on a mutual basis.

Members pay fixed fees and charges for all the specific services which the society provides and in addition an "income tax" is levied to cover the cost of social services and mutual aid undertakings in the settlement. Where a society engages in any activity on behalf of a group of its members any loss arising out of such activity is borne by those members alone.

In some cases these societies transfer part of their activities to special cooperative societies formed for specific purposes such as consumers, or irrigation societies.

The general progress of these societies since 1921 is shown in the following table :—

TABLE XXI. SOCIETIES FOR THE MANAGEMENT AND DEVELOPMENT OF SMALLHOLDERS SETTLEMENTS ON REGISTER, THEIR MEMBERSHIPS AND RESOURCES (OWN AND BORROWED) DURING THE YEARS 1921—1937.

Year	No. of Societies on register	No. of Societies included in this table	No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
				LP.	LP.	LP.	LP.	LP.
1921	—	—	—	—	—	—	—	—
1922	2	—	—	—	—	—	—	—
1923	2	1	57	3,202	—	—	273	3,475
1924	4	2	282	11,352	47	—	363	11,762
1925	7	4	908	30,307	4,168	—	15,219	49,694
1926	7	4	923	31,126	4,172	—	15,339	50,637
1927	7	4	1,010	47,893	2,889	—	32,184	82,966
1928	7	4	1,031	55,859	1,729	417	45,765	103,770
1929	7	4	1,055	68,846	4,742	413	34,933	108,934
1930	9	4	1,138	79,266	8,825	208	29,842	118,141
1931	17	5	1,228	83,130	11,090	208	31,908	126,336
1932	27	9	1,683	92,387	27,939	208	37,842	158,376
1933	40	23	1,975	78,337	31,471	1,233	67,609	178,650
1934	51	31	2,401	90,998	42,920	536	108,140	242,594
1935	67	50	3,543	170,911	40,511	478	150,053	361,953
1936	69	62	4,097	202,713	53,259	1,814	286,139	543,925
1937	81	64	3,911	177,390	52,062	202	342,241	571,895

Of the societies on the register at the end of 1937, 51 societies which are commonly known as "Moshvei Ovdim" (Workers' Settlements) were affiliated with the audit union of agricultural societies. These societies were also affiliated with "Nir Hevra Shetufit Lehityashvut Ovdim Ivrim" Ltd., which acts as a central colonising agency of the said General Federation of Jewish Labour. The central society negotiates with the Jewish colonising institutions for the allocation of land and loans for the affiliated societies and further regulates the admission of members by such societies. There is always a long list of candidates for these societies and, while the societies are allowed a free choice of members, certain priority rights have to be observed. The central society is therefore given certain powers in the rules of affiliated societies in connection with the admission of members as well as with decisions concerning liquidations or voluntary dissolutions.

The affiliated societies are based on four principles namely :—

- (a) National land,
- (b) Self labour and non exploitation of others,
- (c) Mutual aid in all walks of life,
- (d) Maximum measure of self sufficiency in production.

They include in their functions such matters as joint contracting for work outside the settlement, collective education of the children of members and mutual aid in the case of illness or invalidity. In the case of the death of a member the society remains responsible for the upbringing of his children until they reach an age when they can take over the farm. If a member is ill the society looks after his farm during his illness. If a member loses an adult member of his family the society provides the necessary help. These societies assume mutual liability for loss or damage to the property of members and for a minimum income from the farms. The wives of members are also treated as members with full voting powers.

On the whole, these societies are well organised. In some of them, however, the transfer of certain functions to separate societies leads to unnecessary duplication and overlapping. Besides it results in uncontrolled borrowings from various sources. The audit union of agricultural societies has made great efforts in its affiliated societies to suppress separate societies and to effect an amalgamation of their functions.

The following is a description of one particular society of this type :—

Moshav Ovdim "Kfar Vitkin" is a settlement with an area of 3,600 dunums leased from the Jewish National Fund. The average holding of a member is 22.5 dunums of which 7.5 dunums are used for plantations; 15 dunums for cereals and vegetable growing, poultry farming and residential purposes. The number of members at the end of 1937 was 158. The total cost of every holding including its share in collective property such as water installation, consumers society's building, etc., amounted to £P.633.—. Every member has invested £P.250.— of his own capital the balance of £P.383 having been raised on long and short term loans which bear an average rate of interest of 4—8 per cent. At the end of 1937, the settlement consisted of 170 houses; 3 pumping houses and wells; 3 central farm buildings and 3 consumers' shops. The settlers owned 232 head of cattle; 10,156 head of poultry; 130 other animals; and 220 beehives. In 1937 their farms produced 610,000 litres of milk; 1,176,000 eggs and vegetables and other crops to the value of £P.2,000. The plantations are not yet in bearing.

All settlers are members of the society which was registered in 1932. Every member contributed to the capital of the society a sum of £P.17.— and assumed a further liability of £P.25.— for the debts of the society in the event of liquidation. The society owns the wells and the pumping stations and undertakes to supply water for household and irrigation requirements against payment. Any surplus of water is sold to non-members in the neighbourhood of the settlement. The society provides for the guarding of the fields; maintains a kindergarten and school where the elder children of the Moshav are educated; contributes to the "Workers' Sick Fund" which maintains a clinic and a doctor in the settlement; pays the insurance premiums for all the cattle in the village which are compulsorily insured with the "Haklait" Cooperative Insurance Society. It maintains stud bulls for the service of the herd and it obtains collectively electric power and light from the Palestine Electric Corporation. Its chief function, however, is to negotiate on behalf of its members for loans and to represent them before the colonising institutions and government authorities. The society is managed by an elected committee of 5 persons and by special sub-committees which concentrate on specific matters such as poultry farming, dairying, education and mutual aid. The society does not undertake the supplying of necessities nor the marketing of products. These

functions are delegated to a separate society which operates in the village as a consumers' and producers' society. Its sales (including building materials) during the year amounted to £P.16,007 or an average of £P.8.— per member per month. Its supplies included fuel, fertilisers, seeds, water pipes, taps, etc. This society collects the products of the members and delivers them, after suitable grading, to the central stations of the "Tnuva" Cooperative Marketing Society. Milk is collected thrice daily, eggs, vegetables and other products are collected at different intervals depending on the season. The society owns a truck and charges the members a certain percentage on the full value of the products for services, including transportation.

The Kfar Vitkin Moshav Ovdim Lehityashfut Shetufit Society Limited is affiliated with the Labour audit union of agricultural societies, paying an audit fee of £P.12.— per annum. Its balance sheet at the end of September, 1937, is shown below :—

LIABILITIES		ASSETS	
	LP.		LP.
OWN FUNDS		Cash & bankers	711
Members' contributions	2,651	Investments (shares)	230
Reserve fund	78	Immovable property	15,711
Other reserves	8,375	Movable property	744
BORROWED FUNDS		Loans repayable by members	6,261
Loans received	16,122	Sundry debtors	1,902
Sundry creditors	3,150	Advance expenditure	4,817
TOTAL	30,376	TOTAL	30,376

C. GENERAL AGRICULTURAL SOCIETIES.

The General Agricultural Societies are modelled on the lines of the Raiffeisen societies. Their functions are collective marketing of members' produce, collective purchasing of their agricultural needs, promotion of better farming methods, acquisition of agricultural machinery, and promotion of other collective activities (such as irrigation) in connection with the agricultural undertakings of members. In some cases these societies do not embrace all the cultivators in a settlement but are limited to a certain group with more or less identical requirements or methods of cultivation.

The progress of general agricultural societies since 1921 is shown in the following table :—

TABLE XXII. GENERAL AGRICULTURAL SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	No. of Societies on register	No. of Societies included in this table	No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
				LP.	LP.	LP.	LP.	LP.
1921	—	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—	—
1923	1	—	—	—	—	—	—	—
1924	1	1	155	3,875	16,665	—	9,745	30,285
1925	3	1	153	4,025	23,941	—	2,174	30,140
1926	5	2	182	3,985	19,969	—	24,562	48,516
1927	5	3	208	4,115	19,693	—	27,149	50,957
1928	6	4	224	4,275	26,640	—	24,395	55,310
1929	8	5	257	8,221	27,270	—	29,017	64,508
1930	8	6	310	10,123	27,022	—	27,459	64,604
1931	9	6	326	11,062	19,347	—	44,712	75,121
1932	9	6	391	11,854	20,075	—	50,006	81,935
1933	14	8	490	15,780	21,298	—	58,797	95,875
1934	18	9	575	19,395	25,166	—	78,267	117,828
1935	23	16	766	43,165	30,031	1,255	96,342	170,793
1936	28	17	863	46,940	39,643	357	107,415	194,355
1937	31	23	1,139	54,397	48,829	1,162	148,449	247,837

The objects of a society of this type as defined in its rules are as follows:—

- (a) To provide for the better marketing of its members' products;
- (b) To purchase collectively its members' agricultural requirements;
- (c) To arrange for the supply of water for irrigation and domestic purposes;
- (d) To promote better farming methods and encourage its members in the use of pure seeds, fertilizers and improved agricultural implements;
- (e) To provide for collective measures against pests and diseases;
- (f) To obtain funds to be lent to its members for agricultural purposes against material security;
- (g) To assist in the amicable settlement of disputes between members and to discourage unnecessary litigation;
- (h) and generally to do all things necessary for the introduction of collective activities for the benefit of its members.

The number of these societies will be found to be small and the range of their activities limited in comparison with other societies serving the agricultural community. The conclusions which may be drawn from this comparison are two:—

—The first is that agricultural societies based on the pure Raiffeisen model are not suitable for an agricultural community in which the chief need is to equip and maintain a number of new agricultural units. They are best suited to stable communities with uniform methods of cultivation and a preponderance of persons of the same social level. The Arab villages will be good material for the Raiffeisen type of society as soon as the fellaheen understand and appreciate the principles of cooperation. The credit and thrift societies at present being developed in the Arab villages are the first stones in the foundations of the structure on which general agricultural societies and special marketing societies can be superimposed.

The second is that Jewish cooperation has not as yet discovered the right type of society for the agricultural population of Jewish settlements. Opinions of cooperative workers are still divided on the question whether agricultural societies should be general societies undertaking to serve their members in all their requirements connected with cultivation and consumption or whether the societies should be of specific types each one undertaking a definite and appointed service, such as dairies, consumers, sale and purchase, irrigation, credit, etc. Even in the labour settlements where the settlers are more or less ideologically, socially and economically of one and the same class no uniform type of agricultural society exists. Both the settlers and their central organisations have been trying to discover by experience the most suitable methods. For this purpose some societies have been amalgamated while others have had their functions divided and sub-divided.

The following is a description of one general agricultural society:—

Hedera, one of the oldest Jewish settlements, was established in 1891 in a swampy and malarial area in the northern maritime plain. Its agriculture is based on mixed farming. Its total area is 21,463 dunums of which 7,752 dunums are under cereal crops and forage, 7,684 dunums under plantations, 2,533 dunums built-on area and 3,494 dunums eucalyptus forests and uncultivable land. The total population consists of 4,592 souls. There are 11 cooperative societies in the settlement, as follows:— 2 irrigation societies; 4 societies for marketing of citrus fruit; 1 housing society; 1 general agricultural society; 2 credit societies and 1 consumers' society.

The name of the general agricultural society is "Hahaklai Hedera" (meaning "The Agriculturist"). It has a membership of 67 farmers. It owns grain elevators, agricultural machinery and stud-bulls. It undertakes the marketing of the agricultural products of its members, including citrus fruit of young groves for local consumption. It purchases collectively fertilizers, spraying materials, flour and fuel. It obtains seasonal loans for members and arranges for the guarding of their property and the joint payment of government taxes. During 1936/37 it disposed of members' agricultural produce to a total value of £P.3,353.— and purchased machinery manure, etc., for its members to a total value of £P.6,877.—. One of the qualifications of membership in the society is the ownership of a holding of not less than 10

dunums. The society is managed by a committee of 5 members elected annually. The society has used part of its reserve fund for the construction of a very imposing central building which houses its offices, club rooms, meeting hall, and stores. This society is almost unique in its methods which are based upon the purest Raiffeisen model.

The balance sheet of this society for the end of September, 1937, which is reproduced below, presents a comprehensive picture of the range and method of its activities:—

LIABILITIES		ASSETS	
	LP.		PL.
Members contributions to the capital of the society	1,216	Cash & banks	50
Reserve funds	504	Investments (shares and securities)	48
Other funds	830	Movable property	846
Loans received	8,645	Immovable property	2,022
Creditors — members	1,000	Loans repayable by members	5,211
Creditors — non-members	2,991	Arrears	1,390
		Other accounts	5,619
TOTAL	15,186	TOTAL	15,186

D. MARKETING SOCIETIES.

The gap between the prices which producers of agricultural products receive for what they have to sell and the prices paid by the consumers for these same commodities is everywhere a wide one. This difference in the price level is largely the result of high costs of distribution. Cooperative marketing societies aim at improving marketing methods in order to enable the producer to get for his produce a larger share of the consumers' payment, which shall cover adequately the legitimate cost of production. This object can be achieved in some degree by making collective bargains and by relieving the individual producer of all responsibility for bargaining and, as far as possible, from anxiety as to the trend of prices during the season.

The following figures show the total estimated values of agricultural products which were available for marketing purposes in 1937. These figures are not based on accurate returns. They are an estimate of total production less quantities consumed by the producers:—

	Value in LP.
Cereals	1,359,486
Citrus fruit	3,619,600
Other fruits (including melons)	1,197,369
Vegetables	480,733
Tobacco	142,242
Milk	1,023,000
Eggs	172,500
Poultry — 2,250,000 (head)	112,500

While most products can be absorbed in the local markets, citrus fruit and to a certain extent wine and tobacco have to be exported to foreign markets. The marketing societies may be divided up accordingly into two types, namely: societies which undertake marketing operations in local markets and societies which deal with foreign markets.

No cooperative organisation for marketing of agricultural products exists among the Arab cultivators. The Arab peasant is an individualist. He is a complete stranger to any collective form of production and/or marketing. In general he is uninformed as to how and at what price he is going to dispose of his products and in his case agricultural production still remains uncertain and highly speculative. One of the main objects of this Department is to endeavour to alter this and to introduce cooperative organisation into the life of the village. For this purpose more than two hundred villages have been visited and talks were held with the fellahen on the subject. A pamphlet indicating the methods of organisation and the benefits

that can be derived therefrom has been widely circulated. More positive steps were taken during 1937 with a view to organise the pressing and marketing of olive oil. For generations past Palestine's olive crops have been used for the extraction of olive oil for local consumption and for soap making. The soap industry has shown alarming signs of decline in recent years and it was realised by Government that the whole olive industry would have to be reorganised in order to find a market for oil for edible, pharmaceutical and industrial purposes. A special committee was constituted to investigate the position of the olive oil industry, and one of their recommendations was that the best way to restore the olive oil industry to a higher level would be with the help of cooperative societies in individual villages and/or groups of villages in the olive growing districts. Model rules for such societies were prepared accordingly and a number of villages were selected in the Northern District for the organisation of model societies. A long term loan was allocated from a special "Hill Development Fund" for the purpose of acquiring modern presses for these societies. It was hoped that the societies would be formed in 1937 and that they would be ready to start operations in 1938. But the disturbed condition of the country necessitated deferring this work for an indefinite period. The model rules envisage societies owning joint presses and undertaking the storage of oil as well as the granting of advances to members while their oil remains stored to await better marketing conditions.

In the case of Jewish cultivators the position is entirely different and about 80% of their agricultural products are marketed cooperatively. At the end of 1937 54 societies were engaged in the marketing of Jewish products. Of these 42 societies specialised in the sale of a single crop (citrus, wine, tobacco, milk, citrus by-products) while 12 societies undertook the marketing of several products such as milk, dairy produce, vegetables, poultry, farm products and fruit.

The constitutions of all these marketing societies are identical in their essential points. They all have a share capital or a contribution fund to which members subscribe in proportion to the amount of their turnover with the society. Members have nominally one vote but enjoy additional votes on the basis of patronage. Membership is restricted to producers of a certain minimum quantity. All societies provide for the accumulation of reserves to be used in the equipment of central distributing agencies and plants. These funds are raised by regular deductions from the proceeds of sales and usually are not refundable. All societies are non-profit making and do not undertake to sell at any fixed price. The payments to members represent the full proceeds from sales less administration and marketing expenses and, as already mentioned, deductions for reserve funds. Some of the societies are primary societies in as much as they serve individual cultivators or producers; others are central organisations serving cooperative societies and other corporate bodies. Some sell on a pooling basis while others return to the producer the price of his products after deducting the cost of marketing, plus a contribution to the central institutions of the society.

The general progress of agricultural marketing societies since 1921 is shown in the following table:—

TABLE XXIII. AGRICULTURAL MARKETING SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	No. of Societies on register				No. of Societies included in this table			No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
	Jewish	Arab	German	Total	Jewish	German	Total						
1921	1	—	—	1	—	—	—	—	LP.	LP.	LP.	LP.	LP.
1922	1	—	—	1	1	—	1	104	—	598	—	—	—
1923	1	—	—	1	1	—	1	104	—	598	—	1,834	2,427
1924	4	1	—	5	1	—	1	104	—	598	—	1,834	2,427
1925	7	1	—	8	3	—	3	1,238	—	13,498	7,452	35,390	56,340
1926	6	1	—	7	5	—	5	1,265	250	11,408	11,308	76,523	99,489
1927	14	—	—	14	6	—	6	1,343	367	15,172	—	101,355	116,894
1928	17	—	—	17	10	—	10	1,531	1,209	15,354	13,434	59,890	89,887
1929	18	—	—	18	14	—	14	1,561	4,224	92,192	13,777	268,020	378,213
1930	19	—	—	19	13	—	13	1,113	6,837	105,131	24,095	309,462	445,525
1931	19	1	1	21	12	1	13	1,122	9,204	128,579	19,531	387,145	544,459
1932	29	2	1	32	12	1	13	1,017	7,482	153,687	41,430	356,794	559,393
1933	35	3	1	39	24	1	25	1,316	10,772	181,886	34,112	432,421	659,191
1934	30	3	1	34	23	1	24	1,388	16,900	180,291	69,105	493,588	759,884
1935	37	1	1	39	22	1	23	1,530	23,686	167,290	45,186	756,836	992,998
1936	33	—	1	34	26	1	27	1,915	28,463	223,313	11,331	889,431	1,162,538
1937	54	—	1	55	38	1	39	2,542	37,189	257,819	8,091	1,148,641	1,451,740

CITRUS MARKETING SOCIETIES.

In recent years there has been a phenomenal development in the citrus industry. The cultivation of oranges on a small scale has been a feature of certain areas in the central maritime plain for many decades. In the Acre district oranges were planted early in the 17th century and many of the groves in other parts of the country are 60 or 70 years old. But the expansion of the industry is recent and large stretches of the maritime plain are now dotted with citrus plantations. The estimate of the area at present under citrus cultivation in Palestine is 299,000 dunums. Of this area some 53% is Jewish and 47% is Arab-owned. Approximately ten per cent. of the area is planted with grape fruit and the balance with oranges. Small areas of lemons have also been planted.

The enormous development of the citrus industry is indicated in the following figures:—

Area under citrus cultivation, 1922-1937.

Year	Area (dunums)
1922	32,500
1924	34,000
1926	42,000
1928	70,500
1930	110,000
1931	125,000
1932	160,000
1933	203,000
1934	250,000
1935	278,000
1936	298,000
1937	299,000

For some years after the war the citrus industry boomed. The planters prospered. What always happens in such cases duly occurred. News of the profits resulted in an "orange rush". Thousands of people sank their capital into establishing thousands of dunums of new plantations. Even if the prices of other products had remained what they were in 1920, a slump in citrus fruit would have been inevitable. If the output of a commodity is suddenly doubled without doubling its consumption, the market price cannot be expected to remain stable. The truth of this is obvious, but this knowledge has never sufficed to stop the rush into any business that seems to be doing well at the moment. Palestine has suffered from a similar experience with tobacco, wine, etc. The moment that the producers see what they suppose to be a "good thing", they fling themselves into it and thereby automatically convert it into a "bad thing". Each one believes that he may be an exception to the rule and under this delusion many citrus planters started their plantations uneconomically. In the first place they paid very high prices for the land and sank heavy capital into the development of the plantations. In many cases the investments were made with borrowed funds. Thus the yield of citrus fruit rose from 1,135,073 cases in 1913 to 14,345,000 cases in 1937/38. Of these 11,845,000 cases were exported (including 445,000 cases in bulk) while 2,500,000 cases were consumed locally as fresh fruit or converted into by-products.

Marketing of Palestine citrus fruit is done through cooperative societies, brokers, or small merchant speculators. Cooperative marketing of citrus is confined to Jewish growers. Their 36 cooperative societies handled during the 1936/37 season, 5,664,333 cases out of a total of 10,786,365 cases exported from Palestine by all growers. This figure represented about 95% of the total cases exported by Jewish growers during the same period. The balance of the crop is sold to exporting brokers or merchants who often secure their supplies by speculative purchasing of fruit on the trees.

The Jewish cooperative citrus marketing societies do not adhere to uniform methods. Some undertake the packing of the fruit of their members in central packing houses or in the private packing shed of the member. They sell on a pool system which is regulated by shipping periods or in some similar manner. Other societies leave the packing to be carried out by their members under the supervision of the society's inspectors. They account to each member for the sale of his fruit which bears an identifying number or they allow a group of members to arrange their own pool. During 1936 and 1937 a number of societies were registered which do not undertake direct marketing in foreign markets. Their activities consist in preparing

their members' fruit for the market, obtaining advances and arranging for the transport to collecting stations. The actual marketing is carried out through one of the larger societies. All societies supply the packing materials and transport the crops from collecting stations to centres of export. The advances granted to the growers are paid in several instalments. Usually one instalment is given in early spring and represents the cost value of the crop to the grower. A second instalment is given at the beginning of the shipping season and represents the labour costs for picking, packing, and transportation to the collecting station. The advances are given on the basis of the quantities of the previous year's crop as amended by a valuation committee which makes its evaluation in the early spring. Members are advised in due time of shipping dates and of the quantities, grades, and marks which they are expected to supply for each shipment. In the case of societies operating without a pooling system, the quantities which members are required to supply for each shipment are regulated during the season in such manner that results are equalised, more or less, at the end of the season. This is very difficult to accomplish, however, and in many cases there are considerable margins in the results. There is a growing realisation that all societies will be forced to adopt some sort of pooling system in order to equalise results in fluctuating markets. The difficulties involved in devising a fair pooling system are great in view of the immense difference in the quality and counts of fruit produced in groves of different ages, situated in different soils and handled in different ways. Even societies which operate on a pool basis are not satisfied that their system is fair and a considerable amount of experimentation is still in progress.

All societies are under the control of elected councils of members. In most societies the managers themselves are also members. It cannot be stated that this form of management is generally successful, more especially in the case of the very large societies which include members from many localities and which are responsible for the sale of millions of cases of fruit annually. It is doubtful whether local growers possess the necessary experience in dealing with foreign markets. There are other technical matters in the management of this type of society which require special qualifications. It would be better for these societies to restrict the functions of their councils to matters of local concern. The organisation of shipments and sales require expert handling.

Many attempts have been made to coordinate the activities of the citrus marketing societies with a view to eliminating competition between them. Discussions have been in progress for several years as to the possibility of establishing a central selling agency for the marketing of the societies' crops or for the complete amalgamation of all societies into one central organisation. Advocates of amalgamation or centralisation have been increasing in number as a result of the bad citrus seasons. But opinions are still divided concerning the benefits of such organisation which would only embrace part of Jewish owners and would leave some 60% of the country's crop to the devices of individual shippers.

Besides, there is a considerable amount of internal friction and parochialism which has been responsible for delaying the coordination of activities. Nevertheless, the more long-sighted growers are untiring in their efforts to reorganise the trade and toward this end they have received every assistance from the Department for the past two years. It is considered that the marketing of citrus fruit could best be organised by a number of small local societies marketing through one central organisation and obtaining advances and working capital on their own liability through the medium of this central organisation. For this purpose it would be necessary to provide that all trade marks should be the property of the central organisation. Supplies of packing materials and other requirements of the growers would have to come from the central organisation in order to facilitate barter agreements with importing countries. Drafts of rules for a central organisation and for the local societies have been prepared by the Department at the request of leaders of the citrus marketing societies. In these drafts an attempt has been made to solve numerous problems such as:— disposal of common properties and of accumulated funds, the question of liability to financing institutions, the differences of opinion regarding the methods of packing, as well as the problems of charges on crops and the proper manner of their assignment. A suggested solution in advance of all these thorny problems was considered essential in order to facilitate the path toward agreement.

Arab interests in the citrus industry are not yet fully convinced of the advantages of co-operative marketing on a pool basis. Repeated efforts made by the Department to induce Arab growers to form marketing societies have failed hitherto. This attitude of the Arab growers may be expected to continue as long as buying by private merchant speculators is tolerated. It is a fact that during the past seasons some growers who were able to sell their crops on the trees realised higher net prices than those who disposed of their crops cooper-

atively. On the other hand there are several instances each year of buyers failing to complete their contracts of purchase and a large number of small merchants who are in the trade one season drop out the following year. These circumstances may, in the end, turn the scale in favour of cooperative marketing. To hasten the process, however, it might be desirable for Government to take certain measures. Mr. C.F. Strickland proposed that the Cooperative Societies Ordinance of 1933 should include provisions to prevent a small minority from disorganising the marketing of a given crop and to force them into the same marketing channel. In this he desired to follow practices used in such agricultural countries as South Africa, Canada and Australia, and latterly the United Kingdom. These provisions, which were included in the draft Ordinance, had to be abandoned owing to the strong opposition on the part of certain interests. The objection to the provision was that it was premature and that it would be required only if and when numerous local societies had come into existence and had been federated, or when the necessity for union had been impressed on the minds of the producers of a given crop so that the majority of them were prepared to combine in a single society. There appears to be no reason why partial measures, such as the licensing of exporters, should not be introduced for the time being. This measure would eliminate the small speculator and bring about better export organisation. Other measures calculated to encourage cooperation are the granting of bounties to cooperative marketing societies or to approved exporters.

It is obvious that, as the citrus industry develops and the Palestine groves reach their full bearing capacity, the problem of marketing will have to be tackled more firmly. The only equitable method of marketing is that which secures for the grower a fair return and for the consumer a regular supply of good quality products. In the case of citrus, as in the case of other perishable products grown in large quantities—the only alternative to organised marketing by the producer is marketing through speculative buyers who, if united as a “ring”, will have the grower completely at their mercy. They can dictate prices and regulate quantities to serve their own ends. Organised marketing is the only form which can protect the grower against this danger and any measures, compulsory or otherwise, which would safeguard the growers of a staple crop from ruin would be justified.

The progress of citrus marketing societies since 1921 is shown in the following table:—

TABLE XXIV. CITRUS MARKETING SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	No. of Societies on register			No. of Societies included in this table	No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
	Jewish	Arab	Total	Jewish						
						LP.	LP.	LP.	LP.	LP.
1921	—	—	—	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—	—	—	—
1923	—	—	—	—	—	—	—	—	—	—
1924	1	—	1	—	—	—	—	—	—	—
1925	2	—	2	1	89	—	12,748	7,452	16,673	36,873
1926	2	—	2	2	152	250	10,297	11,308	38,060	59,915
1927	2	—	2	2	168	367	14,078	—	48,183	62,628
1928	2	—	2	2	193	1,092	12,864	13,434	36,125	63,515
1929	2	—	2	2	213	1,831	14,034	13,777	65,672	95,314
1930	2	—	2	2	252	2,049	17,112	24,095	84,292	127,548
1931	3	1	4	2	319	2,557	23,795	19,531	116,530	162,413
1932	13	2	15	2	398	3,591	38,234	41,430	86,886	170,141
1933	19	3	22	14	702	6,529	42,687	30,626	178,156	257,998
1934	19	3	22	13	806	11,412	55,518	57,355	222,092	346,377
1935	20	1	21	13	972	17,448	67,961	33,382	426,705	545,496
1936	16	—	16	13	1,225	21,018	106,357	—	486,003	613,378
1937	36	—	36	15	1,817	27,765	130,796	—	721,520	880,081

The following is a description of one of the largest and oldest Jewish citrus marketing societies. It is also the history of the Jewish section of the Industry since 1896.

“Pardess” Aguda Cooperativit shel Pardessanim Limited, was established in 1896. As such it was not only the first citrus marketing society but the first cooperative enterprise in Palestine. The original object of “Pardess” was to organise all Jewish citrus growers in one collective organisation. In 1896 this did not seem a very daring or too ambitious an enterprise. At the time the Jewish area under citrus was very small and the number of citrus growers insignificant. But even this small number refused to work together. Their sense of individualism was too strong and “Pardess” met with strong opposition from the outset. As time went on this opposition alternately weakened or increased. The membership of “Pardess” fluctuated considerably. The causes for these fluctuations were not only inherent in the individualism of the growers but outside factors also added their weight from time to time. When the citrus industry was having a periodical boom and speculative buyers offered the growers good prices on the tree, few growers could resist such temptation and left the society. Whenever the boom came to an end some growers would return to “Pardess”. Others started new societies. With the enlargement of the area under citrus cultivation new societies sprang up everywhere and at the end of 1937 the Jewish citrus crop was handled by 36 cooperative societies, and by a number of private firms which undertook consignments to foreign markets. Some of these societies exported directly to the foreign markets, others sold their crops collectively through one central cooperative society and others again sold collectively to speculative buyers. A considerable number of growers remained outside all these organisations and continued to sell their crops individually to any buyer. For a number of years “Pardess” adopted a policy of exclusiveness in the admission of new members. This conservative policy, while succeeding in establishing the reliability of the trade marks of “Pardess” on all important markets, was also responsible for the multiplication of societies. In 1930 the society changed its policy and returned to its original objective by opening its doors to new members. It succeeded in its efforts to organise the majority of Jewish citrus growers in one organisation, but it failed to put a stop to the process of disintegration. The citrus industry was now entering on an era of depression and it became apparent to all that a complete reorganisation was necessary in order to avert a serious crisis. “Pardess” made another effort to absorb all Jewish citrus growers, their societies and private firms and to create one central marketing society, but it failed. The forces opposed to complete amalgamation were too formidable and other ways and means had to be explored in order to save the industry. At the end of 1937 the original idea of one marketing society was abandoned and negotiations were initiated for the formation of a union of cooperative marketing societies and the creation of an apex organisation which would undertake the main commercial functions, namely the collective shipment of citrus fruit, purchase of packing material, collective marketing and general supervision over grading and packing operations. Under this scheme the primary societies were to remain autonomous and were to be responsible for picking and packing, the distribution of packing material to members, the despatch of the packed fruit to rail-head or ports and the securing of advances on the crops of their members. Negotiations along these lines are still proceeding but it is doubtful whether the apex society will be ready to operate in 1938/39 and at the end of 1937 “Pardess” still remains one of many citrus marketing societies though it is the largest in both size and turnover. Its membership consists of 830 growers among whom are included several small groups of individual growers. If individual growers are counted then the total membership exceeds 1,000. The area under citrus belonging to these members approximated 40,000 dunums at the end of 1937, of these 42½% were groves planted prior to 1930, 47% planted since 1930 and 10½% not yet yielding. The number of cases exported by “Pardess” during the 1936/37 season amounted to 2,934,615 (2,266,132 oranges, 631,772 grapefruit and 36,711 lemons). These figures must be compared with the 22,525 cases of all kinds of citrus fruit which “Pardess” handled in 1900. The quantity handled by “Pardess” in 1936/37 represented 27% of the total citrus crop of Palestine and over 50% of the Jewish crop. The above quantities were sent by “Pardess” to markets in the United Kingdom and on the Continent. The former absorbed 1,852,061 cases while the latter took 1,082,554 cases. The average price obtained by “Pardess” in 1936/37 was £P.0,281 mils per case F.O.B. (the highest average of “Pardess” was in the 1925/26 season when cases fetched £P.0.615 F.O.B. and when “Pardess” only handled 232,828 cases). The low prices were due to several causes, one of which was the high proportion of wastage. In 1936/37 “Pardess” fruit was graded in 3 qualities, the first grade represented 40.5% of the total, the second grade 35.8% and the third grade 23.7%.

“Pardess” has 22 branches in the various citrus producing centres. These branches are to all intents and purposes autonomous bodies arranging their own pools. They receive and

carry out the instructions of the Head Offices regarding deliveries, grades and sizes. But the allocation of quantities to members and the regulation of priorities generally are left to the branches themselves. "Pardess" uses 6 railway stations as delivery points and ships through the ports of Haifa, Tel-Aviv and Port Said. In 1936/37, Haifa disposed of 95%, Tel-Aviv of 4% and Port Said of 1% of all the fruit handled by "Pardess". The members of "Pardess" pay an admission fee calculated on the area of their grove and in addition contribute a fixed percentage from the gross proceeds of their fruit towards the allocated reserves of the society. At the end of 1937 the total assets of "Pardess" amounted to £P.547,793 of which £P.218,217 represented cash and property while the sum of £P.329,576 was in the form of amounts due to the society from members and non-members.

The funds of the society are allocated for the following purposes :—

	LP.
General reserve fund	66,272
Insurance fund	20,464
Provident fund for employees	2,454
Advertising fund	1,646
Fuel storage fund	1,724
	92,560

This large accumulation of funds (an average of £P.110 per member) serves a double purpose. On the one hand it increases the creditability of Pardess, while on the other it serves as a deterrent to members who would like to withdraw from the society. Under the rules of the society funds are indivisible and only a very small refund is made to a member on withdrawal.

WINE MARKETING SOCIETIES.

According to official figures the area of vineyards at the end of 1937 was 179,295 dunums. The number of licensed wine factories was 14 with an annual output of all kinds of wines and alcoholic drinks during 1936/37 of 3,714,217 litres.

Three Cooperative Societies, two Jewish and one German, produce between them about 80% of the total output.

The largest and best known Jewish society is the "Agudat Hacormim Hacooperativit shel Yikvei Rishon Le Zion ve Zichron Ya'akov Ltd.". It was registered in 1927 taking over the large wine cellars at the settlements of Rishon Le Zion, Zichron Ya'akov, Rehovoth and Gedera which were constructed at considerable cost by Baron Edmond de Rothschild in 1890. Until 1911 the cellars were administered by the Baron's representatives. They carried on the business of manufacturers of wine and other spirits out of grapes purchased at a fixed price from the farmers of the above named settlements. They also spent large sums on increasing viticulture and granted loans to farmers to enable them to enlarge their vineyards. In 1911 the vintners organised themselves into a collective organisation which leased the cellars from Baron Rothschild and assumed nominal control of the business and of the plant. In 1927 this group was registered as a cooperative society. By the terms of the lease the Jewish Colonisation Association (the association established to administer and carry on the undertakings of Baron Rothschild in Palestine) is represented on the committee of management of the society and has a voice in the appointment of its manager. Under the present rules of the society all members are required to take up an equal number of shares in the capital of the society. The value of each share is £P.1. In addition members are required to deliver their entire output to the society. The rules do not fix a minimum quantity. This rather loose arrangement has caused some difficulties to the society during recent years in view of the fact that some members have ceased to be wine growers, having gone over to citrus growing instead. A revision of the society's rules is under consideration.

In other respects the society follows the practices of cooperative marketing societies. Members receive advances on their crops based on the aggregate average for the three previous years. Where too much has been paid a deduction is made during the following seasons. The

entire proceeds from the sales are distributed among the members in accordance with the grades and quantities delivered by them. The society has a considerable local market but it depends on foreign markets for about 30% of its sales. The sales in foreign markets are undertaken by independent agencies for which the Palestine society is not responsible.

The following figures show the position of the society at the end of June, 1937 :—

LIABILITIES		ASSETS	
	L.P.		L.P.
Share capital	498	Cash & banks	130
Reserves	48,882	Movable & immovable property	53,309
Loans repayable within one year	26,683	Stock	42,701
Loans received & accounts without fixed date of repayment	127,840	Advances to vintners	36,897
Bills payable	1,167	Bills receivable	18,557
Sundry creditors	4,429	Sundry debtors	73,048
Other accounts	6,811	Advance expenditure	2,358
Surplus of income over expenditure	12,113	Other accounts	1,428
TOTAL	228,423	TOTAL	228,423

The "Deutsche Weinbau Genossenschaft" at Sarona handled 291 tons of grapes during the 1936/37 season valued at £P.5,673. Here too the quantities have gradually decreased on account of the reduction in the areas under wine grape cultivation. Membership in this society is open to all German growers who undertake to deliver their crop to the society and to participate in the cost of the upkeep of the plant. The capital of the society is based on shares of the value of 0.500 mils each. At the end of 1937 the society had 34 members, a paid-up share capital of £P.255 and reserve funds amounting to £P.211. The society also grants advances to members on their crops. The production of wine and other alcoholic produce in 1937 was 225,947 litres valued at £P.3,630.—

TOBACCO MARKETING SOCIETIES.

The cultivation of tobacco is of comparatively recent date in Palestine. Under the Turkish regime tobacco cultivation was restricted and the ban was lifted by the Palestine Government in 1921. The immediate result was to bring large areas of land under tobacco cultivation. In 1921 the area planted with tobacco was only 1,779 dunums and the crop yield amounted to 265,000 kilos. In 1924 the area rose to 27,137 dunums and the yield to 1,845,345 kilos. The increase in output resulted in a slump in prices and growers incurred heavy losses. For a number of years the industry was on the decline but in 1929 it showed a partial recovery and the areas under tobacco cultivation commenced to rise steadily. In 1937 the area under this crop reached 55,434 dunums with a yield of 2,371,000 kilos. The largest part of the crop is grown in Northern Palestine.

Most of the tobacco crop is used by local factories for local consumption since growers do not pay sufficient attention to the curing and baling of their leaf and a large proportion of the crop is unsuitable for marketing. In the early days of the development of the industry attempts were made to organise growers in cooperative societies for the marketing of their leaf. An Arab society was formed in Acre and two Jewish societies commenced operations at the same time. At present only one Jewish society survives at the Jewish settlement of Rosh Pina. This society has 120 members, undertakes the curing and selling of members' leaf on a commission basis and grants advances on crops. It has no share capital and its total sales in 1937 amounted to 19,000 kilos valued at £P.1,722.

COOPERATIVE MARKETING OF MILK, VEGETABLES, EGGS, POULTRY AND FRUITS.

The growth of mixed farming in recent years has been almost as rapid as that of the citrus industry. This development has been caused by the expansion of urban and industrial settle-

ment, making the provision of a local food supply of high economic importance. By the end of 1937 it was estimated that the total output of milk reached the imposing figure of 93,000,000 litres while the egg yield was some 108,000,000. The output of vegetables rose from 15,068 tons in 1931 to 120,395 tons in 1937. The total number of poultry in 1937 was estimated at 2,473,612 head.

The societies which engage in the marketing of the above products work on the following principles :—

- (a) Their membership is confined to bona-fide producers who are either individuals, registered societies or corporate bodies ;
- (b) The societies act as the agents of their members, who receive the full price realised for their products less a charge to defray administrative expenses, to provide for a reserve fund, and to pay for the cost of processing plants and distributing stations ;
- (c) The societies do not trade or carry on any of their operations on behalf or for the benefit of any person who is not a member—except where this is absolutely essential in order to protect members against harmful competition ;
- (d) The operations of societies, through a restricted voting power, is controlled by persons and not by capital ;
- (e) Any accumulated funds may be distributed only on the dissolution of the society ;
- (f) Members are required by the rules of the societies to sell the whole of their crops through their societies with the exception of what they require for their own personal consumption. The obligation to deliver all produce is inherent in membership itself and no special contract in this regard is necessary between a member, whether an individual or a corporate body, and the society ;
- (g) The rules of societies provide for the imposition of fines for disloyalty ;
- (h) The produce reaches the consumer in many ways—distributors employed by the societies, contractors, sale agencies, consumers' stores, or stores owned by societies ;

The progress of societies undertaking the marketing of milk, vegetables, eggs, poultry and fruits since 1921 is illustrated in the following table.

TABLE XXV. SOCIETIES UNDERTAKING THE MARKETING OF MILK, VEGETABLES, EGGS, POULTRY AND FRUITS ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	No. of Societies on register	No. of Societies included in this table	No. of members	Share capital	Reserves	Loans received and amounts due to creditors	Total resources
				LP.	LP.	LP.	LP.
1921	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—
1923	—	—	—	—	—	—	—
1924	—	—	—	—	—	—	—
1925	—	—	—	—	—	—	—
1926	—	—	—	—	—	—	—
1927	7	—	—	—	—	—	—
1928	10	4	171	117	103	2,379	2,599
1929	11	7	256	2,343	2,549	15,409	20,301
1930	11	6	258	4,738	4,451	33,644	42,833
1931	11	6	252	6,171	7,808	48,399	62,378
1932	11	6	123	3,346	14,520	51,805	69,671
1933	11	6	121	3,645	21,812	55,022	80,479
1934	6	6	163	3,940	31,561	76,051	111,552
1935	10	6	176	4,551	45,026	130,922	180,499
1936	11	8	242	5,714	65,960	188,284	259,958
1937	12	9	278	7,614	77,417	222,741	307,772

With few exceptions, local societies do not market independently but through four central organisations situated in the main distributing centres. The four central organisations referred to are the "Tnuva" societies for marketing of workman's produce at Haifa, Tel-Aviv and Jerusalem, and the Golan central society for the marketing of agricultural produce at Tel-Aviv. The Tnuva societies undertake the marketing of the agricultural produce of all collective settlements (Kvutzoth), smallholders settlements (Moshavei Ovdim) and other bodies of producers affiliated with the General Federation of Jewish Labour, whether registered as cooperative societies or not. The collective settlements are members in their own right as corporate bodies. The producers in the smallholders settlements (Moshavei Ovdim) are members, not as individuals but through special cooperative societies which are formed locally for the purpose. In some cases the local societies are societies of producers and consumers while in some cases special marketing societies are formed. The membership of non cooperative bodies is based on individual membership of the producers in the locality but each locality is given the status of a definite unit for purposes of representation at general meetings. The "Tnuva" societies have no share capital. Members are required to make the following contributions:—

- (a) A contribution to capital ;
- (b) A contribution to special funds ;
- (c) A contribution to central institutions ;
- (d) A contribution to institutions serving their own locality ;
- (e) Service fees.

All these contributions are based on a fixed percentage of the members' returns. This percentage is fixed annually by the general meeting. In addition, members assume liability for the debts of the society to a total amount not exceeding three times the amount of their participation in the capital. Normally a member forfeits all his contributions on leaving the society, but in exceptional circumstances these may be refunded to him in ten annual instalments.

The "Tnuva" societies have milk cooling stations and collecting centres in convenient localities. All products, including milk, are collected by cars of the "Tnuva" or delivered to the collecting stations by the members in their own cars. The methods of grading and packing of vegetables, fruits, poultry and eggs are determined by the head offices of "Tnuva" which also supply all the packing and wrapping materials. The grading is actually carried out by so called produce committees on the spot. Milk is collected similarly and delivered and its butter-fat content measured and recorded in the collecting stations. From these collecting stations products and milk are transported by rail or by car to the distributing centres. Vegetables, fruit, poultry and eggs are sold to contractors or in the open market. A small proportion is sold through special Tnuva shops. Milk is delivered to the central dairies. From these dairies fresh milk reaches the consumer by house to house deliveries carried out by contractors or by distributors employed by the society. Recently, milk tanks have been installed in densely populated areas and housewives may collect milk from these at reduced rates. A quantity of milk is pasteurized or converted into butter, cheese, cream and several varieties of leben, yoghurt and ice-cream. The manufactured products are sold by private retailers or in special shops and restaurants of the "Tnuva". Payment for milk is not made, as in some countries, strictly on the basis of butter-fat content but the arrangement is that milk with less than a certain fat content is not accepted and the remainder is paid for at a flat rate based on the monthly average of receipts from milk sold in all forms. The price is modified from time to time according to the fluctuations of the market.

As stated, there are three Tnuva societies with headquarters at Haifa, Tel-Aviv and Jerusalem respectively. They are independent bodies registered as separate units but federated in one central organisation bearing the name of "Mercaz Tnuva" (Central Tnuva). The object of the federal organisation, also registered as a cooperative society is to coordinate the activities of the three Tnuva societies, to direct their marketing operations, to deal with matters common to them all and to represent them before the authorities in matters affecting transport charges, customs duties, etc. In addition to this federation there exist temporary arrangements between the three societies for the disposal of surplus products. Thus the Haifa society is a member of the two other societies and sells through them the surplus products which cannot be absorbed in the Haifa area. The three Tnuva societies have 8 central dairies, 16 cooling stations, 81 dairy shops and restaurants. Their membership at the end of 1937 consisted of 67 collective settlements, 44 smallholders settlements and 47 other corporate bodies of producers.

The following table shows the development of these societies since their formation :—

TABLE XXVI. DEVELOPMENT OF TNUVA SOCIETIES DURING THE YEARS 1921—1937.

YEAR	Income from produce			Quantity of milk marketed	No. of eggs	Poultry	Bananas	Grapes	Other fruits	Vegetables and other produce (value)
	Milk and milk produce	Eggs, vegetables, poultry & fruit	Total							
	LP.	I P.	LP.	lit.	units	kg.	kg.	kg.	kg.	LP.
1921	545	—	545	96,063	—	—	—	—	—	—
1922	10,500	—	10,500	225,884	—	—	—	—	—	—
1923	13,094	—	13,094	430,299	—	—	—	—	—	—
1924	19,651	—	19,651	711,000	—	—	—	—	—	—
1925	35,208	4,912	40,120	1,132,000	—	—	—	—	—	4,912
1926	45,490	7,784	53,274	1,329,000	—	—	—	—	—	7,784
1927	46,568	11,500	58,068	1,750,000	70,238	—	—	—	—	11,136
1928	53,617	16,762	70,379	2,184,000	365,206	—	—	—	—	15,023
1929	63,737	32,473	96,210	2,789,000	886,788	48,210	157,100	341,700	6,150	12,896
1930	82,453	56,649	139,102	3,655,000	1,650,963	75,132	753,246	632,800	25,867	15,569
1931	90,107	50,030	140,137	4,730,194	3,162,300	93,781	742,055	490,600	14,722	12,166
1932	113,778	60,532	174,310	5,596,686	3,811,138	98,630	390,252	545,429	34,605	22,162
1933	134,902	73,324	208,226	6,797,955	3,857,765	98,621	376,602	533,911	22,422	29,981
1934	188,820	98,770	287,590	8,795,749	4,118,581	120,216	454,886	749,829	63,582	42,847
1935	287,612	116,812	404,424	12,175,432	5,992,335	140,903	315,253	734,458	46,423	52,568
1936	347,365	205,541	582,906	18,074,557	11,259,513	230,986	528,221	1,070,309	90,879	94,304
1937	330,590	236,122	566,712	18,753,226	15,588,381	279,589	434,813	1,538,287	223,704	110,867

The other central organisation of marketing societies is the "Golan Central Cooperative Society for the Marketing of Agricultural Produce". This organisation was only registered in 1935 and its object is to make collective bargains on behalf of individual producers who are not affiliated with the General Federation of Jewish Labour. The individual farmers associated with Golan are members of local societies and deliver their products (for the time being they deal with milk products only) to contractors in the central distributing centres. The contracts are negotiated by Golan on behalf of the local societies. Golan, unlike Tnuva, has no central institutions, as its chief object is collective bargaining but not collective production.

In summing up the achievements of agricultural cooperative marketing societies, the following observations are appropriate :—

Many difficulties have been experienced in extending this form of cooperation in Palestine. Among the Arabs a proper realisation of that community of interests and of mutual confidence, which is the basis of cooperation, is still lacking. Among the Jewish population, a whole-hearted sense of members' responsibility is not always present. Many Jewish farmers are ready to cooperate only when it suits their immediate purpose and resign from their societies when conditions outside the cooperative fold appear more advantageous. It is a fact nevertheless that the attitude of the Jewish farming community is on the whole highly sympathetic towards cooperation and it is generally recognised that cooperation for marketing purposes offers at least a partial solution of many of the problems which the farmer has to face. It is of paramount importance, therefore, that cooperative marketing societies should gain a reputation of "good and prudent businessmen". Any failure by a cooperative undertaking may impede and hinder the proper expansion and development of the movement to the detriment of the farmer. The present management of cooperative marketing societies, even of those with a large turnover and those engaged in export trade of considerable magnitude, is largely in the hands of farmers with little commercial experience. The qualifications required for a good business manager are generally quite different from those needed in any other vocation and they are highly technical and specialized. Prudence in capital expenditure is called for. Some societies have incurred higher capital expenditure than their turnover justifies.

In these cases the levies imposed on members for the purpose of such capital expenditure are excessive, more especially in bad seasons when the returns from produce are apt to shrink. The cost of marketing and of other services is often too high and some societies have become too bureaucratic in their dealings with members. The pool system prevalent in some societies is not sufficiently understood by members and such misunderstanding is often a cause of grievances, imaginary and real. A thorough enquiry into and clarification of the pooling systems of the citrus marketing societies is certainly called for. There is room for much improvement in the methods of distributing products to local consumers, especially in the case of milk and dairy products. The main object of a marketing society is to reduce the gap between the price paid by the consumer and that received by the producer for a given commodity. This object can be achieved by reducing the cost of distribution and by eliminating wasteful methods. It cannot be claimed that cooperative marketing societies have succeeded in eliminating unnecessary middlemen.

Subject to improvements in the above matters there is no reason why cooperative marketing should not expand so as to embrace all the farmers of the country. In estimating the future of cooperative marketing societies it must be remembered, however, that success is often related to the nature of the commodity more than to the nature of the market and that the responsibility for many shortcomings may be found in this quarter. It must also be remembered that the task before cooperative marketing societies is extremely exacting and that the distribution of commodities easily develops many defects, especially in a country like Palestine where Government is not prepared to enforce cooperation by the compulsion of minorities to adhere to any given scheme which envisages the prevention of a glut on the market and the regulation of prices. In other countries promising marketing schemes have been wrecked in the first place by recalcitrant minorities but have been found practicable and satisfactory after such minorities have been forced to come into line for the general weal.

E. IRRIGATION AND WATER SUPPLY SOCIETIES.

The cultivation of citrus fruit, most vegetables and certain other products cannot depend on rainfall and must be carried out under irrigation. It is estimated that about 138,000,000 c.m. of water are consumed annually for agricultural purposes in the coastal plain where the bulk of irrigable land is to be found. There are few perennial streams and little surface water in Palestine, and in general, the water supply must be secured from underground sources, i.e. wells or springs. Traces are to be found throughout Palestine of the efforts made in the past to utilise to the utmost all available water supplies and of searches made for new sources. In certain areas, underground water supplies are to be found within a reasonable distance of soil level. In other areas, water supplies are too deep to be economically utilised for irrigation purposes. In both cases the expense and effort are great and individual enterprise is generally unfitted for such undertakings where large quantities of water have to be raised. Cooperative organisation here offers a solution of the small farmers' problems and this solution was readily accepted by the Jewish settlers.

At the end of 1937, 61 irrigation and water supply societies were in operation. Of these seven societies had as their object the supply of water for the irrigation of the land and plantations of their members, 52 societies undertook in addition to supply water for the household requirements of their members, one society (situated in Haifa) engaged in the latter task only, and one society operated as a central society of local irrigation societies acting as their representative vis-à-vis a water company.

Societies of this class take powers "to build, construct, maintain and administer water reservoirs, water courses, channels, cisterns, filter beds, main and other pipes, hydraulic and other works necessary for obtaining, storing, measuring and distributing water in defined areas of operation".

The societies registered up to the end of 1933 were all of one type. They consisted of water consumers who joined cooperative societies for the purpose of constructing new sources of irrigation or for the improvement of water sources already in existence. In 1934 a new type of society came into existence, with the object of obtaining water from a water company and distributing it among the members on behalf of such company.

The older type of society operates on the following basis :—

The society acquires land, sinks one or more wells, instals pumps and lays down a network of main and subsidiary pipes in a defined area. Each member's contribution to capital is

based on the size of his holding. In addition he assumes a fixed liability for the debts of the society. This liability is also based on the size of the member's holding. Members undertake to pay for the water a rate fixed by the society from time to time and which is calculated to cover the costs of production, administration and distribution as well as amortisation and repairs to the plant. Every member is responsible for a fixed minimum payment irrespective of the quantity of water consumed by him. The system of distribution, the rotations in which members may obtain their supplies and the general irrigation scheme are approved by the general meeting. The society is allowed free access to the land of each member and may erect on such member's land any part of the installation specified in the approved scheme. No compensation can be claimed by members in respect of such installations on their land but the society may decide in certain cases, where much inconvenience and/or expenditure is involved, to compensate the member. Compensation of this description is decided on by a board of arbitration. The society is empowered to stop the water supply of any member who fails to pay his rates and may impose fines if a member contravenes the rules and the instructions of the society's officers with regard to the use of the water. The new type of society has no capital and does not instal or own the network of main pipes. Water is delivered to a reservoir owned by the Water Company and situated within the society's area of operation whence it is distributed by the society to its members at a rate slightly higher than that paid to the company. The society is directly responsible to the water company for the water supplied.

The progress of irrigation societies since 1921 is shown in the following table:—

TABLE XXVII. IRRIGATION SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921--1937.

YEAR	No. of Societies on register	No. of Societies included in this table	No. of members	Share capital	Reserves	Loans received and amounts due to creditors	Total resources
				L.P.	L.P.	L.P.	L.P.
1921	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—
1923	—	—	—	—	—	—	—
1924	—	—	—	—	—	—	—
1925	—	—	—	—	—	—	—
1926	—	—	—	—	—	—	—
1927	—	—	—	—	—	—	—
1928	—	—	—	—	—	—	—
1929	2	—	—	—	—	—	—
1930	4	2	170	7,521	219	3,056	10,796
1931	7	4	324	10,107	991	5,126	16,224
1932	10	6	455	14,000	2,028	7,292	23,320
1933	20	12	789	24,457	4,006	14,191	42,654
1934	35	13	1,069	29,091	5,940	19,444	54,475
1935	47	34	2,307	55,368	18,564	42,620	116,552
1936	55	43	2,910	72,640	66,414	61,722	200,776
1937	61	48	3,341	89,128	70,050	95,833	255,011

The course of development of irrigation and water supply societies in Palestine emphasizes in the clearest possible way the paramount importance of "community of interests" in co-operative undertakings.

In a number of irrigation societies, which combine the supply of water for irrigation with the supply for household requirements an unsatisfactory situation has developed recently owing to the clash of interests of these two classes of consumers. The housekeeper whose water con-

sumption is small is not greatly concerned if the water rate is increased slightly to cover higher costs of administration and distribution. To him this increase represents a very insignificant sum annually while to the large agricultural consumer an increase in water rates may mean a considerable increase in the cost of production. As the water rates are calculated to include the cost of amortisation and repairs it is the large consumer who pays the major portion of the cost of any extensions of the plant or of the network of distribution pipes. Similarly it is the large consumer who contributes more heavily to the capital of the society and who assumes larger liabilities for the debts of the society. Accordingly there is a conflict of interests between the large and the small consumer or between the member who obtains water for irrigation and the one who obtains water for household requirements. This conflict is aggravated by the fact that in all such societies the small consumers are in the majority and decisions at general meetings are carried by their votes.

It is true that the law allows large consumers to have additional votes based on patronage, but this remedy does not solve the problem as patronage votes of any member may not exceed a prescribed maximum of the total votes, namely one-twentieth, and this restriction operates in a manner to leave the large consumers always in the minority. There are other cases in which societies have failed to provide in their rules for additional votes based on patronage and since any amendment of the rules of a society has to be approved in a general meeting by a majority of votes, it is impossible in practice to carry any such amendment of the rules.

The unsatisfactory situation described above already exists in several large societies and threatens to spread to many others. In one Jewish village the conflict has caused a serious rift among the settlers. It has extended to other communal institutions and fields of social activity. Unless members agree to find a way to settle these differences by their own efforts—societies of this type will have to be split up so as to eliminate all causes of strife.

As from biblical days, the history of Palestine abounds in water disputes which have been the cause of strife and dissension amongst the Jewish tribes and patriarchs. It is regrettable, however, that history should repeat itself within the fold of "cooperative" irrigation societies. Charles Gide considered water an incentive and aid to cooperation and it is to be hoped that notwithstanding the present unhappy situation in many irrigation societies, he may prove to be correct in the long run.

F. AGRICULTURAL INSURANCE SOCIETIES.

There are five agricultural insurance societies in Palestine. Of these three engage in the insurance of live-stock and two in the insurance of crops.

Two of the livestock insurance societies are local organisations which limit their activities to a small area of one village or of several contiguous villages. They insure the cattle, mules and horses of their members against certain eventualities and provide veterinary services in case of need. They are managed by elected committees which fix the amount of compensation payable and the value of the cattle. Boards of arbitration are also elected annually for the settlement of disputes between members and the committee and they have powers to revise valuations and increase or decrease compensation awards as the case may be. In all other respects these societies follow the system adopted by the third society known by the name of "Hachacklait" which extends its operations all over Palestine and which has an extensive veterinary service in charge of trained veterinary officers stationed in nineteen centres. At the end of September, 1937, the three livestock insurance societies served 2977 members, insuring 13,313 head of cattle for the value of £P.416,960. During the 12 months ending 30th September, 1937, they paid compensation in the amount of £P.15,573 and afforded veterinary treatment in 69,722 cases.

"Hachacklait" society was formed in lower Galilee in 1919 and registered as a cooperative society in 1922. Its objects are to provide veterinary services for the cattle and livestock of its members and to compensate them in the case of certain eventualities approved by the general meeting from time to time. In addition the society helps to improve the breed of live stock owned by its members and to organise preventative measures against the spread of disease. All members pay an admission fee of 1% of the value of their livestock and assume a liability equal to 2% of that value for the debts of the society. The admission fee and the liability constitute the main reserves of the society.

Every member pays an annual fee for veterinary services. This fee is fixed by the committee of management from time to time in accordance with instructions from the general

meeting. The fees for these services vary in the different localities. If at the end of a financial year it appears that the fees collected in a given locality do not suffice to cover the expenses in that locality the society arranges to cover the deficiency in one of the following ways:—

- (1) By distributing the deficiency among the members of the locality in proportion to the services rendered them.
- (2) By transferring the deficiency for adjustment during the following seasons in the same locality.

The second is the more common method followed.

The fees for veterinary services are usually $1\frac{1}{4}\%$ of the livestock value in areas with large numbers of cattle and 2% in areas where the number of cattle is small. Against the payment of regular annual contributions members become entitled to compensation in certain eventualities. The amount of contributions, the eventualities in which compensation is payable and the amount of such compensation are decided by the general meeting. If at the close of a financial year it transpires that the contributions are not sufficient to cover the rates of compensations fixed previously, the deficiency is made good in one of the following ways:—

- (1) By using part of the reserves which have accumulated from the admission fees of members and from any surplus profits of previous years;
- (2) By imposing a proportional levy on members;
- (3) By reducing compensation rates proportionately.

It is of interest to note that during the 19 years of the existence of this society there has been no deficiency on this item and the question of an adjustment never arose. The contributions in respect of compensation represent a fixed percentage of the value of the livestock. This percentage varies between 3% and 6% in accordance with the type of animal and the degree of their immunity against certain diseases.

The committee of the society fixes from time to time the age of cattle which are accepted for insurance. As a rule calves below 4 months and cows and horses above 9 years are not accepted for insurance but in the case of animals insured young, insurance is renewed annually up to 18 years in the case of mules, 12 years in the case of horses and 15 years in the case of cows. All animals have to undergo a veterinary examination before admission for insurance. Animals insured in other organisations and animals belonging to cattle dealers are not accepted. Members are required to undertake to pay the insurance contribution for at least one full year. These contributions may be refunded if the animal is sold to a member who has paid contribution on behalf of another animal, if the insured animal has been disposed of on account of diseases for which no compensation is payable, if the animal dies and no compensation is paid as a result of non-punctual payments, or if the animal was sold before the first of January in each year after due notice of the intended sale had been given to the society. In the case of illness or death of an insured animal it is incumbent upon the owner of the animal to invite the veterinary officer of the society in charge in his locality to prepare a report. No compensation may be claimed in the absence of such report. If the veterinary officer of the society is not available another veterinary surgeon may be called in at the expense of the society. During its past activities the society paid compensation in all eventualities except if the loss was caused by acts of war, riots, theft, an operation by an outside surgeon, or as a result of the member's failure to obey the instructions of the society's veterinary officer. Full compensation is also paid in cases in which the animal is destroyed by order of the veterinary officer and in the case of working animals on incapacitation. If death or destruction is caused by evereating or for any other reason of carelessness on the part of the owner only 50% of the value of the animal is paid. For loss of milk the compensation represents 60% . Normal compensation for any loss does not exceed 70% and in no case may the amount of compensation exceed 85% , of the value of the animal lost. Any return received for meat, etc. is deducted from the amount payable. The surplus of profits remaining at the end of each year—after due reservations have been made for the payment of compensation for all kinds of losses, for bad and doubtful debts or for claims in dispute and after covering all management expenses—is divided up in two equal shares. One part goes to increase the general reserve and the other is used for contributions to scientific and charitable institutions and for additional compensation to members. During the past years the society has been able to make compensation of 5% in addition to the normal grant.

In addition to veterinary service and insurance the society undertakes prophylactic measures for the protection of the insured livestock, against anthrax, tuberculosis, contagious abortion, etc. The society grants loans to groups of members for the installation of cattle-dipping baths and some 30 such baths have been constructed in convenient localities.

The progress of the society may be seen from the following statement:—

In 1919 the society served 99 members, in 14 settlements, owning 683 head of cattle valued at £P.14,000. It collected a total of £P.364 in insurance fees and paid compensation in the amount of £P.147.

At the end of September, 1937, the membership rose to 2,492 in 115 settlements, owning 12,419 head of cattle valued at £P.394,392. Insurance fees rose to £P.17,581 and compensation payments to £P.14,823. In addition the society provided veterinary service for 1,200 head of large cattle and 700 head of sheep and goats. The total fees collected for all services amounted to £P.26,215.

During the 19 years of its activity the society insured 87,556 head of cattle, received insurance fees in the amount of £P.93,518 and paid compensation in 4,271 cases to a total of £P.80,487. Its reserves, including a reserve for doubtful debts, now amounts to £P.11,547. Considerable amounts are contributed by the society annually to scientific research institutions (in 1937 this contribution amounted to £P.570) and for collection of statistical information of scientific value. The cost of management does not exceed 7% of the annual turnover—a figure far lower than any proprietary insurance company could show. The society which commenced operations with one veterinary officer now employs nineteen trained surgeons; the cost of the veterinary service during 1937 amounted to £P.6,912. Part of the accumulated reserves are used for the purpose of granting loans to members to replace their old cattle and to improve their stock by the importation of breeding bulls and, as stated above, for the construction of cattle-dipping baths. Veterinary officers are also granted loans to acquire medical appliances and means of transport. In localities in which a shortage of houses prevails the society has granted loans to enable veterinary officers to build their own homes. The total amount invested in loans of the above nature amounted to £P.3,142 at the end of 1937. The balance of the reserves is kept in the banks as demand deposits. During the 1936/37 disturbances the society has granted ex-gratia compensation in cases of heavy losses to members.

The advantages claimed for a society of this type is that owing to the distribution of risks lower premiums can be charged. The disadvantage is that the society tends to become centralised and to depend on the interest taken by a few leaders. Fortunately the management of the society has been of high quality and the success it has achieved must be credited to these leaders.

The following tables show the progress of livestock insurance societies since 1921 and their position at the end of September, 1937:—

TABLE XXVIII. LIVESTOCK INSURANCE SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEAR 1921—1937.

Year	No. of Societies on register	No. of Societies included in this table	No. of members	Own funds	Loans received and amounts due to creditors	Total resources
				LP.	LP.	LP.
1921	—	—	—	—	—	—
1922	1	1	367	146	—	—
1923	1	1	563	1,993	165	311
1924	1	1	582	1,716	648	2,641
1925	1	1	883	1,805	1,200	2,916
1926	1	1	1,008	2,065	1,349	3,154
1927	1	1	1,114	2,233	1,225	3,290
1928	2	1	1,103	2,345	1,546	3,779
1929	2	2	1,424	3,294	1,174	3,519
1930	2	2	1,571	4,055	1,055	4,349
1931	4	3	1,866	4,566	1,165	5,220
1932	4	3	1,961	5,280	945	5,511
1933	4	3	2,216	5,493	1,238	6,518
1934	3	3	2,414	6,244	1,293	6,786
1935	3	3	2,568	8,311	850	7,094
1936	3	3	2,765	11,867	1,537	9,848
1937	3	3	2,977	14,623	2,249	14,116
					2,787	17,410

TABLE XXIX. ASSETS AND LIABILITIES OF LIVESTOCK INSURANCE SOCIETIES AS AT THE END OF SEPTEMBER, 1937.

LIABILITIES		ASSETS	
	L.P.		L.P.
Reserve fund	9,947	Cash in hand & banks	6,269
Other funds	4,294	Share and securities	54
Sundry creditors	2,684	Movable property	192
Other accounts	157	Immovable property	140
Profits for 1936/37	382	Loans granted	3,354
		Sundry debtors	7,332
		Other accounts	78
	17,414		17,414

During 1937 two societies for the insurance of crops were registered. One society undertakes the insurance of field crops against fire or other losses resulting from riots or wilful destruction. During the first year of its activity the society insured cereals on a total area of 83,904 dunums for a value of £P.104,735 and collected £P.1,389 in insurance fees. Eight claims were received for compensation amounting to a total of £P.200. Members are bound to separate their fields by deep trenches or to have certain quantities of dry sand available on their fields for the extinction of fires. The society is affiliated with the General Federation of Jewish Labour but it insures also the fields of farmers who are not associated with the Labour Federation. Compensation is limited to 85% of the value of the crops.

The other society registered at the end of 1937 undertakes the insurance of citrus groves and other fruit trees of members against destruction by fire, wilful destruction, etc. Its rules are identical with those of the society for the insurance of field crops and it is also affiliated with the General Federation of Jewish Labour.

G. MISCELLANEOUS AGRICULTURAL SOCIETIES.

This group comprises two central settlement societies, three citrus packing societies, two farmers' centres, two societies for the manufacture and sale of citrus by-products, and two societies of vegetable and cereal producers.

The objects of the central settlement societies are to assist agricultural labourers and persons of the middle class to settle as farmers. One of these societies known by the name of "Nir Hevra Shetufit Lehityashvut Ovdim Ivrim Ltd." may be described as the colonising agency of the General Federation of Jewish labour. Its stated objects are:—

- (i) To unite on a cooperative basis workers engaged in all branches of agriculture and land development;
- (ii) To raise the standard of agricultural labour in all its branches and to strengthen the agricultural settlements of its members;
- (iii) To guide workers new to agricultural labour and assist them in obtaining instruction and attaining skill in their work and to establish new agricultural enterprises;
- (iv) To improve the position of the members materially and morally on the basis of mutual assistance.

The functions of this society are organisatory and its aims are to form cooperative settlements and to facilitate their operations. It has to its credit the organisation of all the existing

collective settlements (Kvutsoth) and cooperative settlements of smallholders (Moshavei Ovdim). All these societies are directly affiliated with "Nir" and every one of their members is also a shareholder of Nir. By these means Nir has been able to select the settlers, to regulate priority rights of settlement and generally to control the organisation of the settlements. The society does not engage on its own account in any economic enterprises. Its funds, which at the end of 1937 amounted to £P.18,699, are used for holding shares of other financial institutions which are connected with colonising enterprises. This society, which was registered in 1924 still has three classes of shares namely: founders' shares, held by the General Federation of Jewish Labour and Jewish National Institutions, members' shares held by settlers in cooperative settlements; and preference shares held by sympathisers in Palestine and abroad. It is anticipated that this composition, which is not permissible under the new cooperative legislation will be changed in due course after negotiations with the respective shareholders have been completed.

The second central settlement society was registered at the end of 1933 with the object of assisting settlers of the middle class. So far it has not achieved any positive results.

The cooperative citrus packing societies manage packing-houses in citrus growing areas and undertake to pack, grade and store the crop of their members and in certain cases also of non-members. They are all equipped with modern machinery some of which have been perfected locally and adapted to the particular shape of the Palestine orange. Members are entitled to pack a certain quantity of fruit and are responsible to pay to the society a fixed rate whether they pack the full quantity or not. A member may exceed the quantity allotted to him against additional payments.

The farmers' centres administer and maintain communal properties belonging to the farming communities in two settlements and employ the revenue from these properties for participation in any economic or cultural enterprises which may be of benefit to its members.

The societies for the manufacture and sale of citrus by-products were formed with the object of acquiring plant for the preparation of orange oil, orange, grape-fruit and lemon juices, pectin and other products, and for the canning of grape-fruit for commercial purposes. Owing to insufficient preparation and in view of the competition of products of other more advanced countries these cooperative factories have not been very successful.

There are in Palestine several privately owned plants and laboratories in which scientific investigations in connection with the preparation of citrus by-products are carried out and it is to be expected that as soon as experiments reach a more advanced stage cooperative factories will come into being for the manufacture of by-products.

The societies of vegetable and cereal producers have not as yet commenced operations.

H. SOCIETIES FOR AGRICULTURAL SERVICES.

In order to have a complete survey of societies which serve agricultural purposes it is necessary to mention here the societies which contract for agricultural work such as development and maintenance of plantations and societies which undertake the supply of certain agricultural services as for instance deep ploughing, well sinking and fruit packing. At the end of 1937 there were 6 such societies on the register. Details regarding membership and capital of these societies are included in Table XVIII but a description of their activities will be found in the section dealing with contracting societies to which class they properly belong.

3. CO-PARTNERSHIPS OF LABOUR.

The progress of co-partnerships of labour (in which group are included societies of industrial producers and societies undertaking various public services) since 1921 is illustrated in the following table:—

TABLE XXX. CO-PARTNERSHIPS OF LABOUR ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

YEAR	No. of Societies on register			No. of Societies included in this table			No. of members	Share capital	Reserves	Loans and amount due to creditors	Total resources
	Jewish	Arab	Total	Jewish	Arab	Total					
1921	—	—	—	—	—	—	—	LP.	LP.	LP.	LP.
1922	—	—	—	—	—	—	—	—	—	—	—
1923	1	—	1	—	—	—	—	—	—	—	—
1924	3	—	3	—	—	—	—	—	—	—	—
1925	9	—	9	2	—	2	50	—	1,293	4,905	6,198
1926	14	—	14	4	—	4	145	1,672	1,542	13,845	17,059
1927	15	—	15	5	—	5	144	1,958	2,102	15,854	19,914
1928	22	—	22	5	—	5	91	4,227	3,982	18,381	26,590
1929	29	—	29	13	—	13	323	8,066	7,545	30,487	46,098
1930	39	1	40	18	—	18	360	13,360	14,308	42,565	70,233
1931	46	—	46	23	—	23	508	23,800	16,643	67,805	108,248
1932	59	1	60	28	—	28	601	32,670	28,821	90,108	151,599
1933	75	9	84	34	7	41	1,071	84,884	57,964	323,481	466,329
1934	87	14	101	48	11	59	1,765	151,902	121,844	484,817	758,563
1935	119	11	130	63	9	72	2,044	185,610	172,610	534,312	892,532
1936	133	12	145	92	7	99	2,615	238,768	185,184	519,835	943,787
1937	139	5	144	102	3	105	2,947	263,972	185,098	551,741	1,000,811

It will be observed from the above table that by the end of 1937 the group numbered 144 societies (139 Jewish and 5 Arab) or 14% of all active societies. In addition, there were on the same date 100 defunct societies of this group as shown by the following table :—

TABLE XXXI. REGISTRATIONS AND CANCELLATIONS OF CO-PARTNERSHIPS OF LABOUR SINCE 1921.

Year	Registered			Liquidated, declared defunct, amalgamated or converted			Total Number of active societies on register		
	Jewish	Arab	Total	Jewish	Arab	Total	Jewish	Arab	Total
1921	—	—	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—	—	—
1923	1	—	1	—	—	—	1	—	1
1924	2	—	2	—	—	—	3	—	3
1925	6	—	6	—	—	—	9	—	9
1926	5	—	5	—	—	—	14	—	14
1927	2	—	2	1	—	1	15	—	15
1928	7	—	7	—	—	—	22	—	22
1929	7	—	7	—	—	—	29	—	29
1930	11	1	12	1	—	1	39	1	40
1931	9	—	9	2	1	3	46	—	46
1932	15	1	16	2	—	2	59	1	60
1933	25	8	33	9	—	9	75	9	84
1934	31	6	37	19	1	20	87	14	101
1935	41	2	43	9	5	14	119	11	130
1936	32	1	33	19	—	19	133	12	145
1937	30	—	30	24	7	31	139	5	144

The explanation for these high figures of existing and defunct societies may be found in certain economic and social factors peculiar to Palestine. Palestine, with its small population and their low purchasing power, has never offered great inducements to heavy or large industries. Circumstances favoured the formation of groups of workmen and artisans who set up small workshops and developed small industries.

Among the Jewish population social factors also favoured a development of this nature. The Jewish labour movement in Palestine aimed from the outset at creating a new social order and at establishing, both in towns and in the villages, independent undertakings managed by the workers themselves. These two factors led to the spread of cooperation among labour, so much so that some industries and public services became the monopolies of the cooperative movement. Needless to say, this development was not achieved without a bitter struggle and at considerable cost and hardship. The first societies were lacking in business experience and in proper guidance. They had to learn from their own mistakes and many succumbed in the effort. Hence the large graveyard of liquidations. Many of the societies were formed without adequate study of the field which it was proposed to enter. Other groups entered highly competitive business in which conditions were unusually difficult. They were handicapped by lack of business experience, knowledge of salesmanship and of market conditions. They were at a disadvantage when it came to disposing of their products. Lack of capital was another handicap. Many societies collapsed during periods of adversity owing to a shortage of funds which did not enable them to withstand losses and to tide over depressions. That some of these organisations have nevertheless survived and attained a considerable degree of success must be put to the credit of efficient management and the help of the General Federation of Jewish Labour and its subsidiary institution, the Cooperative Centre for Trade, Industry and Public Services—Audit Union (Mercaz Hacooperatzia Limlacha, Haroshet ve Sherutim Ziburi'im Brith Pikuah), which is called hereafter for short "Audit Union of Co-partnerships of Labour".

The common features of all co-partnerships of labour are :— the equal participation of their members in the capital, the complete ownership by the society of the plant, assets and stock in trade, and the restraint of trade clauses generally contained in their rules. Other features which many of these societies have in common are a preparatory stage through which they pass before registration, the large proportion of borrowed funds used in their working capital and the hired labour employed during busy seasons. The common problems of this class of societies are :— the methods of disposal of accumulating funds, redemption of members' interest, exclusiveness in admission of members and method of regulating wages.

In the early days of the movement, societies did not follow the principle of equal participation in capital. Some members would invest larger amounts than others and would receive in return a larger share of the profits. This disparity led eventually to other undesirable practices and to strained relations between members. The practice has gradually died out and at present members participate in the capital in equal shares. In the majority of co-partnerships of labour the capital is composed of shares of values varying between £P.30 and £P.400 per share. Every member is required to hold one share and in addition to assume liability for a fixed amount of the debts of the society in case of liquidation. This arrangement facilitates the observance of the principle of one man one vote, one of the basic principles of co-operation, which in certain types of societies, marketing societies in particular, is most difficult to uphold.

All members are required to work in the society in any capacity allocated to them by the committee of management. The emoluments paid to members are usually on the same scale but some societies allow higher emoluments to members possessing special qualifications or with a longer period of service. New members are usually expected to pass a probationary period during which they receive smaller salaries than the other members. If they are subsequently admitted they share in the profits of the society as from the date of their joining the society on probation. The salaries of members are usually fixed by the society in general meeting but some societies delegate this power to the committee of management. In this connection, it may be observed that the question of the basis on which the salaries of members should be fixed has been a most difficult problem which these societies had to solve. Normally, the scale of wages in an industrial undertaking would be ruled by such factors as the labour market, the economic prospects of the business and the degree of skill and efficiency of the labourer. In private undertakings the employer would make sure to include in the cost of production a reasonable amount for the amortisation of the plant in addition to his profit. He would further set aside a reserve against possible future losses. By these methods the undertaking would have a more stable and better regulated life. Co-partnerships of labour on the

other hand are prone to ignore some of these factors and to take others into account. They definitely reject the factor of the labour market as a regulator of wages. Skill and efficiency are also disregarded and members who are employed in some minor clerical capacity are paid on the same scale as trained mechanics and technicians. The most common method in these societies is to fix a minimum wage. This wage is sometimes augmented by a bonus at the end of the year if the balance sheet shows excess of revenue over expenditure. In some societies the adjustment is made month by month. Even societies affiliated with the General Federation of Jewish Labour, in which scales of wages and salaries are strictly regulated, refuse to be bound by the scales of wages laid down by the respective trade unions. Committees of management in these societies are under constant pressure by members to allow less for amortisation and reserves and to distribute as much as possible in wages. The outcome of this attitude has been that in some societies members have been guilty of paying themselves higher wages than is justified by their trading returns. There is no uniform wage in all co-partnerships of labour and even in co-partnerships engaging in identical industries or services, the scale of wages differs considerably in accordance with the trade returns. The following scales of monthly wages in the various industries and services were reported in 1937 by the audit union of co-partnerships of labour :—

	From LP.	To LP.
Transport of passengers	10	20
Transport of goods	9	26
Electrical and sanitary industries	8	20
Metal industries	6	17
Wood industries	4	17.5
Cement industries	6.65	13
Clothing industries	6	11.8
Printing industries	7	17
Bread baking industries	10.5	20
Restaurants	6.5	23.5
Miscellaneous industries and services	4.5	16

In some affiliated societies wages are ruled by the family status of the members. Those of the members who support larger families receive higher salaries. This factor, however, is rapidly disappearing in view of the competition which societies have to face in the open market.

In the majority of societies of this group the assets are vested in the society. This, however, is a recent development. In the early days of the movement there was a great deal of confusion and lack of uniformity in the ownership of assets. Individual members retained the ownership of tools and machinery and in some transport societies even car licences were in the names of individual members. The elimination of this disorder was a slow and difficult process. In many societies, particularly those engaged in the transport trade, it involved the payment of excessive compensation to persons who claimed to hold vested interests in the society. Gradually, however, all Jewish societies have gone over to the present system of joint ownership of all assets. In some of the Arab transport societies the old practice still prevails.

The rules of most, if not all, societies of this group contain a clause regarding restraint of trade. The object of this clause is to prevent withdrawing or expelled members from competing with their society in its own area of operation. The clause provides for a heavy penalty in case of a breach of this undertaking and in many societies members are required to deposit, on admission, guarantees for the payment of this penalty in the event of the stipulation of the clause becoming operative. While the enforcement of this clause may cause much hardship to members who, for some justifiable reason, are compelled to leave their society, it has on the other hand a salutary effect. It has kept societies together and has served as a deterrent to unscrupulous members.

(In this connection it may be observed that marketing societies maintain a grip over their members by withholding from withdrawing or expelled members their share in the large re-

serves which they build up. Other classes of societies also see to it that members wishing to withdraw, or having to be expelled should forfeit considerable advantages. This is a case in which compulsion is necessary to uphold what is essentially a voluntary association.)

As has already been stated above societies of this group usually pass a preparatory stage prior to registration. During this experimental stage members form a free association, which sometimes takes the form of an unregistered partnership or a working agreement. If after a certain period the members consider that they are well suited to work together and that full cooperation between them is possible, they usually apply for registration as a cooperative society and arrange for the transfer of the assets of the association to such society. It is due to this preparatory stage that a large number of free associations of workers describe themselves as "cooperatives" although the use of the term "cooperative" by any but a registered society is prohibited by law. Considering that the ultimate aim of these associations is to apply for registration in due course and that they actually work on a cooperative basis — it has not been deemed desirable to invoke the law against them. In any case they omit from their name any indications regarding limitations of liability which is the outward mark of registration.

It will be observed from table XXXIII that the proportion of borrowed to own funds in certain classes of these societies is high (3 :1 in the case of restaurants, 5 :2 in the case of goods transport societies, 2 :1 in the case of printing press and 3 :2 in the case of bakeries). This somewhat high proportion of borrowed to own funds is inherent in the nature of societies of this group. They are, as their name indicates, co-partnerships of labour. Their members have joined the society with the sole object of improving their conditions and assuring for themselves a fair wage, and a permanent tenure of employment. They prefer to work on borrowed funds because this enables them to obtain and renew their equipment with greater ease. It is often the case that cooperative printing presses, transport societies, restaurants, bakeries and processing societies are, in spite of the low proportion of their own funds, or perhaps because of it, the best equipped undertakings of their kind.

Many observers have expressed complete disapproval of the practice of societies of this group to hire labour during busy seasons. This practice has indeed become deeply rooted in the movement and can no longer be passed off as a temporary phenomenon. Statistical information published by the audit union of co-partnerships of labour show that 68 affiliated societies having a membership of 1,999 employed at the end of 1937 680 hired labourers, or 30% of the total number of persons employed. The figures further reveal that the amount of wages paid to these hired labourers represented only 22,3% of the total wages paid by the societies in question (£P.92,565 out of total of £P.416,286). The only justification offered for this practice is that societies would not be in a position to compete with private undertakings in the open market if they were prevented from using hired labour during times of pressure of work. The argument one often hears is sometimes like this: private undertaking have an advantage over cooperative societies in as much as they can always reduce their staff and labourers during slack seasons, while the fixed membership of societies allows no such shrinkage. It would therefore be most unjust if this disadvantage were allowed to extend also in the other direction. This would eliminate cooperative societies as competitors in any large contract limited in time. To secure greater elasticity societies should be able to employ temporary labour in times of need.

There is of course much in this argument, especially if the issue is measured from the economic angle. Nevertheless, looking at it from a purely cooperative point of view it is definitely an undesirable practice which should be eliminated. The facts are that co-partnerships of labour are exposed to a temptation not present in other forms of cooperation. In a consumers' or marketing societies' for instance, it is to the interest of members to enlarge membership, for each new member increases the business of the society. The increased volume of business in turn reduces the percentage of overhead expenses and increases the savings made in the business and therefore, also the benefits accruing to each member. In co-partnerships of labour the situation is reversed. Every additional member increases the number of those who share in the profits, though not necessarily increasing the business done or the amount of profits to be shared. Each new member, therefore, is likely to be looked upon as reducing the profits of the others. More especially if the society achieves business success, an increasing tendency may develop among the members to limit their number so as to retain all the savings from the business for themselves, and, if additional workers are needed, to take them on as employees, not as members. Alternatively, new members are asked to pay high admission fees estimated to cover a member's share in the society's savings. This attitude is accentuated in these organisations by the fact that the society represents the members' livelihood; and as

the matter is a serious one to them, an exclusive membership policy is comprehensible. The more this tendency is accentuated, however, the more the society loses its cooperative character. Some unavoidable limitation upon membership is, of course, imposed by the nature of the business or work carried on and this becomes greater with the degree of skill required. If the principle that all those employed in a co-partnership of labour are to be members is observed, then obviously in a highly specialised undertaking, only persons skilled in the various processes can be admitted as members. Outside these limitations exclusiveness is unjustifiable from a cooperative point of view. Cooperative enterprise, although aiming at material benefits, is usually based also on a certain amount of idealism, a vision of something above and beyond ordinary business activities. This idealism strives to bring about a better ordering of society. This may not be true of each cooperator nor of each society, for many have material benefit as their main or only object, but it is true of the cooperative movement as a whole. This wider vision seems to be less characteristic of co-partnerships of labour.

The method of admission of members is not uniform in all societies. In some societies the general meeting votes on every new application, while in others the committee of management admits new members on probation for a fixed period. When the probation period comes to an end admission is approved by the general meeting. Societies affiliated with the General Federation of Jewish Labour submit applications for membership for prior approval by their audit union.

The hours of work in all co-partnerships of labour is 48 hours per week. Additional wages are paid for overtime.

The final control in all co-partnerships of labour lies with the general meeting of members. Only one vote per member is allowed at these meetings and no member can vote by proxy. Supervision of the affairs of the society and the actual management is in the hands of a committee of management elected annually. (In a few of the larger societies the general manager is not an elected member but a paid employee). It is, however, common practice in most societies to retain the better qualified members in key positions and through this permanency some societies have been able to show a high quality of management. The value of shares is generally higher in co-partnerships of labour than in any type of cooperative organisation (£P.30 to £P.400). All societies limit the shares to one per member. When an increase in capital is called for the value of the original share is raised and members are called upon to pay the difference. Members pay for their shares in full or in instalments spread over a period of years. Some societies, especially those using machinery, accept payment in kind and set up special valuation committees for this purpose. In the desire to limit membership and to retain all the savings from the business for themselves, a tendency has developed in many co-partnerships of labour to add to the nominal value of their shares considerable amounts on account of accumulated funds and also on account of the goodwill of their business. This increased value is brought into operation when a new member applies for admission or when a member wishes to withdraw. In the first case the increase is comprehensible and, subject to the following provisions, may also be justifiable. The provisions are (a) that the full amount paid by the new member should be added to the general assets of the society and not, as has been done in some cases, distributed among the existing members in the form of a gratuity or an increase in wages; (b) that the increase should bear a proper relation to the accumulated real assets of the society and not to an imaginary goodwill; (c) that the increase should not operate in a manner to exclude qualified and suitable members while admitting unsuitable and unqualified persons who possess the necessary cash.

On the termination of membership of a member of a co-partnership of labour it is only fair that he should receive the full value of his interests in the society. In as much as the reserve funds are indivisible some other methods have to be evolved in order to compensate the retiring member. But under no circumstances can it be permitted that a member of a cooperative society should speculate with his assets in the society by offering it to the highest bidder. This practice was a regular occurrence in many groups of co-partnerships of labour during the boom years of 1933 to 1935 when members freely disposed of their rights at a premium. While the law disallows the transfer of interests in a cooperative society members found many ways to circumvent this restriction. An amendment of the law to guard against these undesirable practices and to enable societies to redeem the interests of retiring members at a fair valuation is called for.

All co-partnerships of labour make provision for payment of wages to invalid members. The length of time during which such wages are paid and the amount of such wages are made dependent on the cause of the illness or accident. The payments are made out of a special provident fund to which members are required to make regular contributions.

For convenience of description it is advisable to divide the co-partnerships of labour into 15 separate groups in accordance with the industries or services in which they engage. These groups are shown in the following table :—

TABLE XXXII. CO-PARTNERSHIPS OF LABOUR ON REGISTER AT THE END OF 1937 BY GROUPS.

	No. of societies on register	Affiliated with audit unions	Unaffiliated
Societies of motor drivers for the transport of passengers	19	8	11*
Societies of motor drivers for the transport of goods	19	13	6
Societies of metal workers	6	3	3
Societies of electricians and plumbers	6	2	4
Societies of wood workers and painters	15	7	8
Societies of workers in cement, stone, asphalt and bricks	16	9	7
Societies for the production of articles of clothing, footwear and textiles.	6	4	2
Societies of printers, book binders, booksellers, publishers and cardboard manufacturers	9	4	5
Societies of bakers	8	6	2
Societies of restaurant keepers	6	3	3
Societies of butchers, ritual-killers and meat-dressers	7	—	7
Societies of theatrical performers	2	—	2
Societies of producers of aerated waters	3	1	2
Societies for distributive services	7	3	4
Societies for miscellaneous purposes	15	5	10†
	144	68	76

* Including 4 Arab Societies.

† Including 1 Arab Society.

GENERAL OBSERVATIONS.

SOCIETIES OF MOTOR DRIVERS.

These societies commenced operations as loose organisations, their main objects being as follows :—

In the case of the transport of goods, to undertake the transport collectively and to distribute the work among the members on a pre-arranged basis;

In the case of the transport of passengers, the allotment of journeys between members in rotation. The buses, cars and other means of transport were not the property of the organisations but belonged to the individual members. Each member retained the receipts from his own vehicle and covered his own expenses. These organisations were usually small and limited their operations to a restricted area. There were many instances in which several small organisations operated in one and the same area and competed with each other to the detriment of all. In addition, there were large number of individual motor drivers who remained outside any organisation. Gradually, the smaller organisations amalgamated into larger and more compact units, absorbing many individual motor drivers in the process. The large bodies which came into being extended their operations over wider areas and took over the vehicles of the individual members. This process of amalgamation, which received great help and encouragement from the audit union of co-partnerships of labour still continues and at the end of 1937 two of the largest transport societies completed arrangements for amalgamation and the combined societies now operate on all the main routes of the country. Gradually, competition has been eliminated until what is virtually a monopoly in passenger transport by motor has been obtained.

At the end of 1937 the societies affiliated with the audit union of co-partnerships of labour had 1,110 members and 587 employees. Their investment in movable and immovable property were valued at £P.417,002, their own funds amounted to £P.258,290, their income during 1937 amounted to £P.696,601 and the amount paid in wages to £P.283,895. These societies owned 853 transport vehicles (buses, small cars and trucks.)

During 1936 the consumption of these societies in fuel, oil, tyres and spare parts amounted to £P.240,800 and the amount charged for amortisation of their vehicles to £P.101,452. In this connection the activities of "Noa" Company Limited must be mentioned. This Company was created by the General Federation of Jewish Labour in 1935 for the purpose of organising collective purchases by transport societies. The company has contracts with all the oil companies for the supply of fuel and lubricating oils at reduced rates, and negotiates for the joint purchases of tyres and spare parts.

The value of shares varied between £P.30 to £P.250 in societies for the transport of passengers and £P.35 to £P.200 in societies for the transport of goods.

OTHER CO-PARTNERSHIPS.

Co-partnerships of metal workers, of electricians and of plumbers have not developed to the same extent as some of the other co-partnerships owing to the competitive nature of their trade and as a result of their exclusiveness. The first named co-partnerships operate iron and copper foundries and engage in the construction of iron frames and gratings required in the building trade. They also construct and repair motors and machinery. The co-partnerships of electricians and plumbers undertake all kind of installations and the sale of electrical and sanitary fittings. Most of these co-partnerships are ordinary trading concerns and their co-operative features are gradually disappearing.

Co-partnerships of wood workers and painters engage in the production of furniture, bodies for motor cars and buses, packing cases for citrus fruit and joinery. Their workshops rank among the most up-to-date in Palestine. One of these co-partnerships has been in existence since 1919 and the members still appear to be a happy family.

The co-partnerships of cement, asphalt, stone and brick workers have developed some of the largest and best equipped factories for the manufacture of tiles, paving blocks, culverts, irrigation pipes and bricks. They are all managed efficiently and during the house building boom of recent years maintained a controlling position in the market for building materials.

Amongst the co-partnerships for the production of articles of clothing are included tailors, shoe factories, textile factories and a weaving establishment. One of the shoe factories is the largest of its kind in Palestine. The members of the weaving establishment are all women and they produce materials for curtains and upholstery.

The co-partnerships of printers and book binders own modern printing establishments and have a mixed membership of men and women. One of these co-partnerships has been operating since 1910. This group includes also societies of booksellers, publishers and cardboard manufacturers.

The co-partnerships of bakers operate modern bakeries in Haifa, Tel Aviv and in some of the larger Jewish settlements. Their products are of a high quality and find a ready market.

Three of the cooperative restaurants are the largest establishments of their kind in Palestine. They started as humble dining halls in rented quarters but are now housed in spacious and well equipped buildings owned by the societies the members of which are mostly women. The larger societies also manage branches in several localities.

The following tables show:—

- (1) The membership, own and borrowed funds of 105 co-partnerships of labour as at the end of 1937 by groups (both affiliated and unaffiliated societies are included).
- (2) The position of 68 co-partnerships of labour affiliated with the audit union of co-partnerships of labour as at the end of 1937.
- (3) The progress since 1931 of affiliated co-partnerships of labour.

TABLE XXXIII. MEMBERSHIP AND RESOURCES OF 105 CO-PARTNERSHIPS OF LABOUR AS AT THE END OF 1937 BY GROUPS (BOTH AFFILIATED AND UNAFFILIATED SOCIETIES ARE INCLUDED).

	No. of Societies included in this table	No. of members	OWN FUNDS		Borrowed funds	Total resources
			Share capital	Reserves		
			L.P.	L.P.	L.P.	L.P.
Societies of motor drivers for the transport of passengers	14*	963	133,014	95,892	244,335	473,241
Societies of motor drivers for the transport of goods	16	265	18,625	16,968	91,390	126,983
Societies of metal workers	3	23	1,524	531	2,650	4,705
Societies of electricians and plumbers	3	26	3,286	23,272	39,196	65,754
Societies of wood workers and painters	11	117	8,370	4,666	20,636	33,672
Societies of workers in cement, stone, asphalt and bricks	11	161	28,269	18,320	37,931	84,520
Societies for the production of articles of clothing, footwear and textiles	6	490	33,787	3,330	17,018	54,135
Societies of printers, book-binders, book-sellers, publishers and card-board producers	7	89	6,969	4,311	20,346	31,626
Societies of bakers	6	59	7,839	3,205	17,543	28,587
Societies of restaurant keepers	5	283	5,462	5,655	34,979	46,096
Societies of butchers, ritual killers and meat-ressers	7	119	1,882	596	4,273	6,751
Societies of theatrical performers	2	27	713	2,719	5,899	9,331
Societies of producers of aerated waters	2	32	8,124	148	4,256	12,528
Societies for distributive services	5	128	3,474	1,836	1,408	6,718
Societies for miscellaneous purposes	7†	165	2,634	3,649	9,881	16,164
TOTAL	105	2,947	263,972	185,098	551,741	1,000,811

* Including 2 Arab societies.

† Including 1 Arab society.

TABLE XXXIV. CO-PARTNERSHIPS OF LABOUR, AFFILIATED WITH THE AUDIT UNION OF CO-PARTNERSHIPS OF LABOUR, AS AT THE END OF DECEMBER, 1937.

GROUP	No. of societies	No. of members	No. of hired labourers	Total No. of workers	Investments	Own funds	Undistributed profits	Income from produce in 1937	WAGES PAID IN 1937		
									To members	To employees	Total
					LP.	LP.	LP.	LP.	LP.	LP.	LP.
Societies of motor drivers for the transport of passengers	8	881	489	1,370	342,537	207,083	4,426	545,069	187,125	44,232	231,357
Societies of motor drivers for the transport of goods	13	229	98	327	74,465	45,812	969	151,532	38,207	14,331	52,538
Societies of metal workers	3	22	5	27	2,026	2,503	—	8,523	2,373	1,594	3,967
Societies of electricians and plumbers	2	17	20	37	76	3,808	241	12,982	2,996	1,982	4,978
Societies of wood workers and painters	7	80	30	110	15,156	11,413	160	36,167	9,775	4,921	14,696
Societies of workers in cement, stone, asphalt and bricks	9	116	48	164	24,172	29,665	727	39,264	12,219	4,172	16,391
Societies for the production of articles of clothing, footwear and textiles	4	55	21	76	5,182	5,311	37	27,127	7,451	2,784	10,235
Societies of printers, bookbinders etc.	4	70	57	127	16,975	9,455	271	25,665	9,685	4,845	14,530
Societies of bakers	6	59	24	83	14,941	11,117	113	61,232	10,355	3,841	14,196
Societies of restaurant keepers	3	247	41	288	33,072	10,908	47	87,126	15,680	4,579	20,259
Societies for miscellaneous purposes	9	223	27	250	5,648	12,805	257	98,684	27,855	5,284	33,139
TOTAL	68	1,999	860	2,859	534,250	349,880	7,248	1,093,371	323,721	92,565	416,286

TABLE XXXV. AFFILIATED CO-PARTNERSHIPS OF LABOUR DURING THE YEARS 1931—1937.

	1931		1934		1935		1936		1937	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
No. of Societies	47	100	48	102	65	138	62	132	68	145
No. of Members	626	100	1,318	211	1,802	288	1,874	299	1999	319
No. of hired labourers	172	100	641	373	991	576	892	519	860	500
Total No. of workers	798	100	1,959	245	2,793	350	2,766	347	2,859	358
Investments	88,333	100	422,811	479	548,758	621	508,444	576	534,250	605
Own funds	47,384	100	219,037	462	303,285	640	323,030	682	349,880	738
Undistributed profits	4,067	100	16,265	400	24,375	599	18,898	465	7,248	178
Amount of business	221,976	100	782,454	352	1,288,027	580	1,154,398	520	1,093,371	493
Total amount paid in wages	81,864	100	293,816	359	466,665	570	427,456	522	416,286	509

4. CONTRACTING SOCIETIES.

The progress of contracting societies since 1921 is indicated in the following table:—

TABLE XXXVI. CONTRACTING SOCIETIES ON REGISTER, THEIR MEMBERSHIPS AND RESOURCES DURING THE YEARS 1921—1937.

YEAR	No. of societies on register	No. of societies included in this table	No. of members	Share capital	Reserves	Loans received and amount due to creditors	Total resources
				LP.	LP.	LP.	LP.
1921	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—
1923	1	—	—	—	—	—	—
1924	3	1	745	10,698	521	85,323	96,542
1925	3	3	1,542	18,127	9,315	181,382	208,824
1926	3	2	1,067	19,434	8,723	170,974	199,131
1927	2	2	1,291	32,782	5,061	88,320	126,163
1928	3	2	1,318	32,862	5,052	87,176	125,090
1929	3	3	1,361	32,918	9,321	18,882	61,121
1930	4	2	53	53	5,928	8,484	14,465
1931	5	2	61	61	6,658	11,828	18,547
1932	7	4	138	1,340	9,685	32,572	43,597
1933	8	5	258	2,430	19,328	108,880	130,638
1934	9	6	355	3,189	43,417	231,840	278,446
1935	12	8	466	3,692	90,902	313,066	407,660
1936	14	11	545	6,480	127,738	299,677	433,895
1937	17	10	630	5,263	131,208	354,780	491,251

The Palestine contracting societies may be arranged in two groups:—

I. Building and construction societies of which 11 existed at the end of 1937. They are societies which undertake contracts for the building of houses, construction of roads, sidewalks, drains, bridges and other urban or rural constructions. These societies provide both the labour and the material required, they own modern machinery and implements and usually engage

technical advisors who examine specifications of works for which it is proposed to tender and direct the execution of the work undertaken. Rarely are the members of a society numerous enough to carry out a contract and societies always engage non-members to carry out the work. Wherever possible the labour employed is drawn from co-partnerships of labour who act as a kind of sub-contractors; in other cases individual labourers are employed through their respective trade unions. The societies of this group make no profits; any surplus left after the payment of wages is allocated to a reserve fund to cover possible future losses. Most of these societies are instruments of organisations to compete with private contractors for the purpose of obtaining work for affiliated and organised labour. To a limited degree they rely on the help of local authorities and derive their custom from markets over which their mother organisations exercise some influence.

II. Societies contracting for agricultural services. In this group are included two societies which contract for the planting and tending of citrus and other plantations for absentee owners, two societies which own tractors and mechanical ploughs and which undertake contracts for deep-ploughing, dredging and ground levelling, one society of skilled fruit packers which contracts for the packing and grading of citrus fruit, and one society of well drillers.

The societies owning tractors employ their own members on contract and only in the case instances they do not wait for definite orders but prepare citrus groves for prospective buyers. One of these societies "Yachin Hevra Shetufit Lekablanut Haklait Limited" is affiliated with the General Federation of Jewish Labour and carries out its contracts through members of collective settlements. This society also undertakes the export of citrus fruit from the groves it manages. The peculiar nature of the contracts undertaken by these societies is the long period involved. It usually takes 5 years for a citrus grove to bear fruit and the societies remain responsible for the grove from the day of planting to the time of fruit bearing.

The societies owning tractors employ their own members on contracts and only in the case of large contracts, where time limits are imposed, are outside labourers hired to help.

The society of skilled packers operates on the following lines:—

- (a) All contracts for fruit packing are taken by the society. Members may negotiate contracts independently only with the approval of the society.
- (b) The society fixes annually the quantities of fruit to be packed by each member. Members who wish to exceed this quantity may do so provided they hand over to the society 10% of their income from additional work.
- (c) The society assumes responsibility for a minimum annual income for each member. To enable the society to meet this liability members contribute fixed percentages from their income towards an equalisation fund. The equalisation fund is used to complete wages of members who cannot obtain the minimum quantities of fruit for packing or who remain unemployed or become incapacitated. The society holds training courses for packers and issues certificates of proficiency.

The society of well-drillers was registered in 1937, and has not as yet commenced operations.

5. HOUSING SOCIETIES.

Cooperative housing societies form an important part of the cooperative movement in Palestine. This development is due to the fact that collective house-building has been going on in Palestine since the middle of the 19th century and house-building generally has played an extremely important part in the economic growth of the country since the end of the war. The dimensions of housebuilding activities in the post-war period are more or less known and it is estimated that more than 30 million pounds have been invested in house-building since 1920. No actual figures regarding investments before the war are available. But there exists an almost complete record of house-building activities in the main centres in pre-war days and the methods and forms employed are of sufficient interest to cooperators to deserve a short description in this report.

About the middle of the 19th century, building organisations, private persons, charitable foundations, relief organisations and religious bodies commenced extensive building operations in the main towns of Palestine to supply the housing needs of new settlers, both Jewish and

Christian, who began to arrive in the country in increasing numbers. The building organisations were of various types. Some of them were organised and operated on cooperative principles, although they were not registered as cooperative societies. They acquired land and constructed houses jointly from fixed and regular contributions of members. All dwellings completed during each year were divided among members by lot at the end of the year. Land and buildings remained the property of the organisation until full payment had been made—when they were transferred to the respective owner. Other organisations left the actual house-building to the individual members and confined their activities to raising the necessary loans, joint management of public undertakings such as roads, side-walks, water supplies, synagogues, public ovens and baths. Others again were ordinary land companies which acquired tracts of land and constructed rows or squares of cheap houses, selling completed dwellings to individuals against payments by instalments.

In Jerusalem, seventeen Jewish and two Christian residential quarters were constructed by building organisations of these types between the years 1860 and 1891. Some of these quarters have since developed into very flourishing and modern suburbs forming a semi-circle around the old city. Tel Aviv, now the largest town in Palestine, was actually started by an organisation resembling the second type described above. The houses and quarters established by these organisations, while primitive and uncomfortable, were much superior in quality and sanitation to any of the houses or quarters erected by private persons, some of which were and still are mere slums.

The activities of charitable foundations were of two kinds. Some set themselves the task of subsidising house-building by persons of the middle class by the grant of long term loans on easy terms. These foundations acquired tracts of land in convenient locations, divided them up into small plots and offered the lots together with a substantial loan to organised groups of would-be house-builders. Members of such groups undertook to contribute in small instalments the balance necessary for the construction of the houses, roads and public amenities. Arrangements were made for the loan, including the price of the land, to be repaid in equal instalments in the course of fifteen years. When an individual repaid the amount due from him the house was transferred to his ownership. The public buildings and institutions remained the property of the foundation. The refunds from old loans were utilized for the erection of new quarters on similar lines. The houses erected with the aid of such funds were all of uniform type. They were usually built round an open square planted with trees which served as an open space and recreation ground. In later years the system of building in rows and squares was abandoned and every two houses were constructed together to form a unit with a front garden and a separate water cistern.

Other charitable foundations worked on a more philanthropic basis. They provided all the money required for the construction of the houses. The houses were allotted to poor settlers who were allowed to live in them free of rent for a number of years. At the end of this free period the settler paid a small weekly rent. The regular payment of such rent for 15 years or more gave the tenant the right of full possession of the house. Repayments were used by the foundations for new constructions on similar lines.

In addition to these charitable foundations a number of relief organisations and religious bodies invested considerable amounts in the building of houses which were allotted rent free to the poor of their respective communities. Almost all the Christian communities owned endowed houses inside the walls of Jerusalem and in other centres in Palestine. In the Jewish community this was done to a large extent by the Kolelim and Edoth (associations of fellow countrymen) of which 49 existed in the country before the war. Some of these associations succeeded in acquiring large endowments of houses and properties and in Jerusalem alone, several of the associations own 2,000 dwelling houses which are allotted free of rent and in rotation to their members.

Early in the 20th century, Zionist colonising agencies also entered the field of house-building in order to supply the housing needs of the steadily increasing Jewish population. Their operations took the form of granting land as well as money subventions to loan and building groups which were organised in several urban centres. These groups were voluntary associations of persons of the same professions and standards of life who desired to obtain better housing facilities than those available in the old centres.

This short survey of house building activities before the war shows the methods which were employed in order to meet the housing needs of new settlers in the country. It indicates that

as early as 1860 there were in existence many enterprises which operated on the principles of mutual aid and collective undertaking. It is to these enterprises that Palestine owes the development of large suburbs which in Jerusalem, Jaffa and Haifa have outgrown the mother-towns in size and importance. One peculiarity of these enterprises may here be mentioned. The Ottoman law did not recognise cooperative organisations and restricted the acquisition of immovable property to Turkish nationals. As a result of these restrictions most of these organisations had to disguise their identity and in their house-building operations had to resort to unofficial registration of the mortgages on the houses built with their loans, while the official title deeds of the properties were held by trustworthy nominees of Turkish nationality. This disability prevented the development and spread of loan and building societies on European lines in which investors and borrowers cooperate in house-building. It also served to make private building loans unattractive as an investment. The cooperative legislation of 1920 remedied this defect by granting cooperative organisations a legal status with the right to hold and dispose of immovable property. This enactment gave an impetus to collective house-building and a large number of cooperative house-building organisations came into being.

These societies may be divided into five groups, namely:—

- (1) Societies for the development of residential quarters;
- (2) Societies for the development of commercial centres;
- (3) Loan and building clubs;
- (4) Societies for the erection and management of workers' quarters and flats;
- (5) Cooperative apartment houses.

The progress of housing societies since 1921 is shown in the following tables:—

TABLE XXXVII. HOUSING SOCIETIES OF ALL GROUPS ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

YEAR	No. of Societies on register	No. of Societies included in this table	No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
				L.P.	L.P.	L.P.	L.P.	L.P.
1921	4	—	—	—	—	—	—	—
1922	16	3	957	1,440	870	262	43,639	46,211
1923	18	5	961	18,738	1,536	167	143,864	164,305
1924	24	8	1,246	5,121	18,307	2,914	89,484	115,826
1925	53	15	3,857	29,717	48,732	14,132	112,243	204,824
1926	64	23	4,144	41,624	56,870	10,769	174,779	284,042
1927	69	26	4,815	21,065	63,009	1,408	183,148	268,630
1928	74	30	4,901	27,214	72,595	1,296	156,981	258,086
1929	76	35	5,129	15,959	71,119	1,086	178,921	267,085
1930	80	38	5,909	17,544	72,162	1,640	162,760	254,106
1931	81	39	5,481	17,871	128,234	6,322	155,622	308,049
1932	88	39	5,497	21,770	91,514	6,897	146,901	267,082
1933	94	44	6,452	31,036	124,393	6,891	136,776	299,096
1934	95	53	7,518	68,782	149,160	11,589	249,173	478,704
1935	127	72	9,143	211,870	188,722	12,115	433,432	845,639
1936	153	107	10,168	295,983	222,734	36,247	661,365	1,216,329
1936	177	131	11,324	428,753	253,562	4,388	864,738	1,551,441

TABLE XXXVIII. HOUSING SOCIETIES ON REGISTER AS AT THE END OF 1937, BY GROUPS.

	No.
1) Societies for the development of residential quarters	68
2) Societies for the development of commercial centres	5
3) Loan and building clubs	3
4) Societies for the erection and management of workers' quarters and flats	41
5) Cooperative apartment houses	60
Total	177

TABLE XXXIX. POSITION OF 131 HOUSING SOCIETIES AS AT THE END OF 1937, BY GROUPS.

Class	No. of Societies included	No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
			LP.	LP.	LP.	LP.	LP.
Societies for the development of residential quarters	53	8,149	31,674	206,681	172	276,871	515,398
Societies for the development of commercial centres	3	149	5,898	5,098	—	3,526	14,522
Loan and building clubs	1	126	126	3,375	4,141	10,834	18,476
Societies for the erection and management of workers' quarters and flats	28	2,386	220,657	36,937	—	385,754	643,348
Cooperative apartment houses	46	514	170,398	1,471	75	187,753	359,697
Total	131	11,324	428,753	253,562	4,388	864,738	1,551,441

The first group was the most common among Palestine housing societies up to end of 1931 when the 4th and 5th groups became pre-dominant.

SOCIETIES FOR THE DEVELOPMENT OF RESIDENTIAL QUARTERS.

With few exceptions the operations of societies of this type are based on the following principles. A few individuals form a society for the development of a residential quarter. A committee is appointed to select a suitable site and to negotiate for its purchase. As soon as the site has been agreed upon it is either acquired outright by a few members of the society on their own responsibility or is secured by an option. The next step is to prepare a town-planning scheme of the site and to obtain the approval of the proper authorities for the scheme. Simultaneously negotiations take place with financial institutions regarding building loans for the new quarter. At this stage the society advertises its property and invites would-be house owners to join the society. Every member binds himself to purchase a plot of land and to commence building operations within a defined period. In most cases the members have free choice of their plots but in some societies plots are distributed by the drawing of lots. In the better societies of this group the costs of roads, side-walks, water pipes, lighting system, public spaces, communal institutions and other amenities are included in the price of the plots. But in most societies the plots are sold at cost price and members undertake to pay annual fees and rates to cover the cost of construction and maintenance of amenities as and when these become actual. Again some societies raise a collective loan for this capital expenditure and repay the same in instalments out of regular levies on members. In almost all societies of this type members take up shares in proportion to the area of their plots and assume a multiple liability for the debts of the society in the event of liquidation. They also pay a small admission fee to cover the cost of preliminary expenses. The collective activities of these societies are limited to the construction and maintenance of public amenities. They conform to the following cooperative principles:— (1) Every member has one vote regardless of the number

of shares owned by him. (2) The responsibility for administration rests with an elected committee. (3) They pay no dividends on shares and shares are not transferrable. (4) All surpluses accruing from their operations are used for expansion or for collective purposes.

As against this they deviate from acknowledged cooperative practices in the following respects:— (1) The members have no common interest, trade or profession and they are seldom persons of equal economic resources. This composition of membership does not lead to the development of a cooperative spirit in the society and conflicts are a common occurrence. (2) The title to the property is given outright to the owner. This policy allows individual sales at a profit. This in turn encourages speculation, and destroys the cooperative aspect of the enterprise. Some societies make transfers subject to approval of the committee and insist that the properties should be transferred to members only. But these restrictions are rarely enforced as societies are powerless to prevent the transfer of properties registered in the name of individuals. (3) Some societies allow members to acquire more than one plot. In such cases ownership of property not only determines control but also leads to wide-spread speculation in spare plots. (4) Some societies undertake the functions of local authorities and levy rates and taxes for communal and social services which are not always within the sphere of the society's operations. In cases in which the control is in the hands of one class of persons, such powers are sometimes used against the wishes and inclinations of a large number of members and give rise to friction and strife. (5) Some societies are started by land speculators who aim at personal profit by the sale of their properties.

Many flourishing residential quarters came into being through the efforts of societies of this type and this notwithstanding the many departures from cooperative principles which are enumerated above. It must also be said in fairness to these societies that they have enabled a large number of persons to live in permanence and security in homes which they obtained for a smaller investment and at fairer cost than similar houses bought or rented by individuals. They have also to their credit the provision of public spaces and other modern convenience which are not provided by private undertakings.

These societies (as well as societies for the development of commercial centres, described below) do not limit their existence to a fixed period. They continue to maintain the public services even after all the members have built their houses and taken up their residence. Their existence as societies only ceases when they are absorbed within the municipality or when the quarter is placed under the control of a local council. In such cases societies go into liquidation and the public properties are transferred to the municipality or the local council as the case may be. It is not an uncommon occurrence, however, that the liquidator of such societies is called upon to maintain and administer the public services for a considerable period until a new body has been formed to take over.

SOCIETIES FOR THE DEVELOPMENT OF COMMERCIAL CENTRES.

The societies for the development of commercial centres operate along lines very similar to those followed by the first type of society except that they also assist their members in securing loans for the amount needed by them for the construction of their shops at a fair rate of interest. They also have the advantage of having a membership with a common interest and profession. As against this there is more speculation in properties in these societies and a large proportion of the premises are rented to non-members at a profit to the individual member.

LOAN AND BUILDING CLUBS.

Loan and building clubs similar in form to the English building society of the "Starr Bowkett" type were started in Palestine as early as 1925. They failed to take root however, and are now almost extinct. The causes for this lack of success are two. In the first place borrowers found that they had to wait too long before they could receive a loan. In the second place the loans which the clubs could offer against a first class security (a first or second mortgage) were too small in comparison with the total outlay involved in the acquisition or the building of a house. The total number of clubs in existence at any one time during the period under review did not exceed nine. For a number of years some of them were not registered as separate legal units but were attached to and formed an integral part of cooperative credit societies in urban and rural centres. Such clubs had their own rules and were administered partly by a committee elected by the members — but all the book-keeping, collection of money and all other work was done by the staff of the credit society, to which

the club was affiliated, who charged a certain commission for these services. The mortgages were also registered in the names of the credit societies. These clubs operated on the following lines:— Their membership was limited to the members of the credit societies with which they were affiliated. Members undertook to save regularly for a period of 14 years the sum of £P.1 per month and to pay an additional small amount monthly to cover all expenses. The clubs credited such deposits with 8% interest. When a certain sum accumulated — drawing of lots took place and loans to the amount of £P.250— to £P.300 each, were granted to the winners against a first or second mortgage on a house. The winner in a drawn could transfer his right to a loan to another member and a large number of winners took advantage of this privilege, selling their rights at a premium of between £P.30 to £P.50.

WORKERS' QUARTERS AND FLATS.

The first cooperative workers' quarters were formed in 1928 as the outcome of a general housing scheme evolved by the General Federation of Jewish Labour. A central housing organisation known by the name of "Mercaz Hashikun" was set up in 1928 to deal with the problem. In 1935, this body was converted into a limited liability company by the name of "Shikun" Hevra Lishkhunot Ovdim Ltd. The functions of this central body are as follows:

- (a) To select and acquire sites for housing projects.
- (b) To supervise the planning of the quarters and houses.
- (c) To obtain the financial means for carrying out the scheme.
- (d) To carry out the preparatory works such as levelling, road construction, installing a water supply, constructing the public buildings and placing the contracts for the construction of the houses.
- (e) To organise the prospective settlers into collective groups and secure their registration as cooperative societies.

Since the inception of the workers' housing scheme a land reserve sufficient for the housing of 12,000 families in 7,000 single and semi-detached houses and 5,000 flats has been acquired through the central organisation and by the end of 1937, 1,730 single houses and 670 flats had been completed at a cost of £P.1,190,000. These quarters and flats are concentrated in and around the towns of Haifa, Jerusalem and Tel Aviv and are owned by 27 cooperative societies.

In all these societies private ownership has been abolished (only 145 out of the total of 12,000 housing plots are to-day in private ownership) and cooperative ownership has been substituted. The system prevailing in the quarters is as follows:—

(1) Every plot or house is registered in the name of the cooperative society on a separate title deed. The mortgage if any, is similarly registered for every house separately so that if foreclosed — the mortgagee can only collect from the sale of one specific house, having no claim to other property.

(2) Every member receives his house or plot on lease for a period of 49 or 99 years. The contract of lease provides that after repaying his mortgage the member is free from any financial obligation except for a small nominal rent paid to the society.

(3) The society cannot transfer or pledge the house or plot leased to a member except in the case of failure on his part to meet his obligations to the society.

(4) The society may not make any alteration in or additions to a house leased to a member. On the other hand the member is free to make such alterations or additions at his own expense provided they are in accordance with the approved plan.

(5) A member may sub-let rooms in the house leased to him if the society approves of the tenant and agrees to the rent to be charged.

(6) A member may, in certain circumstances, transfer his share i.e. his house or his plot, to another person if such person is admitted as a member to the society. The amount to which a withdrawing member is entitled is valued by a neutral committee. If the value exceeds the actual investment of the member the excess amount is divided between the member, the society and the General Federation of Jewish Labour in the proportion of 75%, 20% and 5% respectively. In some cases the member's share may be increased to 85% of the surplus. If the value

is less than the amount invested by the member, the society compensates the member out of a fund known as the mutual aid fund. In both cases suitable deductions are made on account of depreciation.

The arrangements in workers' flats differ in the following respects from those prevailing in workers' quarters.

(1) No separate title-deeds can be obtained and no separate mortgages registered in respect of separate flats. Members accordingly must remain liable for the debts of their societies as long as they continue to exist.

(2) Flats are not selected by the members but are allotted by the drawing of lots. Exchanges by mutual agreement are permissible. (Recently the method of distribution by lots has also been introduced in the case of detached houses).

(3) Responsibility for repairs is divided between the society and the members. The society is only responsible for repairs and upkeep of such parts of the house as are shared in common.

(4) Members have to submit to a number of restrictions regarding the keeping of animals and pets.

These arrangements are made with the object of preventing speculation and profit-making and of ensuring that housing is developed for residential purposes. At the same time the actual rights of the member over his house or plot are not interfered with, as long as they are used for the members' personal requirements. This policy is followed in genuine cooperative housing societies everywhere, because the purpose of such societies is not to make profits, but to obtain for their members attractive, well-built houses, homes built for service, not to be rented, sold or speculated in for profit.

Some of the workers' quarters have developed into suburbs of the size of towns and in many cases societies have been led to extend their activities to economic undertakings outside their jurisdiction and to functions which are properly within the jurisdiction of local authorities. Both these developments are not in the interest of sound cooperation. It is not desirable that large suburbs should be owned and managed by a single society because this may involve members in complicated financial undertakings. It would be both to the advantage of members and of societies if the number of members of one society were limited and if the activities of housing societies of this type were confined to maintaining the property and collecting the charges fixed in the contract of lease and operating expenses. Other services could be transferred with advantage to other bodies, collective or otherwise.

The housing societies described above are concerned with the provision of housing facilities for urban workers only. The housing of agricultural labourers in separate quarters adjacent to the larger settlements, is undertaken by the Agricultural Department of the General Federation of Jewish Labour in collaboration with the Jewish National Fund and Nir Limited (described on page 36 of Part I of this Report). The three organisations administer jointly a fund of £P.30,000 which is used for building loans in the Jewish villages. Agricultural labourers are organised into housing cooperative societies and members of these societies may obtain a loan varying between 80—90% of the value of a small house and a small farm attached to it. The loans plus interest thereon are repaid in monthly instalments of between £P.1.250 and £P.1.400. The scheme intends to provide housing facilities for 1,000 labourers. The land for house and farm is provided free of charge by the Jewish National Fund.

The following figures show the position of six housing societies of agricultural labourers at the end of 1937 :—

Number of members	294
Number of houses constructed	223
Average area of land per house	1.5 dunums
Cost of houses not including land	£P. 38,528
Invested by members	£P. 6,476 (16.8%)
Obtained from loans	£P. 32,052 (83.2%)

The above societies are affiliated for the time being with the audit union of agricultural societies but it is intended that they should be transferred to the audit union of housing societies.

COOPERATIVE APARTMENT HOUSES.

This type of society developed during recent years as a result of the rise in the price of land and cost of construction in all the main towns and in Tel Aviv in particular. In all cases the property of societies of this type consists of a single apartment house which the society either erects or buys from building contractors and which it manages in the interest of its members. In most of these societies the member does not receive a title to any individual apartment. He merely owns a share or a certain number of shares in the society to the value of the apartment occupied by him. His only evidence of ownership consists of a contract of lease of his apartment, fixing the charges payable during a given period and stipulating how the property shall be registered when all the mortgages have been paid off. These stipulations follow two alternatives. One alternative, which is the most common, provides that a general meeting of members shall then be convened to decide upon the form of registration. The other alternative provides that the property shall then be registered in the joint name of all members in accordance with their respective shares. In a small number of these societies the property is registered on formation in the joint name of the members as individuals.

These societies are small organisations since their membership is limited to the number of apartments in the house. (The average membership does not exceed eleven per society). Some of these societies have been brought into existence by building contractors who erect apartment houses and advertise for prospective owners.

Naturally such methods of enlistment do not lend themselves to a proper selection of members and as a result it cannot be claimed that these societies are truly cooperative. It has been suggested that one of the main reasons why such apartment houses are registered as cooperative organisations is the fact that the transfer of shares, which in this case represent a flat in the house, is not subject to transfer fees, which would amount to 3% of the value of the property if the transfers were to take place through the Land Registry. Similarly the ownership of shares, instead of a title deed to a flat, facilitates transfers in case of inheritance, as the prevailing land and inheritance laws do not apply to shares representing immovable property.

The following details refer to the financing of housing societies. At present the financing of housing societies is not carried out by any special agency. It is undertaken by financial institutions and banks which specialize generally in mortgage loans, as well as by private individuals who invest their capital in mortgage securities. Recently, insurance companies also entered the field of mortgage loans. All these financing agencies make loans to individual cooperators as well as to cooperative organisations to finance their original project or to meet their temporary financial needs. No development in the direction of bond or preferred stock issues by societies or groups of societies has taken place nor has Government or any of the local authorities allocated any funds for cooperative housing. But it is clear that if cooperative housing is to expand in order to solve the housing problems of larger sections of the population the creation of a central housing fund would be desirable. Such fund could be raised by subscription for bonds or shares. Possible subscribers to such bonds would include cooperative credit societies, foundations and philanthropic organisations, insurance companies, banks and other business institutions, contractors and other bodies connected with the building trade, individuals, local authorities and Government. The bonds should bear a stated rate of interest and should run for not less than ten years.

The fund could be administered by a board of trustees elected by the shareholders or it might be administered by a cooperative housing federation especially created for the purpose. Another method of assisting cooperative housing would be the free grant of Government land to deserving housing schemes. The cost of land represents a very high proportion of the total housing costs. A grant of Government land where available would greatly reduce the cost to the individual whose housing problems the societies set out to solve. In this connection it may be stated that cooperative housing requires less money than municipal ownership of houses, makes the tenants the responsible owners, and promotes self-help and cooperation among tenants. These facts have been demonstrated by the experience in many European countries where both methods are in operation and where it has been found that cooperative housing costs less and is more efficient than municipal housing.

6. CONSUMERS' COOPERATION.

The consumers' cooperative movement in Palestine may be stated to have passed through two stages in its development. The first stage, which commenced in 1916 and concluded in 1930 was a period of experimentation. During that period consumers were not organised in local societies but a central supply and marketing body by the name of "Hamashbir" existed with branches in some of the main centres of the country. This body supplied household goods on a profit-sharing basis to labour groups and to individual members of the labour organisation and also acted as a marketing agency for the agricultural and industrial products of collective settlements and copartnerships of labour. In 1921, the Hamashbir registered as a cooperative society.

This arrangement was more or less of a temporary nature and for a number of reasons the experiment was not a success.

In 1930 the whole structure was broken up and reorganised on a new basis.

A central wholesale society under the name of "Hamashbir Hamerkazi" was created for the following objects:—

- (a) centralisation of the purchases of all collective settlements and other agricultural groups and societies affiliated with the General Federation of Jewish Labour;
- (b) marketing of grain and other non-perishable products of such bodies;
- (c) organisation of consumers in towns and villages in local societies.

Since the re-organisation the progress of local consumers' societies and of the central supply society has been steady though slow.

The following tables illustrate certain aspects of their development.

TABLE XL. LOCAL CONSUMERS' SOCIETIES AFFILIATED AND UNAFFILIATED ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1929—1937.

YEAR	No. of societies on register	No. of societies included in this table	No. of members	Share capital	Reserves	Deposits	Loans received and amounts due to creditors	Total resources
				£P.	£P.	£P.	£P.	£P.
1928	—	—	—	—	—	—	—	—
1929	1	—	—	—	—	—	—	—
1930	7	1	69	252	152	48	1,134	1,586
1931	12	5	368	990	752	68	4,450	6,260
1932	15	10	812	2,056	2,066	409	13,899	18,430
1933	25	16	1,297	2,902	4,870	—	25,554	33,326
1934	31	20	1,980	5,282	8,933	1,134	44,113	59,462
1935	37	31	3,455	8,110	12,190	1,412	78,742	100,454
1936	47	42	4,802	11,243	23,774	220	126,936	162,173
1937	55†	47	6,070	15,092	29,609	233	155,187	200,121

† Out of this number 49 societies were affiliated with Hamashbir Hamerkazi Ltd.

TABLE XLI. TRADE OF LOCAL CONSUMERS' SOCIETIES AFFILIATED WITH HAMASHBIR HAMERKAZI LTD. SINCE 1931.

	1931	1932	1933	1934	1935	1936	1937
(1) No. of societies	11 L.P.	15 L.P.	26 L.P.	34 L.P.	40 L.P.	44 L.P.	44 L.P.
(2) Total purchases in L.P.	37,522	48,373	89,000	161,919	245,984	320,861	303,816
(3) Purchases through central supply society	12,833	18,377	30,280	48,751	74,591	99,747	90,671
(4) Total sales	37,763	46,388	93,594	171,064	272,550	362,869	350,040
(5) Gross profits from sales	3,900	4,615	9,421	16,762	29,046	40,982	36,503
(6) Commissions	—	451	1,054	1,497	2,717	4,395	4,680
(7) Total gross profits	3,900	5,066	10,475	18,259	31,763	45,377	41,183
(8) General expenses	2,153	3,885	8,561	15,781	28,623	40,342	37,687
(9) Net profits	864	1,193	2,094	2,953	3,045	5,935	3,546

TABLE XLII. MEMBERSHIP AND OWN FUNDS OF LOCAL CONSUMERS' SOCIETIES AFFILIATED WITH HAMASHBIR HAMERKAZI LTD. SINCE 1931.

	1931	1932	1933	1934	1935	1936	1937
(1) No. of societies	11	15	26	34	40	44	44
(2) No. of members	772 L.P.	1,197 L.P.	2,063 L.P.	3,047 L.P.	4,067 L.P.	5,005 L.P.	5,459 L.P.
(3) Paid up share capital	1,547	2,253	3,226	6,244	8,663	10,975	13,376
(4) Reserve fund	—	—	1,423	3,691	6,267	9,674	12,163
(5) Other reserves	1,797	2,209	1,429	2,792	5,325	9,572	12,712
(6) Total own funds	3,344	4,462	6,078	12,727	20,255	30,221	38,251

TABLE XLIII. EMPLOYEES OF LOCAL CONSUMERS' SOCIETIES AFFILIATED WITH HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937.

Year	No. of societies	No. of employees	Salaries paid	Proportion of expenses on staff to total sales
			L.P.	%
1931	11	25	2,153	5.7
1932	15	30	2,636	5.7
1933	26	70	5,216	5.6
1934	34	131	9,988	5.8
1935	40	201	17,935	6.6
1936	44	243	23,525	6.5
1937	44	243	23,707	6.8

TABLE XLIV. JOINT BALANCE SHEET OF LOCAL CONSUMERS' SOCIETIES AFFILIATED WITH HAMSHIR HAMERKAZI LTD. AS AT 31ST DECEMBER, 1937.

LIABILITIES		ASSETS	
	LP.		LP.
Share capital	13,376	Cash in hand & banks	5,405
Reserves	24,875	Stock in trade	23,081
Bills payable	80,824	DEBTORS :	
Sundry creditors	61,794	(1) Members	64,238
Net profit	1,742	(2) Non-members	3,500
		Sundry debtors	29,424
		Bills receivable	7,349
		Immovable property	21,780
		Inventory	14,425
		Securities	11,855
		Other accounts	1,554
	182,611		182,611

GENERAL OBSERVATIONS.

(1) Table XL, shows a membership of 6,070 at the end of 1937. Notwithstanding the fact that in the course of the 8 years covered by the table some societies did not expand and others lost members—the gains made were great. The total membership at the end of 1937 was nine times as large as in 1930. The members of local cooperative consumers' societies are usually the heads of families but the population actually supplied by consumers' societies is almost 4 times as great. It is therefore estimated that local consumers' societies served a population of over 24,000 souls. While in the consumers' cooperative movements elsewhere the aim is generally to reach as many persons as possible and open membership is one of the fundamental tenets of consumers' cooperation—the affiliated societies restrict their membership to members of the General Federation of Jewish Labour, although their rules provide that in certain cases local residents, non-members of the Federation, may be admitted. This is due to the general tendency of the General Federation of Jewish Labour to limit membership in its affiliated societies to persons who are members of their organisations. Numerical restrictions there are none. The qualifications for membership are residence in the locality and an undertaking to give the society patronage.

(2) Table XLI shows that during the seven years' period 1931-1937 the local consumers' societies had total sales of £P.1,334,268 and net profits of £P.19,630. The average sales and profits per society during this period is shown in the following figures:—

Year	Average sales	Average profits	%	
	LP.	LP.		
1931	3,433	79	2.3	Net after allocation to reserve fund
1932	3,092	80	2.6	do
1933	3,600	81	2.2	do
1934	5,031	87	1.7	Net prior to allocation to reserve fund
1935	6,814	76	1.1	do
1936	8,247	135	1.6	do
1937	7,955	81	1.0	do

In the course of the seven years under review most of the local consumers' societies made no refund on patronage and instead all profits were retained by them and allocated to general or special reserves. In this respect these societies deviate from the general practice of consumers' societies where a refund on patronage is an outstanding feature and a fundamental principle. They follow the practice of those societies which instead of returning patronage dividends use any profits for social or general welfare purposes. The deviation may be justified on the score of the smallness of the profits and is based on the necessity to build up reserves to cover unexpected losses in the early years of the societies' existence. Only 30 percent of the local consumers' societies make refunds on patronage after allocating adequate sums to the reserve funds.

(3) Table XLII shows that the total resources of consumers' societies built up by members' contributions to share capital and by appropriations to reserves from the profits from year to year amounted at the end of 1937 to £P.38,251 or an average of £P.865 per society. 43% of the societies had resources of less than £P.500 each, 21% had resources of between £P.500—1000 each and 36% had more than £P.1,000 each, one society had resources amounting to £P.4,100. The share capital of the societies totalled £P.13,376 or £P.304 per society and £P.2.4 per member. Reserves to cover unexpected losses including special reserves, such as provident funds for employees and building funds, amounted to £P.24,875 or £P.565 per society.

(4) Table XLIII shows that during 1937 the societies employed 243 $\frac{1}{4}$ full time workers and paid in salaries £P.23,707, the average salary being £P.97 per employee per annum. The employees performed the following functions:—

(a) Management	32 $\frac{2}{3}$	employees
(b) Sales	140 $\frac{1}{2}$	employees
(c) Production	17 $\frac{3}{4}$	employees
(d) Accounts	29 $\frac{5}{12}$	employees
(e) Cashiers	3 $\frac{1}{2}$	employees
(f) Delivery	11 $\frac{3}{4}$	employees
(g) Sundry	7 $\frac{2}{3}$	employees
Total	243 $\frac{1}{4}$	employees

(5) Although "cash" sales is one of the fundamentals laid down by the founders of the consumers' movement and has been adopted as a guiding principle wherever the movement has spread — Palestine societies have so far been unable to enforce it. At the end of 1937 an amount of £P.104,511 was due to local consumers' societies on account of goods sold on credit. This amount is composed of the following items:—

	LP.
From members	64,238
From non-members	
(a) individuals	3,500
(b) others	29,424
Bills for collection	7,349
	LP. 104,511

The following table compares the state of credit sales in the seven year period 1931-1937:—

TABLE XLV. CREDIT SALES IN LOCAL CONSUMERS' SOCIETIES AFFILIATED WITH HAMASHBIR

Year	Total sales	Total credit outstanding at end of each year	%
	LP.	LP.	
1931	87,763	—	—
1932	46,388	—	—
1933	93,594	22,562	24.1
1934	171,064	36,841	21.5
1935	272,550	61,211	22.5
1936	362,869	85,723	23.6
1937	350,040	104,511	29.8

The above figures indicate that credit sales have been highest in years of increased unemployment when labour consumers' societies found it impossible to adhere to a sound credit policy at a time when most of their members were without funds. Another justification for the extension of credits which is frequently advanced is that in Palestine, where shopkeepers sell freely on credit, a considerable period will be required to train members to purchase for cash from their societies. Be this as it may, the practice of credit sales, which has been one of the most frequent and potent causes of business failure among consumers' cooperatives elsewhere, is strongly opposed by Jewish cooperators and every effort is being made by the central bodies and by the audit union of consumers' societies to put a stop to it or to restrict it considerably. A conference of consumers' societies held in October, 1937, decided to restrict credit sales to an average of 42 days purchases. The consumers societies of Tel Aviv have adopted cash sales altogether and have arranged that consumers can obtain small loans from a central fund in order to arrange their purchases on a cash basis.

(6) The local consumers' societies handle all kinds of consumers' goods (groceries, clothing, house furnishings, dairy products, delicatessen, non-alcoholic beverages, dry goods, etc.), and in a few cases also building materials and farm supplies such as tools, feeds, seeds and fertilizers. Very little production is engaged in by the consumers' societies and only 23 societies carry out any activities in this line. One village consumers' society deals only in bread and its members are local consumers' societies in neighbouring villages.

(7) Of the 49 affiliated societies, 9 are situated in urban centres (Tel-Aviv and Haifa) while the balance are in rural areas both in old and new settlements. In this connection it is of interest to note that in all the smallholders settlements affiliated with the General Federation of Jewish Labour no private stores are allowed and settlers can only obtain their goods from consumers' stores.

(8) The 49 societies are affiliated in the first place with the audit union of consumers' societies and secondly with the "Hamashbir Hamerkazi". They contribute to a central fund which provides working capital to consumers' societies in the early days of their activities. The capital of this fund, to which the central supply society also contributes, amounted to £P.2,533— at the end of 1937.

HAMASHBIR HAMERKAZI. (PALESTINE CENTRAL WHOLESALE SOCIETY LTD.).

The above society may be described as a cooperative wholesale society. Its business is to supply its members with goods of all descriptions and to sell certain of their products. Its membership consists of local consumers' societies or consumers' organisations, collective settlements and groups, general agricultural societies, training farms, agricultural schools and experimental stations, labour kitchens, smallholders settlements, labour hospitals, central marketing societies, settlement agencies, contracting and other cooperative societies. Member societies are required to take up shares in proportion to the size of their membership. The society pays shareholders dividends based on patronage. A number of its shares are held by the General Federation of Jewish Labour and by colonising institutions. The following table illustrates the operations of the society since 1931 :—

TABLE XLVI. SALES OF HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937.

Year	Total Sales in LP.	To local consumers' societies in LP.
1931	64,485	12,838
1932	89,360	18,377
1933	122,816	30,280
1934	198,869	48,751
1935	272,887	74,591
1936	336,410	99,747
1937	409,545	90,671

The sales are not always on a cash basis. The society extends credit facilities for periods of four months and over. The longer terms are granted in the case of purchase of machinery, chemical fertilizers, etc. In the case of cash sales a rebate is granted. The following table shows the state of indebtedness of members to the Hamashbir Hamerkazi during the years 1931-1937 :—

TABLE XLVII. INDEBTEDNESS OF MEMBERS OF HAMASHBIR HAMERKAZI LTD. IN RESPECT OF SALES DURING THE YEARS 1931—1937.

Year	Total sales	Indebtedness at the end of the year	%
	LP.	LP.	
1931	64,485	23,990	37.2
1932	89,360	36,211	40.5
1933	122,816	42,491	34.6
1934	198,869	63,963	32.2
1935	272,887	102,254	37.5
1936	336,410	114,143	33.9
1937	409,545	133,949	32.7

The usual lines of goods carried by the society are groceries, grain, seeds, agricultural machinery, tools and implements (including all requirements of gardening, dairying, poultry, farming, apiculture and irrigation), laundry and kitchen installations, tractors, harvesting combines and spare parts, pumps, water metres, wire netting, cooling and freezing plants, building materials, chemical fertilizers and electric motors.

TABLE XLVIII. VALUES OF MEMBERS' PRODUCTS MARKETED BY HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937.

Year	LP.
1931	3,049
1932	8,394
1933	8,420
1934	38,574
1935	39,158
1936	35,716
1937	39,276

The above figures refer only to grain and fodder. They do not include industrial products manufactured by members such as bee-hives, wax foundations, wire netting and water installation parts, etc., which are also marketed.

Members were not bound to market their products through the Hamashbir Hamerkazi and the operation was entirely voluntary before 1937. Nevertheless, grain-producing collective settlements always marketed their grain through the society. At a conference held in May, 1937, grain marketing through the society became compulsory for all members and for this purpose special machinery was set up.

TABLE XLIX. PURCHASES OF THE HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937.

Year	Total purchases	Imported products	Local products	
			Agricultural	Industrial
	LP.	LP.	LP.	LP.
1931	62,785	23,598	12,000	27,187
1932	82,377	34,833	14,000	38,544
1933	111,765	59,781	16,000	35,984
1934	182,048	67,627	48,000	66,421
1935	245,632	104,332	50,000	91,800
1936	298,454	121,784	60,000	116,670
1937	358,525	161,283	65,000	132,242

The total purchases of the Hamashbir Hamerkazi from all sources including goods sold on commission in the course of the seven years 1931-1937 amounted to £P.1,341,586 as compared with its total sales during the same period of £P.1,494,372 the difference being accounted for by cost of handling by various services and by the "surplus" which is partly distributed as a dividend on purchases to members and partly allocated to reserves. In obtaining its supplies the Hamashbir Hamerkazi employs several methods. Local products are mainly bought direct from the source of production. Imported products are either bought in the open market through brokers or middlemen, or by direct orders from the producers. Part of its goods are brought from the Cooperative Wholesale Society at Manchester and some purchases are ordered through them. The object of the society is to eliminate middlemen altogether and where purchase from the main source is not possible to buy as directly as possible. In some cases the society acts as agent distributors for producing firms, both foreign and local. This policy is especially followed in the case of fodder, flour, fuel and machinery. To a limited extent the society also undertakes productive processes. At present, its productions are limited to small agricultural tools, bee-hives, wire netting and spare parts of agricultural machinery which previously were imported from abroad.

The society's policy is to purchase its goods on a cash basis as far as possible. The following table shows the proportion of cash and credit purchases in the period 1931-1937 (goods handled on commission are not included) :—

TABLE L. CASH AND CREDIT PURCHASES OF HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937 (EXCLUDING GOODS HANDLED ON COMMISSION).

Year	Total purchases LP.	Cash purchases LP.	%	Credit purchases LP.	%
1931	41,766	21,034	50.4	20,732	49.6
1932	57,184	30,701	53.7	26,483	46.3
1933	83,732	41,750	49.9	41,982	50.1
1934	103,688	63,924	61.7	39,764	38.3
1935	155,020	93,224	60.1	61,796	39.9
1936	221,008	142,749	64.6	78,259	35.3
1937	259,801	180,534	69.5	79,267	30.5

The following table illustrates the gross profits of the society according to four classifications :—

TABLE LI. PERCENTAGE OF GROSS PROFITS OF HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937, BASED ON SALES.

	1931	1932	1933	1934	1935	1936	1937
	%	%	%	%	%	%	%
(a) Gross profits on sales plus commissions	8.02	6.44	6.80	7.34	8.00	8.24	7.22
(b) Gross profits in (a) plus commissions on members' goods marketed	—	6.67	6.66	6.40	7.15	7.63	6.74
(c) Gross profits in (b) plus interest on own funds	9.14	7.26	7.44	6.60	7.15	7.63	6.74
(d) Gross profits in (c) plus profits on machinery sales	—	—	—	6.70	7.38	7.67	7.59

The capital of Hamashbir Hamerkazi amounted, at the end of 1937 to £P.54,698 made up of share capital £P.20,612 (of which £P.16,612 come from members and £P.4,000 from institutions) and of other funds £P.34,086. The following table shows the growth of the society's capital in the years 1931-1937 :—

TABLE LII. CAPITAL OF HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937.

	1931	1932	1933	1934	1935	1936	1937
Members' shares	809	1,587	2,223	2,831	3,784	8,949	16,612
Institutions' shares	2,711	3,000	3,400	3,850	3,850	4,000	4,000
General reserve fund	1,402	3,088	4,967	7,815	12,042	17,560	23,500
Reserve for doubtful debts	300	850	1,637	2,425	3,600	5,000	6,000
Loan reserve	472	230	206	160	160	—	—
Training of employees reserve	—	—	120	180	193	233	286
Building reserve	—	—	—	1,237	1,237	2,000	2,800
New development reserve	—	—	—	—	—	1,000	1,500
	5,694	8,755	12,553	18,498	24,866	38,742	54,698

The total amount of dividends refunded by the society on account of purchases by members during the years 1931-1937 amounted to £P.19,999 or 1.75% on the total sales. The following table shows the refunds of dividends by years :—

TABLE LIII. REFUND OF DIVIDENDS BY HAMASHBIR HAMERKAZI LTD. DURING THE YEARS 1931—1937.

Year	Total sales to members	Refund	%
	LP.	LP.	
1931	48,883	977	2.00
1932	58,902	1,170	1.98
1933	95,906	1,662	1.73
1934	169,663	2,543	1.50
1935	188,812	3,461	1.83
1936	253,318	4,523	1.78
1937	327,269	5,663	1.73

Other activities of the Hamashbir Hamerkazi may now be mentioned briefly :—

- (a) In cooperation with the Central Tnuva, the Hamashbir founded a limited company named "La Yam" to supply articles of food to steamers anchoring in Palestine harbours. The sales of this company in 1937 amounted to £P.3,753 yielding a net profit of £P.300.
- (b) In collaboration with other cooperative institutions of the General Federation of Jewish Labour, the Hamashbir Hamerkazi Ltd., issue a fortnightly publication on cooperative subjects under the name of "Hameshek Hashetufi" (The Cooperative Bulletin) and also publishes popular pamphlets on cooperative topics.
- (c) The Hamashbir Hamerkazi is member and shareholder of the Cooperative Wholesale Society, Manchester, participates in the International Cooperative Agency which has its seat in London, and contributes to special funds created to assist local consumers' societies and to equip kitchens in collective settlements. The first fund amounted, at the end of 1937, to £P.2,533 and the second fund to £P.2,240. The Hamashbir Hamerkazi is also a member of the International Central Wholesale Society, Manchester which is the apex institution of the National Wholesale Societies.

The balance sheet of the Hamashbir Hamerkazi as at 31.12.37 concludes this review :—

TABLE LIV. HAMASHBIR HAMERKAZI (PALESTINE COOPERATIVE WHOLESALE SOCIETY LTD).
BALANCE SHEET AS AT THE 31ST DECEMBER, 1937.

LIABILITIES				ASSETS			
	LP.	LP.		LP.	LP.		LP.
OWN CAPITAL				CASH ON HAND AND AT BANKS			
Share capital		16,612					2,696
Capital fund (preferential to ordinary share capital)		4,000		INVESTMENTS			
Reserves :-				Workers' Bank Ltd., Shares		2,540	
General reserve	LP. 23,500			Participation in Consumers' Co-operative Fund		1,265	
Reserve for doubtful debts	LP. 6,000	29,500		Participation in Fund for improvements of kitchens at collective settlements		500	
Other Funds :-				Shares in Cooperative Wholesale Society, Ltd. Manchester,		1,231	
Building reserve fund	LP. 2,800			Shares in Nachshon Co., Ltd.		350	
Fund for development for new enterprises	LP. 1,500			Shares in Nir Co., Ltd.		150	
Fund for training of employees	LP. 286	4,586	54,698	Shares in International Cooperative Agency Ltd, London		50	
				Shares in Layam Co., Ltd,		25	
				Membership fees in Halvaa Vehisachon Cooperative Society Ltd, Tel Aviv		10	6,121
BANKS				IMMOVABLE PROPERTY, at cost			
Workers' Bank Ltd.		22,471		Building and additional adjoining building plot at Tel Aviv		12,304	
Other Banks		36,787	59,258	Stores and plot for building materials		2,988	
CREDITORS				Preliminary expenses on additional building at Tel Aviv		194	
Bills payable during 1938	LP. 16,025			Building plots at Tel Aviv, Haifa and Affule		2,895	18,381
Bill payable after 1938	LP. 3,579	19,605		FURNITURE AND EQUIPMENT			
Members		4,074		(After writing off LP. 282)			1,125
Suppliers and others		22,482	46,161	STOCK IN TRADE			
PROFIT				Groceries, fodder etc, at cost		16,628	
Balance of Profit and Loss Account for 1937			5,663	Machines and spare parts, at cost		13,191	
OTHER ACCOUNTS (per contra)			70,017	Building materials, at cost		14,835	
				Goods in transit and letters of credit on account of goods		3,081	47,735
				BILLS RECEIVABLE			
				From members		53,755	
				From other customers		3,214	56,969
				DEBTORS			
				Members		22,121	
				Other customers		8,090	
				Suppliers and others		2,341	32,552
				PREPAID EXPENDITURE			
							201
				OTHER ACCOUNTS (per contra)			
							70,017
TOTAL	LP.	235,797		TOTAL	LP.	235,797	

7. MISCELLANEOUS SOCIETIES.

In this group are included societies which perform the following functions:—

(a) Life insurance	3 societies
(b) General purposes	1 society
(c) Warehousing in port areas	1 society
(d) Maintenance of public institutions	2 societies
(e) Distributive services	1 society
(f) Collective purchases and sales	2 societies.

At the end of 1937 there existed three life insurance societies with a total membership of 1,019. One of these societies was registered in 1930 for the purpose of taking over the business of the then existing life insurance department of an urban credit society. The society restricts its activities to members of that urban credit society. The system under which this society functions may be described as an "improved levy" system which works out as follows:— A member joining the society pays an entrance fee which is based on a sliding scale rising in accordance with the age of the member. He then pays a small annual premium and a levy equal to that premium whenever a death of a member occurs. These annual premiums vary between £P.0.350 and £P.2.500, depending on the age of the members. The calculations of the society are based on levies in excess of the amount necessary to cover the death claim (which in no case exceeds £P.300). Any surplus is used to improve and increase the reserves of the society against such time, when owing to the depletion of the number of members, a levy might fail to produce the value of the policy. The rules of the society provide that members who default in the payment of premiums or levies lose their insurance benefits and on their death the entrance fee only is refunded to their heirs. At the same time the society enables members to borrow the necessary amounts to meet their obligations in connection with the payment of premiums and levies.

The balance sheet and income and expenditure account of this society as at the end of December, 1937 are reproduced below

Balance Sheet

LIABILITIES			ASSETS		
	£P.	£P.		£P.	£P.
Capital			Cash at bank		2,465
654 shares 250 mils each	163		Investments		5
Entrance fees	3,760		Debts from members		583
Reserve fund	3,144	7,067	Loans granted to members against mortgages repayable within 12 months hereof	6,060	
Creditors			Less interest in advance	1,584	4,475
Excluded members	341				
Sundry creditors	120	461			
		7,528			7,528

Income and Expenditure Account

EXPENDITURE			INCOME	
	£P.	£P.		£P.
Death claims (3 deaths)	900		Annual premiums	535
Administration expenses	762	1,662	Levies on account of 3 deaths	1,552
Surplus of income over expenditure		918	Reduction from death claims	64
			Entrance fees and shares of deceased members	30
		2,580	Interest	399
				2,580

The surplus carried to the reserve fund amounted to £P.918. The total number of death claims made against the society since 1924 (including those against its predecessor, the life insurance department of the urban credit society) amounted to 45 i.e. 3.2 per annum. This low rate of claims is evidence of the great care which the society exercises in the selection of its members.

The second society was registered in 1933. It is affiliated with the Mercaz Audit Union of Credit Societies and restricts its activities to the members of a rural credit society. This society employs the fixed premium system. A member, on joining the society, pays an entrance fee based on his age at the time of joining and an annual premium which varies in accordance with the terms of his policy.

In the case of default in the payment of premiums the member loses his insurance benefits and forfeits his entrance fees but is entitled to a refund of all his premiums paid, without interest.

The development of this society since its registration in 1933 is shown in the following figures :—

	31.12.33	31.12.34	31.12.35	31.12.36	31.12.37
LIABILITIES	£P.	£P.	£P.	£P.	£P.
Shares	—	239	300	1,021	591
Reserves from accumulated profits	—	9	59	151	262
Reserves from entrance fees	554	1,322	2,178	2,427	2,987
Premiums	447	1,619	3,618	5,761	7,923
Creditors	—	—	—	115	174
	1,001	3,189	6,155	9,475	11,937
ASSETS					
Cash at Bank	1,001	3,189	6,155	9,475	11,937
	1,001	3,189	6,155	9,475	11,937
Number of insured	118	239	300	322	344
	£P.	£P.	£P.	£P.	£P.
Amount of insurance	16,000	39,000	59,000	62,800	68,500
Average amount per insured	141	164	197	195	185
Average age of insured	32.4 years	32.1 years	32.4 years	32.6 years	33 years

The society paid two death claims in the total amount of £P.300 in the 5 years of its existence.

The third life insurance society was registered in 1931 for the purpose of concluding life insurance business amongst the members of an urban credit society. It has not yet commenced operations.

The society for general purposes is known by the name of Hevrat Haovdim Haivrim Hashetufit Haklalit be Eretz Israel Ltd. It is the juristic body of the General Federation of Jewish Labour and its objects as described in its rules are "to unite Jewish Labour in Palestine on a cooperative basis in all branches of work, manual and intellectual." For this purpose the society has very wide powers to hold property of any kind, to obtain concessions and licences, to establish factories, towns and villages, to undertake contracts of every description, to establish stores and to maintain services, to own banks and insurance companies, to register subsidiary societies, to manage special funds and generally to engage in any business and trade and do all such things which are incidental or conducive to the attainment of its objects.

The membership is restricted to workers "living on their toil". The rules provide that no part of the profits of the society may be distributed amongst its members but that profits shall be used for the improvement of conditions of life and work of the working class, and in particular for the establishment of schools, publication of periodicals, grants to the workers' sick and pension funds, workers' organisations, trade unions etc.

Every member assumes a liability of £P.5 for the debts of the society and undertakes to pay an annual contribution of 100 mils. The principal benefits provided for members are the provision of employment in any of the society's undertakings and the use of its social and cultural institutions.

The growth of this society is indicated in the following figures :—

Year	Number of members	Own and borrowed funds £P.
1925	16,218	3,862
1926	22,965	5,915
1927	22,538	9,385
1928	24,869	40,460
1929	26,049	30,390
1930	28,453	9,613
1931	28,563	12,302
1932	33,875	12,211
1933	46,689	11,581
1934	57,606	22,525
1935	80,494	37,078
1936	89,001	62,819
1937	99,968	77,992

The warehousing society was established by three credit societies with the object of providing for their members warehousing facilities in port areas. The society has warehouses in the Haifa port area and undertakes the storing of goods of members delivered for import, export, in transit or in bond, clearance of such goods through the customs, forwarding services, etc., and the grant of advances on the security of such goods.

At the end of 1937 there were two societies for the maintenance of public institutions. One society maintained and administered a synagogue on Mount Carmel and the other a sports club and sports field in the settlement of Rehovot.

The society for distributive services is an organisation of milkmen in Tel Aviv. Its object is to regulate the distribution of milk through its members by allotting areas for each member and eliminating competition.

The societies for collective purchases and sales are associations of small traders. One society undertakes collective purchases on behalf of food retailers. The other society acts on behalf of poultry dealers undertaking joint purchases and regulating sales in a number of stores.

The general progress of miscellaneous societies since 1921 is shown in the following table :—

TABLE LV. MISCELLANEOUS SOCIETIES ON REGISTER, THEIR MEMBERSHIP AND RESOURCES DURING THE YEARS 1921—1937.

Year	Number of Societies on register	Number of Societies included in this table	Number of members	Share capital £P.	Reserves £P.	Loans received and amounts due to creditors £P.	Total resources £P.
1921	—	—	—	—	—	—	—
1922	—	—	—	—	—	—	—
1923	—	—	—	—	—	—	—
1924	1	—	—	—	941	2,921	3,862
1925	2	1	16,218	—	2,579	3,336	5,915
1926	2	1	22,965	—	3,838	5,547	9,385
1927	2	1	22,538	—	8,455	32,005	40,460
1928	2	1	24,869	—	3,747	26,643	30,390
1929	2	1	26,049	—	5,285	4,328	9,613
1930	3	1	28,453	—	—	—	—
1931	4	2	29,060	3,250	11,509	3,951	18,710
1932	5	2	34,390	3,280	12,594	3,641	19,515
1933	5	2	47,318	4,006	14,527	1,851	20,384
1934	7	3	58,513	4,225	24,750	5,623	34,598
1935	8	4	81,465	4,935	37,272	11,311	53,518
1936	8	5	90,036	6,070	51,745	28,023	85,838
1937	10	8	101,063	8,284	80,743	21,640	110,667

DEPARTMENT
OF
REGISTRAR OF COOPERATIVE SOCIETIES

Staff on 31.12.1937.

Registrar of Cooperative Societies	Mr. Arthur Frederic Nayton O. B. E.
Cooperative Auditor	Mr. Isaac Roskin Levy
Jewish Inspector*	Mr. Jonathan Blumenfeld
Arab Inspector	Rasem Eff. Khalidi
Field Organisers	Mohammed Eff. Abu Zaid
	Salah Eff. Nahawi
	Diab Eff. Fahum
	Ghaleb Eff. Aarafat
	Azmi Eff. Abu Su'ud
Chief Clerk	Mr. Jacob Levy
Statistical Clerk	Mr. Yeruham Ben Dror
General Clerks	Mr. Efraim Halaban
	Saleh Eff. Tewfik Hussayni
	Mr. Boaz Stern

(*In the absence of the Registrar of Cooperative Societies the Jewish Inspector acts for him).

Expenditure of Department on personal emoluments

1933/34	LP. 2,105
1934/35	2,171
1935/36	2,510
1936/37	3,106
1937/38 (9 months)	3,041

(N. B.— One Palestine Pound (L.P.) equals one Pound Sterling (£)).