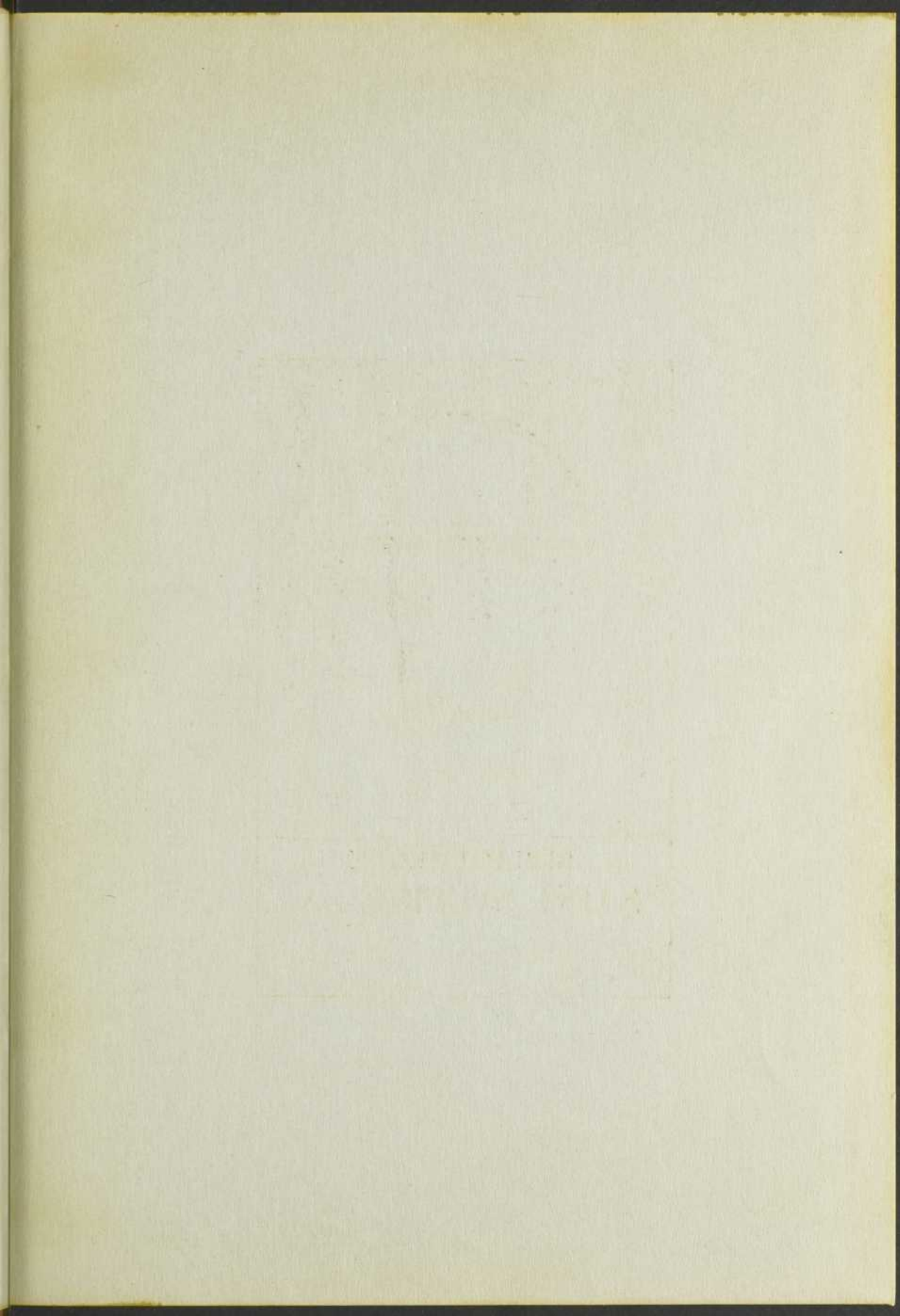
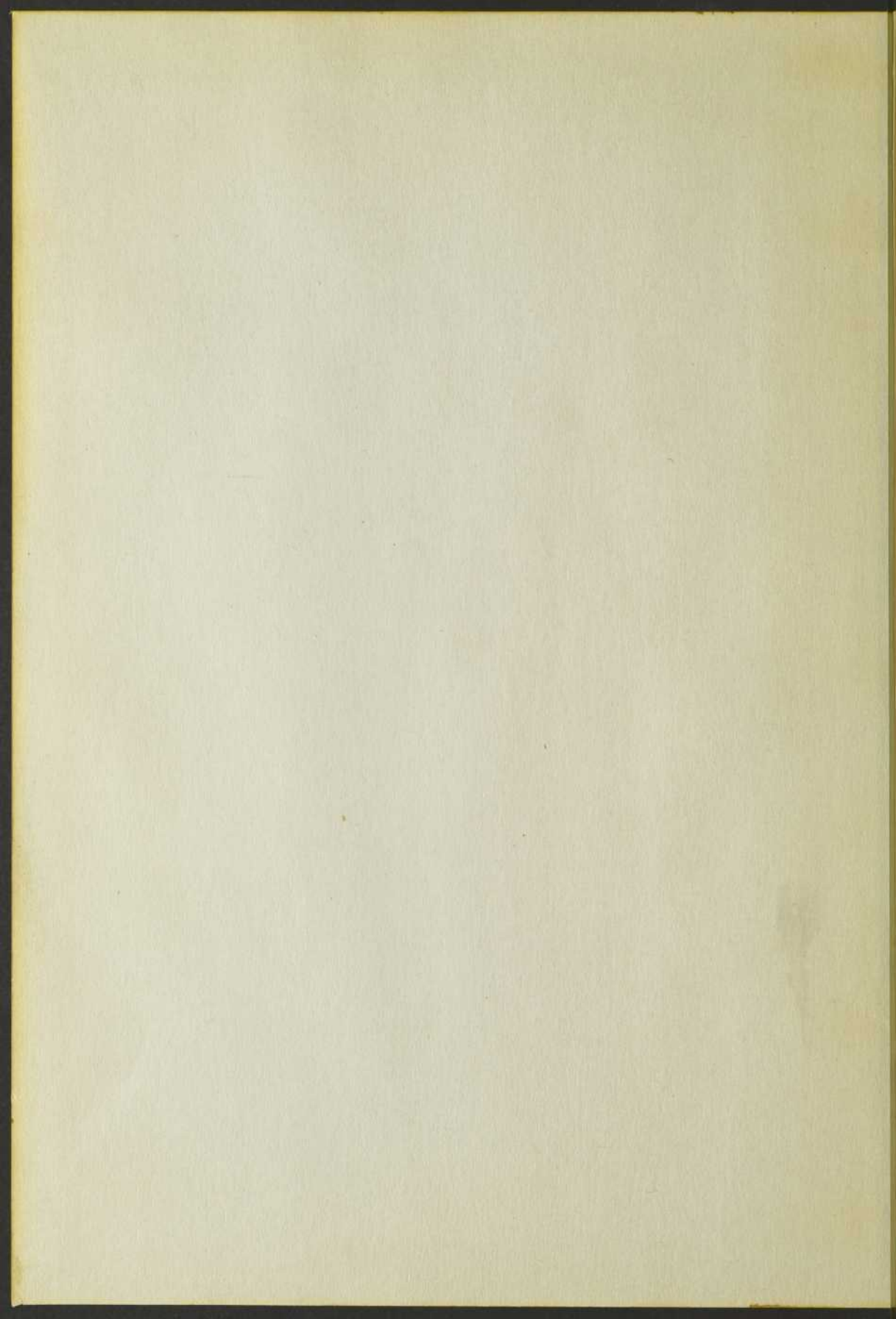










Rep.

CO-OPERATIVES

*TODAY and
TOMORROW*

A
CANADIAN
SURVEY

By GEO. S. MOONEY

Prepared for the Survey Committee

Montreal

1938

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CO-OPERATIVES TODAY and TOMORROW

A CANADIAN SURVEY

By

Geo. S. Mooney

To: Emile Vaillancourt,
as an inadequate
expression of my
appreciation for his
writing: "Knots."

Geo. S. Mooney
Sept. 12/39.

PREPARED FOR THE SURVEY COMMITTEE
MONTREAL
1938

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FOREWORD

The cooperative movement is today attracting wide attention. Its steady growth over the best part of a century, amongst all kinds of people in different stages of economic development, seems proof of its practical efficiency, while there is little question of its steadying influence upon wages, prices and employment. The democratic nature of its organization is particularly interesting, as an illustration of how democracy may be applied in the economic sphere. In North America cooperation has made comparatively slow progress until recently, but there are signs of its growing importance in both the producer and the consumer fields.

In the belief that a study of the cooperative movement from the Canadian point of view would be welcomed, a committee calling itself the "Montreal Survey on Cooperation" was formed in 1936. It was fortunate in securing Mr. Mooney as director of research, and to him must go the credit for the collection of the material for and the preparation of this report. Publication has been made possible through the help of friends, to whom the thanks of the Committee are due. The views expressed in the report are, of course, purely individual.

FOR THE COMMITTEE:

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G. E. Trueman.

BY WAY OF ACKNOWLEDGEMENT

It will be readily discernable to anyone acquainted with the vast amount of literature on the Co-operative Movement that this present study offers no new interpretation of its economic or social significance. It is simply a factual analysis, an appraisal of its historical and current trends and development. Much of the information herein recorded is based upon a first-hand observation of co-operative enterprises in Canada, the United States and Europe. In addition, I have been fortified in my analysis by an examination of much statistical and financial data. Also, during recent years, I have been privileged to meet many of the leaders of the movement both at home and abroad, and to discuss with them its practical operations. Finally, I have rounded off my study of co-operation by a generous reading over many years of most of the books and pamphlets on the subject.

In this latter connection, I have indicated by footnotes or in the text my source of quoted material. It remains for me to acknowledge gratefully the help such authorities have provided. Likewise, to many others who have been of invaluable assistance in finally getting this book to the print shop. To the members of the sponsoring Committee, especially to Father Wm. X. Bryan, S.J., Prof. Leonard C. Marsh, Prof. F. R. Scott, and Mr. F. M. Aykroyd, all of whom I have consulted frequently and whose criticisms have been uniformly helpful; to Mrs. Helen Marsh from whose writings I have quoted and who helped in the proof-reading of the final text; to Miss Jessica Allen and Miss Laure Dansereau who devoted many after-work hours to typing the manuscript; to Miss Ella Grant who gave valuable assistance in analyzing certain of the data—and to a host of others who through correspondence and interviews have offered coveted advice and useful information. Particularly am I indebted to Prof. J. E. Lattimer who contributed the material for the chapter on Co-operation in Agriculture.

In order to make possible a popular priced edition, many supporting statistical tables and other data, as well as several complete chapters from the original manuscript, were eliminated. In addition, the remaining chapters were subject to condensation.

It is to be hoped that this series of operations has not too seriously mutilated what is intended to be a comprehensive survey of the more important aspects of the Co-operative Movement.

I would like to emphasize that co-operation is a flexible technique with many applications. As such, it is adaptable to most business enterprises and is modifiable within the formula of its established and proved working principles. But it is also necessary to warn the public that attempts are frequently made to promote enterprises that are improperly called "co-operative". It is one of the hopes of this book that it will make clear the difference between the true and spurious co-operatives.

If this study of the Co-operative Movement errs on the side of a sympathetic interpretation of its place and progress in the world economy, it is only because one cannot familiarize oneself intimately with its workings without acquiring at least a mild bias in its favour.

On the other hand, I have tried to uncover its weaknesses as well as its strength; its abuses as well as its virtues; its limitations as well as its breadth.

I believe all figures and facts which are quoted are accurate.

If, in supplying the warmth of human content to them, my interpretation may appear erroneous, the facts themselves remain, upon which those who may disagree with this analysis may build their own conclusions.

Montreal, June 30th, 1938.

G. S. M.

CHAPTER I

WHAT IS THE COOPERATIVE MOVEMENT?

There is abroad a wide and growing interest in the Cooperative Movement. Amongst all sorts and conditions of people its merits, or otherwise, are the subject of spirited conversation. On the boulevard and below the tracks people are talking about "the middle way". In cloister and factory, in study groups and public rostrums, on the farm and in fishermen's hamlets, in daily editorials and Sunday sermons, Co-operation is a theme for discussion.

To some people it is the complete cure-all for the ills of the body economic. To others, it is a sugar-coated palliative, an innocuous and therefore acceptable alternative to the more radical proposals that are being offered. While to those who are opposed to progress at any price, it is a subservise doctrine—mild, but none the less threatening—and as such deserves but short shrift from any responsible citizen. The truth about Co-operation most probably lies somewhere between the first two points of view.

Because we are interested in facts let us turn to the proponents of Co-operation and ask them to explain to us precisely what it is all about.

Their answer is straightforward and simple. The Co-operative Movement is a business enterprise, world-wide in scope, but local in origin, whereby consumers, in voluntary association, purchase and produce for their own use the things they need. Similarly, it provides a method, tried and proven, whereby producers, such as farmers or fishermen, may band themselves together for the two-fold purpose of marketing their products and buying those commodities, like binder-twine or salt, which are necessary for their respective undertakings.

Historically, the movement came into being in its now accepted form, as the result of the efforts of a group of weavers, in

the little town of Rochdale, England, in the year 1844¹. Their organization, known as the "Equitable Society of Rochdale Pioneers", comprising 28 members and having \$140.00 in capital, thought out the principles and formulated the methods upon which the International Co-operative Movement has since grown and developed into its present monumental proportions.

These principles and methods can be briefly summarized as follows:—

A. Principles of Co-operation:—

1. Co-operative Societies are democratically controlled. That is, each member has one vote in the affairs of the society, irrespective of the number of shares he may hold, and there is no voting by proxy.

2. Money invested in a Co-operative Society does not receive interest, if any, at more than the prevailing current rate².

3. The profits of a Co-operative Society, after allowing for depreciation and allocating not less than a fixed percentage to a reserve fund, are distributed among the members in direct proportion to the amount of patronage they have given the society. This return of net profits, on a per capita patronage basis, is the co-operative "dividend".

B. Methods of Co-operation:—

(Sometimes referred to as the Secondary Principles.)

1. Co-operative Societies are voluntary organizations. New members are attracted primarily through educational propaganda.

2. Membership is unrestricted and unlimited. Persons can be excluded from a society for the sole reason that their purpose is known to be that of doing injury to the society. No one is barred for any reasons of race, creed, class, colour or political persuasion.

3. Business is done for cash³.

(1) Scotland also claims that the Co-operative Movement found its origin within her borders. The claim is based on documentary evidence which shows that the Fenwick Weavers Society began Co-operative trading in the year 1769. Co-operative historians, however, are unanimous in tracing the present forms of the movement to the Rochdale Pioneers.

(2) In the English Co-operative movement this has never exceeded five per cent.

(3) This principle has been modified in recent years in some of the larger British Societies. But it would still appear to be axiomatic for smaller or newly organized units.

4. Non-members, purchasing goods from a Co-operative Society, may become members by allowing their share of the net profits to be applied towards their initial share of capital.

5. A portion of the profits of a Co-operative Society is always set aside to be used for educational purposes in the field of Co-operation. Education is an integral part of the Co-operative programme.

6. Goods and services are, generally speaking, sold at the prevailing market prices.

7. At each inventory, reserves are set aside to cover depreciation and unforeseen difficulties arising in the operation of the business.

8. Labour must be fairly treated.

9. Co-operative Societies co-operate with one another.

The consistent application of the foregoing principles and methods of Co-operation have proved to be solid rock upon which the movement has grown and developed. They are concise, clear, and definite; and save for reasons of local circumstances where, because of political or other domestic factors, some modification has had to be resorted to, they are the universally accepted principles of the movement throughout the world.

A study of the causes of failures of Co-operative Societies reveals with repetitive monotony that they have been due, almost without exception, to the departure from one or another of these proven cardinal principles. A Co-operative Society organized by well meaning but uninformed people, or even by people who understand Co-operative principles imperfectly, is well on the road to failure from its very inception.

As would be expected, the Co-operative Movement which develops in any country, takes the form of a producers' or consumers' movement, or appears in both forms, according to the occupational distribution of the population. The industrial worker is concerned primarily with the cost and quality of the goods which he buys. The agricultural producer, on the other hand, is concerned primarily in the marketing of his product to the best advantage. Thus, we have Consumer's Co-operatives in urban areas and Producer's Co-operatives in agricultural districts.

It is a natural development for co-operatively organized consumers to seek to obtain their sources of supply from co-operatively organized producers. And when such sources of supply cannot be obtained from co-operatively organized producers, the tendency is for the Co-operative Consumer organization to create their own Producer's Co-operative. In such manner the principles of the Co-operative Movement infiltrate within the competitive system.

The net result is manifold. On the one hand co-operation serves to curb the growth of monopoly. Secondly, to check the wastefulness of private business. Thirdly, to restore to the community in the form of patronage-dividends additional purchasing power that would otherwise flow into profits distributed among a comparative few. Finally, it provides a mechanism whereby the business of the market place can be brought under the discipline of democratic control.

Surely these are desirable objectives and worth the effort of their achievement. Already the people of many of the countries of the world have made rapid progress in bringing them about. So much so that to-day, without blare of trumpets nor benefit of philanthropy, there are thriving indigenous Co-operative Movements in 40 different countries, embracing within their membership over 100,000,000 families. In Great Britain the Co-operatives now do an aggregate annual business in excess of one billion dollars, about 12 percent of the total retail business of the country. The Swedish Co-operatives comprise in their membership 40 percent of the total population, and do more than 10 percent of the total retail business. Everywhere throughout the world co-operatives are springing up and taking over large sectors of the economy.

In the light of these facts it is not to be wondered at, that statesmen of vision, internationally known economists, religious leaders, and rationally minded men and women in the surviving democratic countries, seeking a way out from our present economic impasse, with its attendant and ever imminent threat of social disorder, are turning in increasing numbers to a study of the Co-operative Movement, asking themselves the question, "Is this the way out"?

Now the Co-operative Movement may not be *THE* way out. It is probably not the panacea for all the ills of the body economic

and politic which its more zealous protagonists claim for it. But the facts are sufficiently clear to suggest that in large measure it is a sound economic movement of the people, moving like a tidal wave in the direction towards which a new set of world economic facts have long since demanded that we shall go.

To quote the words of the late Edward A. Filene, prominent Boston philanthropist and departmental store owner, whose study of the problem led him to acceptance of the Co-operative idea: "We can achieve wealth *now* only as we distribute it. We can save only as we spend. We can be secure *now* only as we arrange for everybody's security; and we can have liberty only as we liberate the masses everywhere from the age-old struggle for mere physical existence, and make it possible, for the first time in human history, for them to release their energies in the ways that are indicated by human aspirations."

To the extent, therefore, that Co-operative principles and practice offer a more effective method of organizing our collective economic life, it is to be hoped that Canadians will find a way to employ them more fully.

Not that we should accept, necessarily, the complete theoretical objectives conceived by cooperative philosophers. Nor that we should emulate the precise pattern worked out by any one of the co-operative movements in other lands. Only in the course of time will it be revealed to what extent the co-operative system can fully replace the existing competitive structure. Only in part is the experience of other countries applicable to the peculiar conditions of the Canadian scene.

Apart from these considerations, however, there is every justification for our applying the co-operative technique to certain segments of the national economy to the benefit of consumer and producer alike. If this present study on Co-operation, based on careful research and analysis, is able to stimulate a wider interest in Co-operative possibilities, and a consequent further development of Co-operative business by Canadian citizens, it will, at one and the same time, have served the purpose of its sponsors and achieved for the country at large a more rational design in the pattern of its economic fabric.

CHAPTER II

WHY A CANADIAN SURVEY?

Co-operation in Canada is by no means a new thing. Nor is it limited to a few struggling co-operative consumer stores. The Western Wheat Pools represent perhaps the largest marketing co-operative in the world. In the Province of Quebec through "Les Caisses Populaires", which is a co-operative credit union movement, there has been achieved an impressive record of over thirty years of successful banking operations. In Sydney, Nova Scotia, exists the oldest and one of the largest co-operative consumer societies on the North American continent. While scattered throughout every one of the provinces are extensive farmer's co-operatives of many years standing.

But though co-operative activities, of one form or another, have been successful in different parts of the Dominion, and among different sections of the community, their combined business represents only a small fraction of the total business of the nation. And, so far as an urban movement is concerned, consumer co-operatives have as yet made little headway as a merchandising mechanism.

In recent years, however, there is discernible a new and growing interest in all phases of the co-operative movement. Particularly is this true in urban centres and among the agricultural and fishing communities of Eastern Canada. But it is by no means confined to these areas. Across the broad expanse of the Dominion, from Prince Edward Island and Cape Breton to British Columbia and Vancouver Island, people in all walks of life and representing every section of the nation are manifesting a quickened interest in co-operative possibilities.

This interest has arisen, among other things, from the following factors.

General Economic Situation

Since the autumn of 1929, Canada, along with most of the nations of the world, has found itself confronted with a baffling economic situation, involving the displacement from productive employment, at one time, of approximately 600,000 workers, or 23% of the wage-earning population¹. As a consequence, 1,080,831 persons, men, women and children, in the month of February, 1936, at least 10% of the population, were wards of the State, dependent for their daily sustenance on Governmental relief². If we add to this figure the numbers on relief in dried out areas in the West, (156,944); the number then in federally operated camps (31,911); number cared for by farm placement plan (14,169); number given relief work on wage basis (7,982); relief to settlers (18,586); there were, in the spring of 1936, a grand total of 1,310,423 persons dependent on government resources for the maintenance of life.

During the last two years, the general upswing in business has had the effect of steadily decreasing the number of unemployed, but even to-day the total figures are out of all proportion to what could be considered a normal labour reserve. Moreover, many of those remaining in employment have had their salaries and wages reduced from 5 to 30 per cent; perhaps a conservative average estimate would be 10 per cent. Although this shrinkage in dollar income was compensated by an approximately comparable fall of prices, available purchasing power of the masses was, and still is, insufficient to exert a sufficiently effective demand on our available productive plant equipment to set it operating at anywhere near capacity³.

During the depression, prices to primary producers and the wages of labour alike were forced to a disastrous minimum. Ex-

(1) From the Comparative Statement of the Relief Situation in Canadian Municipalities, Dominion Conference of Mayors, Montreal, March, 1935.

(2) In a Survey submitted to the Board of Control in the City of Toronto (Oct. 6, 1936) the figures revealed that 12,626 persons between the ages of 16 and 25, or about 11% of Toronto's youth population, were on relief.

(3) Even in the hey-day of the pre-depression years this observation held true. In the United States, for instance, according to the recent studies made by the Brookings Institute, Washington, D.C., and summarized in their publication: "America's Capacity to Produce", the findings revealed that: "In general, it appears that in the years from 1925 to 1929 available plant was used between 80 and 83 percent of capacity". . . . The Canadian figures, if available, would probably be similar.

plotation on both sides was bitterly complained of. To quote the report of the Royal Commission on Price Spreads: "Unfair trade practices, and other abuses, while they exist in prosperity, are nevertheless thrown into bold and challenging relief by a period of economic recession. It is then that they assume their most predatory and ruthless aspect. In good times the evils consequent upon unrestricted competition are more easily absorbed and less evident to the scrutinizing eye of public opinion. In the general optimism of prosperity, their effects are softened in outline and seem neither destructive nor spectacular. Moreover, depression provides more opportunity for and greater temptation to indulge in unfair practices, because the very necessities of a shrinking volume of trade put the weak and unorganized in a less favourable bargaining position than ever in relation to the strong and organized."

Royal Commission on Price Spreads

In an effort to get at the facts the Federal Government finally appointed a Commission to examine the situation. For the better part of a year,¹ certain phases of Canadian business were subjected to unrelenting examination and put through the mangle of public opinion. Since mid-summer, 1935, the Report of the Royal Commission on Price Spreads has been the recurrent subject of public discussion.

Let it be said to the everlasting credit of many Canadian business organizations that, notwithstanding the fierce trials and tribulations of the years 1930-35, many of them have conducted themselves without reproach. But it is also true, and no attempt to rationalize the situation or whitewash the facts can dispel the truth, that many of the grievances complained of were fully borne out by the investigation. If any apology has to be made, it is perhaps best expressed in the words of the Commission's Report. "It is the fierceness of the struggle, not any unusual depravity in the men concerned, which leads to the adoption of such practices. No one business man can afford to follow the dictates of his conscience and refuse to conform. If he did so, he would be eliminated."

There is no point in our making any new comments on the Commission's evidence and findings. That has already been done

(1) February 22nd, 1934—February 1st, 1935.

in the public press. We would recall to mind, however, that the terms of reference under which the Commission was appointed, authorized a *carte blanche* investigation into almost every phase of Canadian economic life. And, as we know, that invitation was liberally interpreted. In making reference to the Price Spreads Commission we do so for two main reasons.

First, the Commission's enquiry revealed unmistakable and ample evidence of widespread exploitation of wage workers, primary producers and consumers. This exploitation was on a much more extensive scale than most Canadians realized. The investigation also revealed that this condition was not entirely a by-product of the depression but had gone on unchecked, if not unchallenged, for many years.

Second, growing out of their investigation, the Commission saw fit to draw to the attention of the Canadian public some possible ways in which the conditions revealed could be ameliorated. Referring to the Co-operative Movement and its place in the distributory mechanism of the country, the Report states:

"It is our opinion that further development of consumers' co-operatives in Canada would be of general benefit, introducing a restraining influence on the practices of other merchandising organizations and assisting in consumer education, which we feel is most necessary."

Alleged Combine in Coal.

In the winter of 1932-1933, following insistent and repeated charges that a combine existed in Eastern Canada in the importation and distribution of British Anthracite Coal, the Registrar of the Combines Investigation Act was authorized to conduct an investigation. Let us briefly note the considerations which gave rise to this particular governmental enquiry.

First, the bald comparisons, apparent to any interested observer, between the retail prices for British coal in Canada with the values as entered in the British government export records or in the official trade returns. Such comparisons left the unmistakable impression that the spread or "margin" in coal prices was too great to be accounted for except by the intervention of extraordinary

costs, or profits, somewhere along the line of the importing or subsequent distributing operations.

Second, arising out of the then existing exchange situation, there was a wide-spread feeling that the reduction of British anthracite prices to the Canadian consumer had not been at all commensurate with the saving that had apparently been made possible in the importer's costs through the discount on the pound sterling—in those days, not an inconsiderable amount. Actually, during the year 1932, the average discount on sterling amounted to approximately 18%—a discount of such extent as to give a large buying advantage to the Canadian importer and to cause, inevitably, grounds for real anxiety on the part of the public lest that saving was not being passed on to the ultimate consumer.

Third, as time wore on, discussion on the street and in the public press began to touch the question of the probable existence of a combine in the importation and distribution of anthracite in Canada. That public concern in these matters was well justified was fully borne out by the Registrar's enquiries and findings.

Another factor which was arousing the public ire was that the trend of anthracite prices to the consumer had failed to conform, except in limited degree, to the broad course of other commodity prices. It required no governmental investigation to disclose this fact. Reference to official governmental figures reveals that, beginning with the autumn of 1929, the general price level fell drastically and continued downward for the subsequent three years. The same period witnessed only a minor recession of anthracite prices.

Taking the index figure on the cost of living, as supplied by the Department of Labour, which is a calculation for different items on living costs, the following situation is revealed. Between September of 1929 and the same month of 1932, there was a reduction in the costs of foods of approximately 40%; of 25% in clothing costs; and of 20% in the cost of "all items." The index for the fuel and light group, which includes anthracite as one of the principal items, indicates a price decline during the same period of less than 6%¹.

(1) See Report of Registrar on result of investigation into an alleged combine on the importation and distribution of Anthracite Coal in Canada, for confirmation of these and other facts here quoted.

In summarizing the findings of the Registrar's investigations, the Report states: "When the evidence on the activities of this combination of Montreal Coal importers is reviewed, the conclusion appears to be inescapable that their arrangements and agreements have been designed to effect and have effected a lessening of competition which is against the public interest." Which is most graciously put!

We include reference to the coal enquiry in our listing of the contributory reasons for public interest in Consumer Co-operation, because it provides an excellent example of the need for some kind of organization to protect the consuming public against exorbitant prices for consumer goods, and other detrimental trade practices. The only effective and proven type of consumer organization which can and does fulfil such a function is the Consumer Co-operative Movement.

Kagawa.

In the early summer of 1936, Dr. Toyohiko Kagawa, regarded by many as one of the outstanding Christians in the world to-day, paid a visit to Canada, visiting in turn Montreal, Ottawa and Toronto.

Heralded as a great apostle of Co-operation, he spoke on this subject to a number of distinguished audiences in all three cities. His attitude towards Co-operation can be summed up in his own words:—"I am much interested in the organization of co-operative societies because I believe that only through them can the necessary economic foundation of world peace be laid."

Kagawa holds that there are seven forms of the Co-operative Movement which are needed, all federated in an interlocking and international system to guarantee both peace and plenty for all. (These can probably be reduced to four, because the last three are simply different forms of Consumer's Co-operatives.)

The first form is the basic retail store form, the *Consumers' Co-operative*.

The second is the *Producers' Co-operative*, such as is found in Denmark, or in many provinces of the Dominion.

The third is the development of *International Marketing Co-operatives*, the basis for which is already laid in the trade arrangements between the British and Danish co-operative societies, and between Scandinavian societies.

The fourth is the *Credit Union*, of which the *Caisses Populaires* of the Province of Quebec provide an excellent example.

The fifth is the *Utilities Co-operative*, of which the Tennessee Valley Authority in the United States is a good example.

The sixth is *Co-operative Insurance*.

The seventh are *Mutual-aid Co-operatives*. (Hospitalization, orphanages, etc.)

Kagawa believes that a society organized economically and socially on the Co-operative principle tends to become a Christian society. He says that "Denmark is the most Christian country in the world because of the excellent balance it has between the consumer and the producer sides of the Co-operative Movement." And, referring in another statement to existing co-operative organizations as well as to church groups—"Somehow these two groups must be brought together to the end that Co-operatives become Christian and the Churches become Co-operative."

His message left a deep impression everywhere he spoke and undoubtedly contributed to an awakened interest among many church leaders, both laity and clergy, in Co-operative possibilities.

President Roosevelt's Commission on Co-operation.

On June 24th, 1936, announcement came from the White House that President Roosevelt had appointed a special "Commission of Enquiry on Co-operative Enterprise in Europe." With this announcement, Consumers' Co-operation in the United States became headline news, political as well as economic.

At about the same time as President Roosevelt appointed the foregoing commission, his cousin and political foe, Col. Theodore Roosevelt, Jr., in accepting the presidency of the National Republic Club, offered a three-point programme, the third point of which was to "recognize the principle of co-operation and profit-sharing such as is practised in Sweden, England and other countries."

Interest in Sweden, and the British Co-operative Movement.

The impression of Canadians who have visited the Scandinavian countries, and more particularly Sweden; comments in the daily press; articles in magazines; recently published books such as Marquis Childs' "Sweden—The Middle Way"; have all borne testimony to the enviable record of the Scandinavian countries during the period of the depression. Healthy government finances, negligible unemployment, extensive social insurance schemes; these, and other significant economic and social facts, have raised in the minds of enquiring Canadians questions as to how and why these countries have been able to achieve social and economic stability at a time when the rest of the world was being shaken to its very foundations. Likewise, the stability of social movements in Great Britain and the fact that notwithstanding severe unemployment there has been not been social distress or unrest on the scale of conditions elsewhere, raises the question as to what are the factors in British and Scandinavian economy which would seem to account for these circumstances.

To claim that the Co-operative Movements in these respective countries have been the main cause is to make an assertion of obvious exaggeration. On the other hand, to minimize their importance as major contributing factors, would reveal a lack of knowledge of the extent of their operations and their social, economic and political significance.

There can be no doubt, particularly with respect to the Swedish and British scene, that their co-operative movements have, (by their very nature and because of the extent of their influence on the minds of people, as well as by the volume of their business handlings), played a prominent part in the economic and social stability of these two countries.

The Extension Department of St. Francis Xavier University.

The story of the remarkable success of the Extension Department of St. Francis Xavier University, at Antigonish, Nova Scotia, in the field of adult education, has been widely heralded across the country and into far distant places. Elsewhere we deal with this

amazing development in more detail. Suffice it that we should here acknowledge generously that a great deal of the present interest in co-operative possibilities throughout Canada is traceable to the successful development of co-operative projects in the Maritimes under the sponsorship of St. Francis Xavier University.

More competent critics than ourselves have acclaimed this significant social-economic development in the most glowing terms. Speaking at Halifax recently, Dr. Gustav Beck, of the Carnegie Foundation said: "You have set up in this province, at St. Francis Xavier University, what in my opinion is the boldest and most constructive attempt to conquer the depression that is going on anywhere in the world. In Eastern Nova Scotia is one of the most amazing examples of Adult Education ever undertaken anywhere." ¹ and ².

Dr. Richard Roberts.

Likewise, Dr. Richard Roberts, D.D., Ex-Moderator of the United Church of Canada, after a visit to the Maritimes, at a public meeting in the City of Toronto, discussing the economic problem, stated: "What is the way out? Revolution? I do not believe this to be inevitable." Then, mentioning the teachings of Karl Marx, he stated that his findings were no more infallible than those of any other man . . . "I have more hope", continued Dr. Roberts, "in the methods now being adopted by the Catholic University of St. Francis Xavier in the Maritimes, of organizing a system of co-operative enterprise. I believe that before long nothing will be able to withstand the progress of the Co-operative Movement."

(1) MacLean's Magazine, August 1st, 1936. (p. 9).

(2) As we go to press (April 21, 1938), word comes to us that Pope Pius XI has added his word of praise and commendation to the activities of St. Francis Xavier University. In a letter to Bishop James Morrison of Antigonish, Cardinal Pacelli, writing on behalf of the Holy Father states:

"I speak of your effort in the social sphere, which far and wide, is known by common designation as the Antigonish Movement, and since this rebounds to the great glory of yourself and the teachers of St. Francis Xavier University, the Holy Father gladly adds, to the general expression of admiration and congratulations, his own tribute and praise."

Hon. R. B. Bennett.

On April 29th, 1936, speaking as Leader of the Opposition in the House of Commons, Hon. R. B. Bennett drew to the attention of the Government the developing Co-operative enterprises in the Maritimes in the following terms:¹

"Probably hon. members of the committee had observed that as a result of a visit to Nova Scotia made by the Moderator of the United Church, and a close examination of the co-operative scheme or co-operative efforts as applied to fishermen, he believes that the St. Francis Xavier scheme as it has presently been launched may be the economic salvation of the fishermen of Nova Scotia, and in his statement, which I commend to hon. members, he is not unwilling to suggest that the possibility of the application of the scheme in a larger way to other parts of Canada and to other industries might be most beneficial. I had intended to mention it because I believe the Minister of Labour will find it worth while to look into the matter. The Rector of St. Francis Xavier is a very close student, and those associated with him have given a tremendous amount of effort to this matter. I believe that it must be of extraordinary merit to warrant the high commendation expressed by the Moderator of the United Church."

The Churches and Co-operation.

A free church must be founded on a free economic system. That conclusion surely should be plain to church leaders to-day who witness the opposition to the Church in Russia and in Germany. The lessons of these events are having their reaction in an increasingly favourable comment by individual Church leaders, as well as in official church pronouncements, on co-operative forms of business association. The following are examples from both Catholic and Protestant sources, of such a trend.

In a plan for social action entitled "An Integrated Programme of Social Order," issued by the Committee on Social Order of the Jesuit Provinces of the United States, Canada and Mexico, appears the following:¹

(1) p. 2492 of Hansard. (1936).

(1) October 7th, 1935. p. 18.

"We assert that man can be saved from the self-destruction and chaos brought about by greed, only by *co-operation* (as opposed to anti-social *competition*) which must be based on these fundamental concepts, and must exclude from that co-operation no individual, race or class.

Hence:—

1. The state must be co-operative; which implies
 - (a) The extension of true democracy and of democratic institutions.
 - (b) Voluntary institutions which embody the corporate idea² within the framework of the state.
2. Individuals must be co-operative:
 - a Capital and labour sharing in equity.
 - b. Farmer and industrialist realizing their interdependence.
 - c. All classes united in purpose and execution.
 - d. *Consumers working through Co-operative Societies.*
 - e. Banking operations for the sake of the individual and the nation.
 - f. Labour unions striving for the interests of the worker, the industry and the public.

Recent gatherings of important Protestant Church bodies have made reference, by resolution, to the Co-operative Movement, of which the following examples are typical.

In January, 1936, at Indianapolis, a gathering of 300 prominent Protestant clergy and laity, representing a cross-section of the majority of Protestant bodies in the United States, approved unanimously the following resolutions:

"We are convinced that the Co-operative Movement is one of the major techniques in making possible the Kingdom of God on Earth. We believe that the Churches and religious organi-

(2) There is considerable confusion within the non-Catholic community as to the intent with which Roman Catholic sociologists use the term "corporative". It is not applied in the Fascist sense of the totalitarian state nor does it indicate sympathy with Fascist doctrine or practice. It is used in the organic sense of state organization and implies that the state is a natural institution existing for the individual and not the individual for the state. The Corporative Industrial System is one in which employer and worker are represented in councils for each industry, and both elements (Capital and Labour) represented in a supreme economic council whose purpose is to plan industry as a whole.

zations have an opportunity to supply dynamic motivation for this most promising movement. We are convinced that the Churches must concern themselves with the good that the movement seeks."

A significant pronouncement from a Canadian Protestant body, significant because this body is not ordinarily given to making pronouncements of this particular kind, is contained in the report of the Committee on Social Service, presented at the 91st Annual Convention of the Maritime Baptist Union, July, 1936. Referring to the need for Church leaders to be equipped with a knowledge of social conditions and movements, the Report states:

"The men who are taking the leadership of the Churches should be men of parts, informed, trained, and with a forward-looking vision. It is desirable that they should have a background of general sociological studies and have learned the art of co-operation. They should know by all means, of the many social movements here in our midst. They should certainly know of the rise and progress of the Co-operative Societies in our Province, especially in Eastern Nova Scotia."

Economic Research Organizations.

Recent studies and recommendations of Canadian organizations engaged in the field of economic and social research have included reference to the Co-operative Movement. The following are typical.

At a meeting of the Rural and Industrial Conference of Nova Scotia, held August 22nd, 1936, at Antigonish, a resolution was passed recommending to the Council of Public Instruction that a course in Co-operative Principles and Practice be made part of the teacher-training course at the Provincial Normal College, and that a similar course be included in the regular school curriculum.

The national programme of the League for Social Reconstruction calls for "the development of co-operative institutions in every sphere of economic life where they are appropriate, notably in agricultural production and marketing and in the distribution of necessities to consumers." And in "Social Planning for Canada", the voluminous handbook of the L.S.R., several references to the place and function of Co-operatives is made.

Similarly, in "Recovery by Control," by Francis Hankin and T. W. MacDermot, which is a critical study of the Canadian economy with a plan for its reform, reference is made to the necessity and importance of encouraging co-operative developments.

We have already made reference to the comments of the Report of the Royal Commission on Price Spreads with reference to the co-operative movement. But the following very positive statement is additional indication of the attitude of that important investigating Committee.

"It is, therefore, the function of Government to pay special attention to the interests of the consumers. This does not preclude action by consumers themselves as individuals or groups. We would welcome organizations of consumers either in co-operative purchasing organizations, or in organizations for the dissemination of consumer information, and we are of the opinion that every possible encouragement should be given by the Government to the development of such organizations." (p. 235)

Summary.

The foregoing shows the many factors to which are traceable in large measure the present interest in the Co-operative Movement throughout Canada, and particularly in Eastern Canada. They are likewise the reasons which have motivated this particular study. In recapitulation, how else can we account for this widespread interest in the Co-operative Movement, save to explain it in terms of the groping of all of us for rational thinking and action, at a time when, from all appearances, a large portion of the world has seemingly gone mad?

Looking at the world of fact we shudder at the nakedness of its strife and stupidity. We see, even in our midst, forces at work moving mankind ever nearer to the brink of catastrophe. Fear and insecurity hover ominously about us. Certain it is that no one can be complacent in the world of the nineteen-thirties, least of all those who still lay claim to sobriety of thought and nobility of purpose. Such persons, preferring to remain sane, refuse either the inevitability of Armageddon, or the messiahship of a shirted dictator.

Thus, though Europe arms herself under the banners of Communism and Fascism, we ponder earnestly for another way. Reason and humanity combined with the moral conscience refuse to believe that extremism is the only way. Intelligent and socially sensitive minds are bent upon discovering some other path, with intent to pursue it with all the energy at their command. It is becoming increasingly apparent that if we are to save ourselves and our nation from the fever plagues of Europe, there must emerge, rapidly and of necessity, a body of men and women—and a body of ideas giving coherence to their actions—embracing some other satisfactory programme, acceptable to the mood and culture of the Canadian people.

For it is evident that the rising tide of public dissatisfaction with things as they are, will not be satisfied with anything less than a readaptation of economic practices to current economic realities. Exhortations to tradition or patriotism grow faint in the ears of a people whose bodies and minds are wracked by the privation of unemployment and the stupidity of artificial scarcity. If, as would seem to be the case, Co-operation can go a long way in the solution of these perplexing problems, then the sooner we get to the task, the better. And to quote a leading Canadian industrialist, "Prove that Co-operation can do these things and only the Bourbons among us will resist its advance."

Let us proceed, therefore, to an examination of the facts. In the concluding chapters we shall attempt to summarize their implications.

CHAPTER III

CONSUMERS' CO-OPERATION THROUGHOUT THE WORLD TODAY

Increased membership, sales, and production are evidenced in the consumers' co-operative societies throughout the world in 1935¹. With a few outstanding exceptions, substantial gains and an improved status generally were reported in every country. The exceptions were mainly in countries where the co-operative movement is no longer accorded the standing of a free, democratic, and autonomous institution.

Number and Membership of Co-operative Associations of all Types.

A combined total of nearly 600,000 societies of various types in 59 countries is reported, and even this figure is not all-inclusive, for there are many gaps in the data. Of these societies, slightly over one-fourth were of the credit union type, nearly one-third were agricultural associations, and about one-eighth were consumers' societies.

A quite different distribution as between types of societies is shown when membership is considered. Of more than 116,000,000 members of these co-operative societies, more than half were in consumers' societies, about one-seventh in credit societies, and less than one-fourth in agricultural associations.

The fortunes of the co-operative movement have not been equally satisfactory in all countries, and some examples of this are dealt with in a later chapter. Here it may be noted especially that a much smaller membership is shown for the consumers' societies

(1) Monthly Labour Review, U. S. Department of Labor, Jan. 1937. In most cases the most recent data available are for the year 1935.

of the Soviet Union, as compared with previous years. This is the result of Government action in taking over the entire network of urban societies. The loss of these societies to the co-operative movement resulted in a reduction of over 30,000,000 in the membership figure for that country and in the total for all countries combined. In Germany, also, since 1934, the Government has practiced a policy of deliberate restriction and contraction of the co-operative movement, particularly of the consumers' societies, so that the present membership is considerably less than in former years.

Retail Consumers' Co-operative Movement.

Sales totalling nearly 2 billion dollars are shown for the local consumers' societies in the 33 countries for which the data was available. For some of the countries, notably Germany and Italy, it is difficult to obtain reliable or recent data. Also, in a number of countries the data relate only to the societies affiliated with the central co-operative organization or organizations. Whereas, in Norway, Sweden, and Great Britain the greater part of the local societies are affiliates of the central body, in others such as Canada^{1*} and Belgium, a considerable proportion of the societies are independent of that organization and complete data for them are not available.

On the business shown, very substantial savings were made for the members in those countries for which data are available. Thus, in Great Britain the local societies had a net gain in 1934 of £25,250,000 (\$122,879,125) from which the sum of £19,003,000 (\$92,478,100) was returned in patronage rebates and £4,749,000 (\$23,111,009) was paid in interest on share capital. In Sweden, the societies affiliated with Kooperativa Förbundet made a net gain on their 1934 business amounting to 17,612,600 kronor (\$4,720,177); in 1935 the net surplus saving was 18,781,800 kronor (\$5,033,522).

^{1*}In 1935 the local societies affiliated with the Co-operative Union of Canada had a net surplus aggregating \$161,113, of which \$130,518 was returned in patronage dividends.

Importance of Consumers' Co-operative Movement in Membership and Trade. ..

The proportion that the members of local consumers' co-operative societies formed of the total population is greatest in Great Britain, where the movement had its inception. The Scandinavian countries and Switzerland also show a very widespread acceptance of the Rochdale idea. In other countries the proportion is experiencing a steady growth year by year.

Data as to the amount of retail trade flowing through co-operative channels are very scanty. Such information as is available shows that in 1934 the retail consumers' co-operative societies handled about 10 percent of the total retail trade in Belgium, Denmark, and Sweden and from 10 to 12 percent in Great Britain and Switzerland. In Finland the societies handled from 25 to 30 percent of the trade in those commodities dealt in by the co-operatives. In Germany, where in 1932 the co-operative societies handled 4.5 percent of the retail trade, the proportion had declined to 2 percent in 1934.

Co-operation in Wholesale Trade.

Co-operative wholesale trade aggregating more than a billion dollars in 1935 was handled by the 56 co-operative wholesale societies in 28 countries for which the data is available^{1*}. The sales of these societies for both 1934 and 1935 showed an increase in business amounting to 7.7 percent in the latter year. The number of affiliated societies decreased in a few countries in 1935, but in most cases this was due to consolidations of the local societies rather than to actual losses in membership.

Although the sales of some of the wholesales show a drop in 1934 followed by a rise in 1935, the majority of the societies had increases in business during both years. In 1935 the only wholesale associations whose business declined were those of Czechoslovakia, France, Germany, Italy, and Switzerland.

^{1*}The three Canadian wholesales affiliated to the Co-operative Union realized a net gain on the 1935 business aggregating \$16,299. In the United States 12 wholesale associations reporting to the United States Bureau of Labor Statistics had a combined net gain of \$900,387; of this amount, \$478,774 was returned on patronage and \$79,068 was paid in interest on share capital.

Production by Co-operative Wholesale Societies.

Some local societies have undertaken the production of goods, but generally their productive activities have been limited to articles for local demand, which are needed from day to day, such as bakery goods. The manufacture of commodities for the general co-operative movement has usually been one of the functions of the wholesale society, the latter undertaking the task either through productive departments or through separate subsidiary organizations.

The ultimate aim of the co-operative movement—to become self-sufficient and to produce all of the goods its members need—is as yet far from realization. The volume and variety of the products differ from country to country. The leading examples of co-operative production are Great Britain and (until recently) Germany, but Czechoslovakia and Finland have also made progress. In Sweden, although only a comparatively few lines of manufacture have thus far been entered, these productive activities have been conspicuously successful and several new factories were opened in 1933, 1934 and 1935.

In several countries the productive facilities were enlarged in 1935 and new activities added. In Great Britain, it is reported,¹ about £1,000,000 (\$4,866,500) a year was thus spent in 1933, 1934 and 1935.

Amongst the major extensions completed during 1935 were a new drapery warehouse at Newcastle, a new hardware factory—"National" Works—at Dudley, and a new toilet-soap works at Irlam. Two new milk depots, a canning factory, an upholstery works were completed, and a new extraction house and six-story warehouse added to the African Oil Mills at Liverpool. Extensions took place at the cycle works, quilt factory, aluminum works, grocery packing warehouse, Workshop glass factory, Desborough corset factory, Silvertown soap works, and Stowmarket and Chaigeley dairies. Amongst the many schemes approved was a building program at Manchester, including a new six-story building for the fish and English egg section, new premises for the green fruit depart-

(1) People's Yearbook, 1936 p. 40.

ment and the health-insurance section, and extensions to the drapery warehouse. A large new cabinet works—the society's sixth—is in course of erection at Radcliffe, Lancashire, and extensive additions, costing in all nearly £300,000, are to be made to the London premises.

At the end of 1935 the English wholesale society had altogether 140 factories and workshops of various kinds, and the Scottish society had 55. In addition to the extension of existing productive facilities, the Scottish wholesale decided to enter a new field—the production of electric-light bulbs.

CHAPTER IV

BRITAIN, THE CRADLE OF CO-OPERATION

Early in the evening of December 21st, 1844, members of the Rochdale Society of Equitable Pioneers gathered in the dim light of an oil lamp to witness the formal opening of their own store.

For many months they had looked forward with rare eagerness to this event. Now that the great moment had arrived, however, they were not without their fears. Scoffed at by their fellow-townsmen, fearful as to what their more rowdy critics might do, they awaited eventualities. Fortunately their fears went for naught. On the opposite side of the narrow street an idling crowd of cynics laughed and jeered, but otherwise refrained from interference.

Finally the blinds were thrown open and the first purchase made. On the shelves was a modest assortment of grocery staples consisting of flour, oatmeal, sugar, butter and candles. Not a very pretentious array, but it represented months of careful saving on the part of the little band of twenty-eight, who had agreed to make the venture. The total capital of the group at the time of the inception of the store amounted to £28, raised in weekly subscriptions of a few coppers.

From this small beginning in Toad Lane, the idea caught on. Notwithstanding many handicaps, obstacles and reverses, it weathered every adversity, until today "Co-Ops" are national in scope, international in influence, and regarded by many as the method whereby a more rational economic structure can be achieved.

The original twenty-eight have grown until by the close of 1935, 7½ million members were joint partners in the British movement alone. The share capital of £28 had pyramided to £135,000,000. From a rented dingy store in a side street of a little prov-

incial town, the movement now possesses some of the finest merchandising establishments in the Empire. Commencing business with a couple of half-filled shelves of goods and a volunteer clerk behind the counter, it is now the world's biggest "Big Business", employing in its retail trade alone more than 200,000 employees.

Statistics are cold and lifeless things, so that ordinarily their use has limited reader-value. But the facts about the British Co-operative movement are so impressive that we can afford to let their sheer magnitude testify to the importance and significance of this unusual business development.

(a) *Number of Retail Societies and Membership.*

In 1900 there were 1439 Retail Societies; in 1935, 1118. This decline in the number of societies was not due to the failure of societies but is attributable to a greater concentration from small units to larger units. This trend is well exemplified in the following figures of membership:

The growth in membership is indicated as follows:

1900.....	1,707,011 members
1914.....	3,053,770 members
1930.....	6,402,966 members
1935.....	7,483,976 members

The average membership per society has been growing greater year by year, as indicated by the following tabulation:

1900.....	1,186 members
1914.....	2,205 members
1930.....	5,292 members
1935.....	6,694 members

One of the developments of the post-war period in Great Britain was the emergence of the very large Society. Whilst in 1900, the largest Retail Society had only 48,000 members, and the largest in 1914 had only 47,967, there were 22 societies in 1935 with more than 50,000 members and the largest 6 societies had a membership averaging from 109,331 to 574,921. About one-half of the total membership is now concentrated in 77 societies with a membership exceeding in each case 20,000.

The problems of the post-war development of the Co-operative movement in Great Britain are, therefore, largely problems of large-scale organizations rather than of small and struggling societies, although the existence at the end of 1935 of 399 societies with a membership of less than 1,000 each shows that small society problems in the Old Country are not yet a thing of the past.

By 1935 more than one-half of the population of Great Britain was connected with a Consumer's Co-operative Retail Distributive Society¹.

London and some other cities were in pre-war days often described as "co-operative deserts"; but this statement cannot be made with truth of any large city today. Indeed in London, Birmingham, Liverpool and Bristol, despite the fact that amalgamations have contributed to the present size of the societies in these cities, the growth of the societies from the accession of new members since the war has been phenomenal; and the four societies in London have now, jointly, a membership of more than 1,000,000, or approximately the total membership of the entire British movement some forty years ago.

(b) *Share Capital:*

The growth of share capital of Retail Co-operative Societies is both a cause and a result of Co-operative development. It is a cause of such development since capital is essential to the undertaking of trading activities; and it is a result since a considerable portion of the interest and dividends which result from these activities is added by members to their share capital balance.

The following figures of the share capital held by members of retail societies are impressive:

Year	Capital
1900.....	£20,566,287
1914.....	£39,537,049
1930.....	£112,957,896
1935.....	£135,745,524

1. In Scotland, just over 75% of the total population have their daily needs supplied by the Co-operative Movement.

The increase in share capital grew in post-war years at a greater rate than the increase in membership, so that the average share capital per member which was £12.05 at the end of 1900 and £12.96 at the end of 1914, was £18.14 at the end of 1935. It is interesting to note that (according to the Co-operative Union Year Book in 1933) the financial problem now facing British Co-operative Societies is not shortage of capital but satisfactory openings for its co-operative employment, which committees of societies can approve as desirable.

Of their total capital resources (shares, loans and reserves), Retail Societies employ less than one-half in their own undertakings. A considerable amount is invested by them in the wholesale co-operative societies and other co-operative federations. Both retail and wholesale societies invest large amounts in government and municipal bonds, and except for the amounts which every trading concern must keep in a quickly realizable form to meet the unpredictable emergencies that may arise, most of the amount is available for co-operative developments, if, as and when co-operative enterprise undertakes them.

The problem is not a new one. As early as 1860—within 20 years of the establishment of the Rochdale Pioneers Society—societies were commenting upon their “surplus” capital. But its magnitude today provides a problem of much greater proportions.

Dividends and other Disbursements.

This capital has not been built up at the expense of the members. The sales of the 1,135 retail societies of Great Britain during 1934 amounted to £207,014,809, on which there was a profit of £25,378,603. Share interest amounted to £4,776,305. Deducted from the gross profit (or surplus) this left £20,602,298 for other purposes, of which dividends paid according to purchases are by far the most important. Amongst the other allocations from surplus, grants for education amounted to £235,018 and grants for charitable purposes to £95,348. A few societies pay a bonus on wages and this accounted for £144,587 in 1934. Apart from these benefits, retail societies paid in 1934 £413,352 in collective life insurance claims.

(c) *Retail Trade:*

Whilst share capital increased by 1935 to over six times the amount in 1900, retail co-operative trade increased to only 4½ times the 1900 figure during the same period.

Year	Retail Co-operative Trade
1900.....	£ 50,053,567
1914.....	£ 87,979,898
1930.....	£197,257,009 ¹
1935.....	£220,429,517

It is interesting to note that while during pre-war days most co-operative societies traded strictly for cash, since 1918, credit trading, although controlled in most societies, is widely prevalent; and the gross amount owing to retail societies for goods, which was £655,943 in 1900, or £.38 per member, had risen to £5,356,041, or £.83 per member in 1930. (Figures for 1935 are not available)².

Credit trading in the British retail co-operatives has been facilitated through such methods as the hire-purchase plan (which is really a deferred payment plan), and through the organization of what are known as "Mutuality Clubs"³.

(d) *Production:*

The development of retail trade paves the way for a development of co-operative production.

In 1900 the total value of co-operative productions (at wholesale prices), was £10,974,611, and retail trade at retail prices was £50,053,567, the ratio between these two sets of figures being 21 to 92. In 1930 the corresponding figures were: productions, £77,111,191, retail trade £217,318,001, ratio 35 to 48.

If allowance is made for the difference between wholesale and retail prices, it is probable that the ratio in 1930 was about

¹The fall in prices since 1929 has resulted in a much greater increase in actual trade than the money value of goods represents. For instance, it is estimated that the total trade of £220,429,517 for 1935 actually represents nearly twice the quantity of goods handled in the year 1920, when the amount was £254,158,144.

²Owing to the absence of adequate national statistics of distribution in Great Britain it is impossible to state with accuracy what proportion of the total retail trade of the country is transacted by the cooperative movement. The most reliable estimates vary between 9% and 15%.

³For further information on hire-purchase and Mutuality Clubs, see "Cooperation", by Hall and Watkins, pp. 205-6.

48%. In other words, 48% of the total goods sold by consumer-co-operative societies in Great Britain during 1930, were manufactured by co-operative producers. (Comparable figures for 1935 are not available, but on the basis of what figures are available it would appear that the ratio in the five-year period has grown considerably higher).

(e) *Employment:*

The following chart, showing the number of workers employed by all co-operative societies and branches of the movement, provides good evidence of the growth and steadiness of co-operative employment.

Year	Total Number of Employees	Number engaged in		Wages and Salaries to workers engaged in	
		Production	Distribution	Production	Distribution
1900.....	35,134	15,517	20,617	£801,692	£1,031,310
1914.....	148,264	63,275	84,989	3,984,783	5,228,681
1930.....	257,491	117,672	139,819	15,330,421	17,822,096
1934.....	284,445	142,849	141,596	18,123,666	18,409,874

Comparable figures for 1935 are not available. The total number of co-operative employees in all types of society in the year 1935 was 301,717. The total wage bill of the co-operative movement in 1935 amounted to £38,606,296.

Bearing these figures in mind, and the section which follows (on labour conditions), it is not to be wondered at that when the Scottish Co-operative Wholesale Society recently announced its intention to erect a new electric lamp factory, they were inundated from all parts of the country with invitations and special offers to build in different cities and towns. The anxiety of these local authorities is quite understandable, for today there are few industries in Great Britain with the same security and regularity of work, and offering the high wages which the co-operative industries provide.

Wages

The scale of wages in co-operative employment is well known to be higher than that prevailing in most branches of competitive business. The following table illustrates the steady rise in the

average wage for all types of employees in co-operative employment in Great Britain.

Year	Average Wage
1914.....	£ 62.15
1930.....	£128.76
1935.....	£141.23

The reader will bear in mind that the above table represents average wages. There were many employees receiving greater amounts, as well as many who received less. Further, the increase in average wages over the period of years is really better than it seems, for the hours of labour have been considerably reduced since 1914, and general improvements have taken place (e.g. in regard to holidays and payment during times of sickness), during the same period, to at least the same extent as in other industrial and commercial establishments.

(f) *Working Conditions:*

The co-operative wholesale societies as a constituent part of the British co-operative movement cover more trades than any other single firm in Great Britain, and therefore employ more different classes of labour. Flour-millers, soap-makers, clothing workers, engineers, architects, bank clerks, chemists, coal miners, seamen, metal workers; nearly every type of occupation is found in the "C. W. S."

This multiplication of trades presents a special labour problem to the C.W.S. Each trade, and often each different type of occupation within a trade, has its own customs and its own rates of wages, methods of recruitment, promotion and other conditions. Uniformity of conditions for all C.W.S. workers is, therefore, impossible.

The labour policy of the C.W.S. therefore, is to give the best conditions laid down by Trade Boards, or in negotiations with the Trades Unions concerned, for each class of work. In order to ensure the smooth working of this system, every employee must belong to his appropriate trade union. That is a condition of employment. Rates of wages and conditions of labour are, in consequence, more easily settled than they would be if the C.W.S. had to nego-

tiate with each separate group of workers it employs. It just gives a generous interpretation of Trade Board Unions agreements, and earns, thereby, the reputation of being a model employer.

Generous provision for leisure time activities is a characteristic of employment in the C.W.S. Sports grounds, canteens, social rooms, choirs, literary societies, educational groups and similar activities, along with splendid facilities help to make a contented and well cared for staff.

Finally all employees are automatically members of a pensions scheme which provides a generous pension after 40 years' service, or after the compulsory retiring age of 65.

(g) *Co-operative Wholesales*

By the end of 1934, there were 1040 different retail, agricultural, productive and special societies holding membership in the Co-operative Wholesale Society. The total capital, at the same period, had reached the monumental proportions of £93,293,299.

This capital is, of course, primarily employed in the C.W.S. distributive and productive enterprises but a part is invested in joint undertakings such as the Co-operative Insurance Company, the English and Scottish Joint Co-operative Wholesale Society, and in its joint operations with Russian co-operators and New Zealand co-operative farmers; whilst it holds substantial investments in such undertakings as the Manchester Collieries, Ltd. which enable it to share in the direction of these concerns.

Joint Wholesale Enterprises:

The English and Scottish Joint C.W.S., which conducts the business of the two national Wholesales in tea, chocolate, coffee and cocoa manufacture, did a business during 1934 amounting to £7,590,009. The society owns tea plantations in India and Ceylon. At the end of 1934 the plantations covered 35,124 acres, with a reserve acreage of 19,332; the total crop for the year amounted to 5,623,431 lbs. Excluding the native workers on the tea estates in India and Ceylon, and other depots overseas, it employs 1822 employees.

Other Productive Societies

In addition, there are other Producers Societies, associated with the British Co-operative Movement, established to manufacture a particular commodity and which are owned by individual retail Societies, some jointly owned by the workers and individual shareholders, and some in which all three have combined to share the membership and control. There were 92 of such Societies in 1934; 10 were engaged in textile productions; 18 in the footwear trade; 3 making articles of metal and hardware; 20 printing and bookbinding; 1 woodwork society; 1 engaged in building and quarrying; 1 corn mill; 16 in the bakery and confectionary trades; 16 laundries; and 6 miscellaneous. They represent 34,667 members with a share and loan capital of £4,160,977, employing 16,924 hands and doing a trade in volume amounting to £6,123,223.

(h) Co-operative Insurance

The Co-operative Insurance Society, Ltd., (operated jointly by the C.W.S. and Scottish C.W.S.) continues to expand, according to its printed announcements, "without parallel in the history of insurance." Certainly, the record and progress, as shown by the latest available accounts (1934) surpassed all previous achievements. The remarkable increase in the premium income, as will be noted, was well apportioned, each of the several sections contributing its quota to the general progress.

Indeed, the altogether favourable position of the Co-operative Insurance Society, Ltd., prompted the editor of one of the principal insurance journals in England to comment upon the Society's accounts as follows: "... the Society is the most progressive institution of its kind in the British Isles ..."

Year	Premium Income			Total Premium Income	Assets
	*Life	Fire	#Other Classes		
1930.....	£3,473,598	£244,016	£831,075	£4,548,689	£11,807,517
1931.....	3,700,192	263,872	882,049	4,846,113	13,265,956
1932.....	3,988,906	287,100	848,804	5,124,870	15,138,230
1933.....	4,413,087	308,943	923,949	5,645,979	17,176,048
1934.....	4,933,431	330,363	1,076,397	6,340,191	19,398,789

*Ordinary, industrial, and collective.

#Employers' liability, accident, motor and general insurance.

(i) *Co-operative Banking.*

The C.W.S. Bank showed an average weekly turnover of deposits and withdrawals in the first half of 1935 amounting to £334,174,638 which represent an increase of 3.62 per cent, as compared with the first half of 1934. This may be taken as a further indication of improving trade in the Co-operative Movement. Detailed figures are given below:—

Half year ended	Number of accounts		Deposits Withdrawals	Surplus
	Current	Deposit		
			Pounds	Pounds
January, 1934 (27 weeks)	32,586	32,688	322,410,815	59,341
July, 1934	33,464	32,594	321,463,646	65,427
January, 1935	34,190	32,654	321,792,097	65,427
July, 1935	34,972	32,645	334,174,638	

Summary.

The following table gives a good summary of the position of the various types of societies in Britain at the end of 1934.

Type of Society	Members	Assets	Sales	Employees
		Pounds	Pounds	
Distributive Societies...	7,202,721	186,893,875	207,014,809	200,496
Distributive Federa- tions	87	249,991	695,343	510
Productive Societies...	34,667	5,695,583	6,123,223	16,924
Supply Associations...	1,054	40,702	97,148	35
Special Societies	5,394	296,279	482,693	312
C.W.S.	1,040	107,235,533	91,293,299	46,107
S.C.W.S.	240	13,641,129	17,673,844	11,346
Irish C.W.S.	468	325,566	538,665	115
E. & S. Jt. C.W.S.	2	5,460,756	7,590,009	1,822
Co-operative Insurance Society	2	19,398,789	6,340,191	6,778
Total for 1934		339,238,303	337,849,224	284,445
Total for 1933		316,172,391	315,273,719	270,697

To the above can be added the estimation of the place of the Co-operative Movement in the national economy of Great Britain made by Sydney R. Elliott, editor of the leading co-operative newspaper in England. He states:

"Side by side with the great departmental emporiums, chain stores, and small shops, there stand 12 thousand co-operative shops, the only shops in the country owned by their customers. Behind these co-operative stores, supplying them direct, were 300 warehouses and productive factories. Supporting them were a bank, an insurance society, and a national newspaper. Over their counters passed 2s. 10d. of every pound the public spent on food. They constituted the most important distributive agency in the nation's tea trade. They milled one-third of the total flour imports, and baked one in every five loaves of Britain's bread. They purchased from farmers, processed, and delivered 1 in every 7 gallons of milk. Their coal depots stoked one in every seven domestic fires. They handled one-tenth of the nation's meat supply. They were the biggest single unit in Empire trade. During a period when retail prices fell 10 percent, their retail trade fell by only 4.33 percent. While wholesale prices in the goods they handled fell 15 percent, their wholesale trade declined by less than 5 percent. Although an essential part of the economic system—the co-operative movement, indeed, provides the most lucrative, most stable market for many of the products of private business—they were distinguished from that system in two particulars. They were comparatively free from the restrictions placed upon planned development by the alternating booms and slumps which characterize capitalism; and the profit deriving from their world-wide activities was returned to the consumer as dividend on his purchases, providing a mighty stimulant to the consumers' market, upon which co-operative business grows and grows."

CHAPTER V

CO-OPERATION IN SWEDEN

History records that during the twelfth century British missionaries, journeying to Sweden, so influenced these lineal descendants of the ancient Vikings that they turned from the worship of their pagan gods and embraced the Christian religion. Similarly in the nineteenth century, the example set by British workmen so impressed these thrifty and idealistic people that they readily adopted the principles of the Rochdale Pioneers and forthwith proceeded with their customary vigour to lay the foundation for the now world-famous Swedish Co-operative Movement.

The Swedes are shrewd people and not afraid of new ideas. Like most things they set their hands to, they have built a consumers movement, based on sound co-operative principles, which has won for them universal admiration and praise. And not without justification. The record of its accomplishments in a brief span of years is not only formidable, it is altogether spectacular.

They battled the trusts and broke their monopolies. They have built some of the finest housing in Europe, and to-day over fifteen percent of the people of Stockholm live in Co-operative houses. Most of the electric current of Sweden is now distributed by consumers' electric supply associations. The co-operative weekly newspaper has the largest circulation of any paper or periodical in the country. The Stockholm Society with over 75,000 members, and 352 stores, is internationally known for its distinctive "Konsum" shops. The smaller urban societies are setting the pace for modern merchandizing methods and equipment. The Wholesale Society operates a coffee roasting plant, factories for margarine, cash registers, goloshes, automobile tires, chemicals, shoes, foods, and viscose, and its two flour mills are the largest in Sweden. The Wholesale Society produces for consumers over \$25,000,000 worth of goods annually.

Like the British Movement, the facts about Co-operation in Sweden need little embellishment. We shall, therefore, let them speak largely for themselves.

The Consumers' Retail Societies.

The number of retail societies affiliated to Ko-operativa Förbundet, ("K.F.") which comprehends the Wholesale Society and the Central Propaganda Organization of the Swedish Co-operative Movement, was 740 at the end of 1935, representing a membership of 568,161 families, or about 40 percent of the total population. In 1930 the number of shops owned by the local societies was 3,302, and in 1935 the number of shops had increased to 3,990. During the same period the annual turnover rose from 342.5 million kronor to 410 million kronor. The Swedish Co-operatives now do over 11 percent of the entire retail trade of the country.

As appears from these figures, the Swedish consumers' societies are generally small (768 members per society in 1935), but the average number of members has been increasing rapidly during the last few years (540 members per society in 1930) and is still on the increase. Like the British Movement, this is due to the amalgamation of societies which has been proceeding briskly during recent years. The number of large societies has thus increased, but the total number of these still remains small. In 1934, 30.2 percent of all societies had less than 200 members, 36.2 percent between 200 and 500 members; 31.3 percent between 500 and 3,000 members; and only 23 percent had more than 3,000 members. These low figures are explained in part by the fact that the country is most sparsely populated (14 persons per sq. km.). Amongst the large societies the premier place is occupied by the Consumers' Co-operative Society of Stockholm which in 1934 had 75,600 members, 352 shops and an annual turnover of 52.8 million kronor.¹

The surplus of the societies was 17.5 mill. kr. in 1934, and about 11.6 mill. kr. were paid back to members in dividends. Thus, the average co-operative dividend in Sweden is about 3 percent of the turnover. This percentage, though low, is considered to be

¹Average exchange rate of Kronor (1936) was 25.63 cents.

the best, because it makes it possible for the societies, which are generally better organized than their private competitors, to force down the general price-level. The result is that the price-level is lowered for the entire nation while members of the co-operatives receive a further compensation in their patronage dividends.

The Wholesale and Productive Activity of K. F.

The wholesale society was founded in 1899 but did not start its wholesale activity until 1904. Since then, however, K. F. has developed into an organization of considerable size and plays an important role in the economic life of Sweden.

During recent years K. F. has begun to produce on its own account in several new fields of activity. It has also further extended its operations in those spheres in which it had previously been engaged in production. The total output of the productive works of K. F. represented in 1930 a sum of 67 mill. kr. and had in 1934 risen to 92.5 mill. kr., or about 20 percent of the total retail turnover of the societies. The leading principle of K. F.'s production policy is to concentrate all efforts at one time on one single article, chosen from those consumed in large quantities, and to begin production only in case K. F. is able to start a factory as well-equipped and efficient as the best in the country. This policy of setting before the movement a single goal at a time has the further advantage of creating conditions conducive to loyalty and united effort. Also, as the article chosen is always one whose price seems unreasonably high, the action of K. F. gains a wide popularity and the sympathetic collaboration of the public.

K. F.'s margarine factory, which since its erection in 1921 has been extended several times, is now the largest and most modern margarine factory in Sweden. Its output, which in 1930 amounted to 14 mill. kilograms, had in 1934 reached 14.6 mill. kg. (about 30% of the total margarine production of the country.) The Swedish margarine trust, which had formerly been able to bring about heavy compulsory taxation to bear on the consumers, has thanks to the intervention of K. F. lost its power, as has been reflected in the considerable price reduction from which the whole

nation has benefited. In 1932 K. F. bought and rebuilt a margarine oil factory at Karlshamn, which delivers the entire quantity of oil needed by the margarine factory.

Likewise in the flour milling industry K.F. has exercised a considerable influence as a monopoly-breaking power. K. F. acquired its first flour mill, "Tre Kronor" (Three Crowns), in Stockholm in 1923, but this soon proved inadequate, with the result that, in 1924, K. F. purchased and modernized a second flour mill, "Tre Lejon" (Three Lions) at Gottenburg. Both flour mills have gradually been enlarged and modernized, and close by the flour mill Tre Kronor "K. F." has erected a modern oatmeal factory (which has broken the oatmeal cartel and lowered the general price-level) a hard-bread ("Knäckrebröd") factory, a macaroni factory and a corn flake factory.

From the investigation into the flour milling industry, conducted by Professor Wohlin, an ex-Minister of Finance, at the request of the Government, it appears that the intervention of K. F. in the flour milling industry caused a concentration in the margin between grain and flour prices from both sides, and producers as well as consumers have thus benefited from this action. This again results in increasingly close contact with the agricultural population.

In 1925 K. F. acquired a shoe factory with a productive capacity of 1,000 pairs of shoes a day. A new method has been adopted in the sale of shoes, a great part of that sale being conducted by means of retail shops belonging to the co-operative shoe factory and used as stock centre for the surrounding societies. The factory produced in 1934 about 215,599 pairs of shoes, and several new "central-shops" were started. The total number of these centrals is now 30. The shoe factory of K. F. has specialized in production of normal shoes for every-day use—working shoes and finer shoes are bought from other factories. The figures given above do not give an exact picture of the importance of K. F. as a producer of shoes. The fact is that rubber shoes and boots have become more and more popular in Sweden in the last few years, and, as mentioned below, the K. F. has an important production of rubber shoes and boots.

In 1926 K. F. bought a rubber factory at Gislaved. Owing to this action, the power of the golosh cartel, which was formerly very great, was broken. The work of this factory has been considerably extended, and thanks to the initiative of the co-operative factory the price of goloshes—which in Sweden are used by virtually everyone—has gradually fallen from 8.50 kr. to 3.50 kr. a pair. The production of rubber-shoes, rubber-boots, and goloshes amounted in 1934 to nearly 1.4 mill. pairs. The Gislaved rubber factory also produces tyres for motorcars and bicycles, the number produced in 1934 amounting to 178,000. In 1933 K. F. bought a second rubber factory at Viskafors. This factory produces tubes, carpets, heels, soles, and shoes.

At the turn of the year 1928-29 K. F. acquired a superphosphate factory in the neighborhood of Stockholm with a productive capacity of 500,000 bags of superphosphate a year. The purpose of purchasing this factory was to reduce the prices to the farmers of the country. At an early stage the K. F. offered The National Union of Swedish Farmers opportunity to participate in economic collaboration for the production and sale of fertilizers, and on the 1st November, 1931, the superphosphate factory of K. F. was let to them. The first year of operation the co-operative factory pressed down the price by 1.5-2 millions krona for the country as a whole. Thus, through the initiative of K. F., great advantages have arisen for Swedish Farmers.

In 1929 K. F. prepared to embark upon still another productive activity, viz. an electric lamp factory. This factory started producing lamps at the end of 1930. The operations of the international monopoly in this branch having resulted in abnormally high prices in Sweden, the object of K.F. was to achieve a considerable decrease in electric lamp prices by means of the co-operative factory, called Luma. The prices of cartel lamps have subsequently been reduced from 1.35 kr. to 0.85 kr. (the price for the co-operative lamps is, however, only 0.80 kr.) As the yearly consumption of lamps in Sweden is about 10 millions the lower prices represent a reduction of the expenses in the national economy of the people by about 5 mill. kr. Since 1931 the co-operative wholesale societies in Finland, Denmark, and Norway have become members of the

Luma Factory, which has for that reason been reorganized into a Scandinavian Productive Society.

The Luma Factory and many other productive works of K. F. were planned by the Architects' Office of K. F. This office, occupying now about 60 persons (amongst these 20 architects), specializes in aiding the building problems of the local societies (shops, warehouses, departmental stores etc.) In this respect, as well as regarding furniture, household utensils, etc. the architects of K. F. have attracted international attention.

K. F. formerly produced merely consumable goods, but in recent years it has started the production of durable goods, e.g. cash registers, cutting machines and scales. The results of the experiments in these spheres have been very satisfactory, and the prices of these products have been considerably reduced.

Savings Department and Insurance Societies.

K. F. has no bank of its own, but it conducts Savings Bank operations on a fairly extensive scale, the principle being that the members are allowed to deposit their savings with the local societies. Members' savings deposited with the K. F., which in 1930 amounted to 64 mill. kr., had at the turn of 1934 risen to 72.7 mill. kr. The solvency of the savings bank is so sound that K. F. without having to limit its business activities, would be able at a very short notice to pay its members the whole of the amount deposited.

Again, the Insurance Societies affiliated to K. F. have rapidly developed and have attained an increasingly uniform organization. The number of life insurances in "Folket" amounted in 1930 to 160,308, representing a value of 194.6 mill. kr., and had in 1934 risen to 194,554, representing a value of 239.4 mill. kr. In "Samarbete" which deals mainly with fire insurance, the number of policies in 1930 represented a value of 1427.0 mill. kr., and in 1934, 1943.8 mill. kr.

The Department for Organization, Propaganda, and Publicity.

As has already been mentioned, K. F. is not only the wholesale of the local societies; it also fulfils the functions which in Britain are performed by the Co-operative Union and in France by

Federation Nationale. K. F. is thus interested in the development of the local societies, in spreading the knowledge of co-operative ideals; and in the auditing of the societies' books, 18 auditors are employed, each of them having his district and being exclusively engaged in auditing and consulting work.

Among the means employed by K. F. to give its members and its staff education and information on economic, co-operative and general questions the co-operative press takes the first place. The chief publication of the Swedish movement is the popular weekly "*Konsumenbladet*" which has now nearly 500,000 regular readers—this figure represents a record for Sweden. Besides this newspaper there are also several special publications published for various groups of officials. Most effective propaganda for the movement is provided by the K. F. films. These films not only show and describe the various factories, they also give an idea of co-operative principles. Among other films produced in recent years may be mentioned one showing the organization of the co-operative movement by following the career of a young agriculturalist who becomes interested in co-operation and eventually comes to hold important posts in the movement. Another picture shows the advantage of buying goods for cash instead of instalment buying, while others dramatize the contents of a society's annual report or describe housekeeping past and present.

The centre of co-operative education is the co-operative educational institution "*Var gard*" at Saltsjobaden, in the neighbourhood of Stockholm. This school organizes courses for members of committees, shop assistants, managers, accountants of societies, bakers and other employees of the movement. Some years ago the co-operative educational department acquired another estate in the immediate neighbourhood of "*Var gard*" and K. F. is contemplating an even more pretentious programme to provide for the educational needs of the movement. Besides the educational work carried on in "*Var gard*", numerous courses and lectures are arranged locally. Such courses for shop-assistants are often held in the shops so as to give them as practical a character as possible.

The educational work of "*Var gard*" is intended only for employees and members of committees. However, K. F. also conducts

a correspondence school, giving courses especially on commercial and technical subjects. These courses are open to anybody interested, member or not. The total number of students enrolled in 1934 was about 100,000 persons.

Another growing department is the K. F. publishing department. This department has not only been striving to publish co-operative literature—among other things comprehensive descriptions of the co-operative movement in Denmark and Finland—but has also contributed to the Swedish bookmarket several important works on economic and other subjects, among them being the most widely circulated handbook on economics.

In order to get the literature spread and studied, about 3,000 study and propaganda-committees called "groups" have been formed in local societies. These groups are studying in a systematic way economic and co-operative subjects. They are guided by special instruction books edited by K. F., and have regular correspondence contact with K. F. The "groups" have a paper of their own, *Vi vill*, which appears in 10 numbers annually, each issue being about 35,000 copies.

Thus, in less than four decades (the movement had its inception about the year 1899) Sweden has learnt the efficacy of co-operation and has applied it, to the amazement of the world, as an effective instrument in the rationalizing of the practices of the market place. Similarly in the productive processes. Likewise in those mutual services such as Banking and Insurance. And they are not finished yet. Sweden is a dramatic example of what the people can do, by and for themselves, when once they throw off the inertia engendered by years of fear and futility.

Certain it is that they have achieved a measure of peace and decent living which is the envy of the nations of the world. That it has been all due to Co-operation is romantic thinking. But that the Co-operative Movement has played an important part in its achievement is liberally attested by facts such as we have quoted.

CHAPTER VI

AGRICULTURAL CO-OPERATION IN DENMARK

There is a story of an American who in a London hotel ordered a boiled egg for breakfast. When the waiter brought the egg the American noticed several small identifying marks on the shell. Turning to the waiter he asked what they were.

"They're Danish eggs, sir. The marks indicate the section of the country they're from."

"Smart people, these Danes! I'm on my way there now," and then, laughingly; "perhaps I might have time to go into this egg business further."

Jotting down the marks on a piece of paper, he resumed his meal.

Several weeks later, in Copenhagen, the American noticed a sign over a warehouse, reading "Danish Co-operative Egg Export". Recalling the London breakfast, he decided to investigate.

The clerk greeted him amiably. Handing him the little slip of paper with the egg hieroglyphics marked on it, the clerk readily confirmed the London waiter's observations.

"Would you like to see the farm sir, where the egg came from? It's within easy distance of the city."

"What! You know the farm where the egg actually came from?"

"Of course, the marks tell us that. Also the date on which it was laid."

The American gasped. "By all means, I'd like to see the farm".

A car was obtained. In a short while, accompanied by the obliging clerk, he arrived at the farm from whence the egg had come. They were warmly welcomed by the farmer's wife. The reason for the visit being explained, she escorted the American to a large hen-house. Waving her checkered apron, at the same time

shooing the clucking poultry to one side, and pointing to a hen that scampered by, she exclaimed: "There, sir, is the hen that laid the egg!"

Yes. Smart people, these Danes! For in more than one field of activity they have for many years set the pace for others to follow. And not the least of these accomplishments is their successful record of co-operative marketing and other forms of co-operative activity among the farmers of the nation.

Taken proportionately, in no other country in the world, have co-operatives reached so high a figure or had so great an importance in agriculture as in Denmark. If Denmark was better able than the majority of European countries to weather the storms of the last three decades in the nineteenth century, the co-operative movement was largely responsible, for it was during these crucial years that it took firm root, spread, and assumed a position of momentous influence¹.

The critical state of the market during these years taught the Danish farmers to stand shoulder to shoulder, to work together, and thus increase agricultural production. Self-preservation demanded co-operation in the late nineties. Subsequently, an ascending economic prosperity gained through an ever-extending network of co-operative activities has been their happy lot. This great extension of co-operatives throughout Danish agricultural circles is due to various conditions, of which the following are perhaps the most important.

The national characteristics of the Danes themselves. The nature of the country contributes largely to the character of the people, and the uniform, open, level country which is Denmark—wood, field, and heath—has given the Dane his innate balance and simplicity of soul and mind. He does not flash up in a rapidly cooling enthusiasm, but pursues what has won his interest. A systematic co-operative arrangement of work towards a common goal appeals to the Dane, with his democratic trend of thought, and his feeling of fellowship.

This sense of kinship seems inherent in the Danish blood. Long before the Rochdale forms of co-operation were adopted,

1. A short Survey of Agriculture in Denmark; published by the Royal Agricultural Society of Denmark, 1929.

there was a prior record of successful co-operative enterprise among the peasants in the smaller hamlets. The success of these earlier co-operative efforts helped pave the way for a more comprehensive application in the later years of the century. Long years of internal political dissensions likewise served to bring the peasant classes closer together. The fairly independent communal life, the work done by the people's high schools and agricultural schools, and the general education, gave the agricultural community a certain power of development, and made them receptive of new impulses. So that when the agricultural crisis of the late nineteenth century brought its severe pressure to bear on agriculture the farmers were prepared to meet it with economic co-operation. They trustfully followed those men who had the will and the ability to lead in economic matters, and, depending on their own innate practical economic sense, they began new joint undertakings on a co-operative basis.

Finally, the condition of the country itself caused the co-operative movement to spread almost like wildfire. In certain districts in Denmark there may be differences, but on the whole, agronomic conditions may be described as fairly uniform. As a consequence, measures which tend to develop agriculture in one part of the country will also favour it in another. Distances are small; there is a fairly dense population, and excellent means of transport, so that farm products may be easily and rapidly collected, while reports of work done and experience gained spread quickly from one district to another.

The oldest form of co-operation in Denmark is the Credit Association, which enjoys a long record of service to the peasant and industrial classes. Next in point of time are the Co-operative Supply Societies, which date from 1866. These societies have combined to form the Danish Co-operative Wholesale Society, which now comprises over 1800 member societies. It is the largest single importing agency in Denmark, and during recent years has been extending its manufacturing establishments. The Society now owns factories for roasting coffee, for manufacturing chocolate, candy and confectioners' wares, cigars and tobacco, rope, soap, mustard, margarine, underwear, men's clothing, shoes, bicycles, and many other things. Of late, the turnover amounts to about a

hundred and thirty-five million crowns annually. The wholesale society also operates a special department devoted to stimulating the growing of good seed for domestic as well as export purposes. In this latter regard the seed department has won for itself international recognition.

After the supply societies came the Co-operative Dairy societies; the first established in 1882. At the close of the year 1932, there were 1388 co-operative dairies. Of 206,000 Danish farms, about 189,000 may be taken to be members of co-operative dairies. More than 86% of the cows owned by Danish farmers are registered in the co-operative dairies, and a corresponding part of the milk and the butter output is handled by the co-operative dairies. In 1932 the total turnover was four hundred and sixty-five million kroner. The principal product of the co-operative dairies is butter, and almost 90% of the butter exports come from these dairies.

The co-operative dairies have made it possible for the small farmers to dispose of their comparatively small output of milk at the same price as that obtained by the large farms, and have enabled Danish farmers to produce a uniform commodity of high quality, with much more stable marketing conditions than would have been obtainable with any other organization of this branch of agricultural production.

Co-operative Bacon Factories.

It was in 1887 that the first co-operative bacon factory was started. There are now 58, with a total turnover in 1932 of three hundred and seventy-nine million kroner. The total number of pigs slaughtered in 1932 was about 6.3 millions, corresponding to about 81% of all pigs killed at all export slaughteries.

Co-operative Egg Exporting.

Some of the co-operative bacon factories have taken up the sale of eggs as a part of their business, but organized it as a separate co-operative society, with local egg-collecting centres as a basis. The Danish Co-operative Egg Export has a membership of about 45,000. The total turnover of these co-operative societies in 1932 was over 13.5 million kroner.

Cattle Exporting Societies.

To a certain extent the exporting of cattle has also been organized on a co-operative basis. In 1932 there were in all 15 societies with 14,000 members, and the turnover in that year was about five million kroner.

Danish Agricultural Societies' Seed Supplies.

In 1916 a co-operative society of seed-growers was formed for marketing seed, and also with the purpose of controlling and guaranteeing the quality of seed sold. The number of members, most of them large-scale farmers, was about thirty-four hundred, and in 1932 the turnover was 3.4 million kroner.

Purchasing Societies.

To a great extent the purchasing of grain, feeding stuffs, and artificial manure is organized on a co-operative basis, about one-third of the imports of feeding stuffs and also of the artificial manure imported into Denmark is handled through the co-operative societies.

In contrast to other countries, it is the farmers of Denmark who form the main body of members in the Consumer societies.

In 1932 there were 1,815 co-operative consumers' societies, with a turnover of 244 million kroner, and a membership of 312,000.

All the co-operative enterprises of Denmark, both rural and urban, are members of the Union of Danish Co-operative Societies, which watches over their joint interests, and publishes a co-operative journal.

Factors in the Development of the Danish Agricultural Economy.

The degree of development which Danish Agriculture has attained is due largely to the following factors.

The wide use by the farmers of Denmark of the educational facilities available. To every Dane opportunity is open to participate in a comprehensive technical and scientific course of study.

Likewise the state carries on in co-operation with the various agricultural societies extensive experimental work in both animal husbandry and plant culture.

Further, a many-sided technical organization embracing local and centralized associations and supported by a widely-read technical press, works for the development of economic agricultural production in general, and watches over the distribution of agricultural products abroad.

Special societies for the development of rational breeding of domestic animals and cultivated plants have been of immense value in raising the standard of Danish agriculture.

But most important of all, the principle and wide use of co-operative organization has served to further the development of agriculture in Denmark to its present, and universally recognized pre-eminence.

The generous distribution of agricultural holdings, which embraces a very large number of small and medium-sized farms, with a smaller number, about 2,000, of estates, makes it possible for men with varying degrees of skill and large or small capital to acquire the land best suited to their needs.

If we wish a clear idea of what is most characteristic of Danish agriculture today, we must realize that the development and technical progress of recent decades has penetrated into every nook and corner of the country, to the farmers working the very smallest as well as the largest farms. Through the medium of co-operative societies, the agricultural press and the work of the agronomist advisers, appointed either by the state or by the agricultural society, even the small holder is able to follow agricultural progress with awakened interest and to apply on his farm, in the stable, and in the field, as well as the market-place, the best experience available.

As a recent commentator has pointed out: "Scratch a Dane and the chances are you will find a co-operator." Most certainly you will find a person who by the pragmatic test has learned the value of self-help—and puts it into practice.

CHAPTER VII

RECENT DEVELOPMENTS IN SOME EUROPEAN CO-OPERATIVE MOVEMENTS

Although most of the European co-operative movements follow closely after the pattern of the Rochdale School, there are some important divergences which should be pointed out.

Charles Gide¹ distinguishes three types of Consumers' Co-operatives existing in different countries. The individualist, the socialist, and what he calls the true co-operative type.

The individualist type, he says, has no other object than the personal advantage of their individual members. Many of the European agricultural co-operative organizations are characterized by this mentality. They allocate profits to capital and divide them in proportion to the number of shares, or, if they do pay a dividend on purchases, only a limited number of the members can become shareholders; the organizing members keep the control of the societies in their own hands. Others allocate a part of their profits to the executive committees and others may distribute profits but concentrate control. Essentially, these types prevail among producer organizations which have consumer agencies. They are closer in character and intent to the joint-stock company than to the co-operative society.

The socialist type functions as a rule in terms of the socialist conceptions of class and property. To them, consumers co-operation is an instrument in the political and social struggle. Acquiescence on the principle of dividends on purchases is a matter of tactics rather than conviction. They desire and sometimes actually do hold all the earnings of their societies in a common fund which they employ for purposes of sick benefits, unemployment payments, old age pensions, medical or legal services, loans, propa-

(1) "Consumers' Co-operative Societies" by Charles Gide (New York, 1922). Also referred to in "The Decline and Rise of the Consumer", by Horace M. Kallen, (New York, 1936).

ganda,¹ and education. The Belgian societies have been conspicuous for their socialist principle and practice.

And finally, Gide describes the differentiae of the true co-operative type—particularly those of England and Sweden, whose functioning we have dealt with elsewhere.

Since Gide wrote, a fourth differential has appeared which Horace M. Kallen describes as the nationalist or autarchic. "Imposed on the Italian Movement by the Fascists, it there in the course of time, became simply an overtone. It has since been imposed on the German and Austrian Co-operatives." Co-operatives in Fascist countries are but instruments of the Nationalist state. Their democracy has ceased to be.

A fifth differentiation might very well be made and described as the ecclesiastic type. These societies limit their membership exclusively to members of their own religion and rule out collaboration with co-operatives of any other group. They operate largely in Central Europe.

Other divergences from Rochdale principles have to do with the voting structure of federations and wholesales and on the relation to the general market. The former is the case in Finland where two federations exist with two different modes of structural organization. The latter is the case in most of the Scandinavian movements, also in Germany, Italy and Finland, where the practice of selling at the market price has been discarded in favour of a lower sale price, underselling the private competitor, and returning a smaller dividend.

Some English societies have of recent years departed from the system of strictly cash transactions and are allowing a restricted degree of credit. The strains of unemployment and depression have been responsible for this. But it must be remembered that most of such societies have substantial reserves.

In the Soviet Union, Co-operatives are instruments of State organization. Dividends to Russian co-operators go into a communal pot and are used for general social purposes. Further, the

(1) The Workers' Co-operative Society, Timmins, Ontario, divided on a similar issue three years ago. This society was controlled by communists. When the directors voted earnings of the society to support a communist political candidate, the majority of members protested and eventually withdrew to organize their own co-operative on strictly non-political lines.

amount paid for a full share by a Russian Co-operator is graduated to some extent according to his income. A worker earning a lesser amount does not pay the same for his share as the worker receiving a higher income. A measure of local democracy, under Communist supervision, is allowed; but the extent of ultimate control is well exemplified in the decree of the winter of 1935, when, with dramatic suddenness some 37,000 urban consumer co-operative societies with nearly ten million members, were absorbed into the State stores. Their member assets were handed over, without recompense, to the Trading Trusts which assumed their functions. City trade was made a monopoly of the State, though a number of co-operative officials are on the staff of Centrosoyus. Co-operatives continue to exist on a large scale, but are now confined to rural areas, where they are the principal bodies handling farmers' needs, and food supplies.

Some notes on recent developments in various European countries serve to exemplify further the fact that the co-operative movement does not inevitably follow some predestined course but depends on its members, and on the strength of democratic institutions for its form and progress. In all of the examples mentioned, except France, political conditions have been a paramount influence in recent changes.

France

French co-operatives for the most part are based on Rochdale principles. But the movement has been slower than in Britain, and has lacked, until recently, a sufficiently strong central organization. It has developed agricultural co-operatives, however, to a much greater extent than Britain. On the whole, it has slowly gained strength both in the agricultural and in the consumers' sections. Moreover, in the last year or two, these two sections have drawn nearer together, and are now working in close collaboration.

The tragic failure of the French Co-operative Bank in 1934 has inspired the movement to carry out a thorough reorganization. In future, representation to Congress will be on a basis of membership instead of turnover, and all societies must belong to the Whole-

sale Society if they desire to belong to the National Federation. A National Committee of 50 members, chosen by the regional federations, was created to supervise the whole movement; and a new General Society of Control of French Co-operative Societies has been created, responsible to the National Committee and the Congress. This society will control the two national organizations (Federation and Wholesale), and a number of retail societies. The Federation and Wholesale will, in turn, each be administered by small councils proposed to Congress by the National Committee. No co-operative funds are to be invested in non-co-operative enterprises. The reorganization will create greater centralization, together with better democratic control, and greater scope for planning the advance of the movement as a whole.

The French consumers' movement is neutral in politics, but it is in close touch with a co-operative group of M.P.'s of all parties interested in the movement and pledged to assist it in the Chamber of Deputies. It is perhaps partly due to the existence and propaganda of this group that in one or two recent measures for the reorganization of agriculture, the Government has given the co-operative movement, consumers' as well as agricultural, an important role. Thus a meat marketing act definitely recognized the consumers' movement as the proper representative of consumers' interests, and provided subsidies to assist the creation of consumers' societies to market meat. The act will make it possible to create special co-operative organizations, uniting producers' and consumers' societies. A Central Meat Committee to advise the Minister of Agriculture will have co-operative representatives upon it.

Austria.

The Austrian Co-operative Movement during recent years has been passing through a difficult period. The economic crisis and the attacks of private traders already had a serious effect on its welfare; the political troubles of February 1934 added to these difficulties. For a large number of members of the movement were connected with the Social Democratic Party, and when this

was dissolved, the enemies of co-operation demanded that the Co-operative Movement also should be dissolved.

Thanks very largely to the late Dr. Dolfuss, to the help of the Agricultural Co-operative Movement, and to the efforts of the International Co-operative Alliance, the Movement was not dissolved. But a number of its leading personalities, who were members of the Social Democratic Party, were arrested, and Government Commissioners replaced the democratically-elected boards of the Wholesale Society, the Viennese Retail Society, and many of the other retail societies. Fortunately, these Government Commissions were favourably disposed towards Co-operation and ably defended the societies from attacks from outside. The chief commissioners were Dr. Ludwig Strobl and Dr. Otto Maresch; and these two men who came from the Agricultural Co-operative Movement have proved valuable friends of the societies. By the autumn of 1934 all the local societies had regained their full self-government and in May 1935, the Viennese Retail Society was also restored to full autonomy. The Wholesale Society will also recover its independence shortly¹.

On the other hand an agreement was made with the private trade, whereby all attacks on the Co-operative Movement should cease—in return for which the co-operative societies promised not to increase their membership beyond the figures on January 1st, 1934, to pay no dividend on sugar, to close down the textile factories of the Wholesale, and to limit strictly the co-operative retail textile trade. The Co-operative Movement has loyally abided by this agreement, but the private traders have now begun a new campaign against the movement, which is causing considerable concern to the societies.

The movement has also suffered from alterations in the law of taxation and certain regulations have made it difficult for co-operative employees and officials to receive proper training. Co-operative societies are required by law to belong to a trader's association dominated by private traders and obey its regulations. Thus the private traders' organization is entrusted with watching

(1) Providing recent political events (February, 1938) do not serve to shatter the movement to an even worse extent than happened following the difficult days of 1934.

over the interests of the Co-operative Movement. Moreover, new co-operative shops can only be opened by permission of this organization. The co-operative organizations are trying to form a separate group within this organization, and this has been legally provided for. By another rule co-operative organizations must be certified as bona-fide by the co-operative central organizations.

In spite of the many difficulties the movement has had to contend with, it faces the future with renewed hope. If its trade has been reduced this is chiefly due to the increased poverty and unemployment among its members who have, practically unanimously, rendered loyal service to the movement through thick and thin. The movement is gradually becoming recognized as the representative of the interests of the consumer. In the last few years it has enormously increased and strengthened its relations with the agricultural co-operative organizations and this has been of great value to the movement¹.

Germany.

The year 1935 is characterized as "undoubtedly one of the most difficult in the history of the German Co-operative movement." Since January 1935 propaganda for consumers' co-operatives has been forbidden. More and more, it is reported that co-operative societies are being transformed into private stores, in many cases under the direction of the former managers. The German wholesale society no longer contains in its name the word "co-operative", and it is not controlled by member co-operative societies nor is its business confined to co-operative societies. The match factories of the wholesale were made part of the match monopoly and the profits from the sale of its products were, it is reported,² taken over by the Government. The liquidation of the local societies, begun in 1934 on order of the Government, was continued in 1935. Certain sections of the German economy showed considerable expansion in 1935, owing to exceptional activity in the armament industry. The greater employment thus stimulated in the heavy industries caused considerable increases in

(1) Much of this information was supplied by Dr. Andreas Vukowitsch, the noted Austrian co-operator.

(2) Review of International Cooperation (London), February, 1936.

their workers' purchasing power, so that retail trade in "provisions" rose 8.3 percent in 1935 as compared with 1934. In the co-operative movement, however, because of the policy of "organized contraction" previously mentioned, the retail sales decreased some 25 percent. Whereas in 1932 from 4½ to 5 percent of the total retail trade of the country passed through co-operative channels, by 1935 this proportion had fallen to 2 percent.

A recent tabulation made by the Swiss Co-operative Union showing the reduction in the German movement from 1932 to 1935, reveals a 50 percent decrease in sales during the period and about the same decrease in membership.

Italy.

There are many types of co-operative societies flourishing in Italy, mostly grouped in the E.N.F.C. or Co-operative Union. We shall deal here mainly with the consumers' societies.

The Fascist movement is based on a unitarian conception of the State, in which only one political party, the Fascist, is allowed to exist. Consequently when Fascism came to power, it swept out from the Co-operative Movement all persons of any other political opinion. In the confusion of the Revolution, many societies were completely destroyed. Since then, Fascism has not been opposed to the continued growth of a unified Co-operative Movement provided that all political opinions (other than Fascist) have been banished.

In 1922 Mussolini affirmed "all my sympathy with those forms of Co-operation which, conscious of their high social mission, holding themselves above the passions of politics and religion, act as an arm of defence against the greed of speculation. Co-operation is a matter of high social value, and, as such, can ask of the State, not financial privileges, but moral support and such protection as will ensure its exercise in an atmosphere of freedom." He has since maintained this attitude. Free election, however, has disappeared from most boards of management, which are now constituted by government appointment.

The National Co-operative Union unites all the different federations of co-operatives (consumers, building, transport, farming, etc.), and it and the federations have a separate place in the Corporations newly established, and in the Confederations, which deal with questions of labour. Affiliation with a Federation is voluntary, but members of a Federation are automatically members of the National Union. The Presidents of Federations and of the Union are chosen by an elaborate network of elections, but must be members of, in good standing with, the Fascist Party. The Ministry appoints two of the three auditors of the Union and two of the three members of the Adult Committee of the Union.

Societies may charge an entrance subscription to new shareholders, and a shareholder does not rank as a member until one share is paid up in full, though holders of part paid shares receive dividends. In addition, all customers must become members, all employees must be Co-operators by conviction and education, and all societies must be centres of Co-operative education and propaganda. Societies cater chiefly for the poorer classes, but are not confined to them, and they adopt the policy of low competitive prices, trying to undersell the private shopkeeper. They are opposed to the policy of paying high dividends by selling at market price, which they regard as a method of saving rather than a method of protecting the consumer. There has been a very considerable amalgamation of competing societies, and the multiplication of small societies where a big one with branches could exist is discouraged.

Consumers' societies are well developed in Central and Northern Italy, and their development is being promoted in the Southern Provinces and Sardinia. In some rural areas they serve the whole population. The Consumers' Movement enjoys the privilege of being exempted from the law of 1930 prohibiting the opening of retail shops "except in newly settled centres or when it is a question of a co-operative consumers shop."

The Wholesale Society, E.C.A. founded in 1927, is rapidly developing, and since 1933 has dropped its former policy of commission dealing for the policy of purchase and sale. It has also abandoned the policy of employing private firms to manufacture

Co-operative branded articles, and has begun manufacture in its own factories.

The whole movement appears to be developing successfully, and has established a number of very up-to-date shops in various places, though how far it is to be regarded as an orthodox co-operative movement is an open question. The I.C.A. has refused to re-admit it to membership, chiefly on the ground that it is not a thoroughly democratic movement¹.

Soviet Union.

The autonomy of the consumers' co-operative movement in the Soviet Union has also been a matter of doubt. There are evidences of Government direction, although officially the autonomy of the movement was restored some years ago.

At one time the co-operative stores in the towns were of special importance as they were able to supply goods to their members at appreciably lower prices than those ruling in government-operated stores. (The Russian co-operatives dispensed with individual dividend payments in 1927 in order to concentrate all benefits in the form of lower prices. A special reserve is commonly put by for education, new building facilities, etc.) In 1935, however, to quote an official source, "the abolition of the card system for bread, flour, and cereals . . . and the establishment of unified prices for all main food products and widely used articles, completely removed the difference between the co-operative store and the State store." Furthermore, the growth of trade in the cities continued so rapidly that the co-operatives were "unable to keep pace with the rapid growth in the demands of the population. The co-operative movement acted as a brake on the development of the retail trade turn-over."² A number of conferences between the State Trading Corporation and Centrosoyus (the Central Bureau of Consumers' Co-operatives) were held, following which it was decided that the co-operatives should concentrate their future work in the rural areas (where they already did a large share

(1) The above information is mainly taken from "Co-operation in Changing Italy," by Karl Walter.

(2) Statements from Centrosoyus, Moscow, quoted in "Review of International Co-operation" (London), January 1936, p. 13.

of trade). The state stores were to deal with all urban business. The co-operative members decided to transfer their assets to the Commissariat of Internal Trade and share the benefits of lower prices with the city populations generally.

Thus today only the rural consumers' societies remain as co-operatives under at least the partial control of the members. According to official statements¹, the turnover in rural areas will soon exceed the turnover of all co-operatives prior to the change. Membership is placed at no less than 40 million; there are over 100,000 co-operative shops or buying and selling centres in rural areas; and a large appropriation (in 1936, 15 million rubles) is made for educational courses for co-operative members and employees.

(1) Report by T. Varyash of Centrosoyus, Moscow; summer of 1936.

CHAPTER VIII

THE ROOSEVELT COMMISSION REPORT

The co-operative movement was found by the Study Commission appointed by President Roosevelt in the summer of 1936 to have become an established part of the business life of the nations of Europe. All those interested in co-operatives on this continent will be well advised to read the Report in full¹. But some of its salient statements may well be quoted here.

The Commission of six members made a first-hand investigation of co-operative associations in England, Scotland, Ireland, France, Switzerland, Czechoslovakia, Denmark, Norway, Sweden, and Finland. Their report contains a large fund of factual material gathered en route, together with a series of statements by the various members of the Commission emphasizing the important aspects of, or lessons to be drawn from the movement, as they see it.

General Principles.

The following excerpts deal with the Commission's findings on the general principles of co-operative enterprise.

"Two things make the policy of co-operatives different from that of private business. In private business, in its usual corporate form, each share of stock has a vote. In a co-operative, each member has a vote, and only one, no matter how much stock he may own. (And the amount he may own is usually limited). In private business the profits are distributed to the stockholders. In a co-operative, the profits (after paying a small fixed interest to the shareholders and setting aside a percentage for reserves) are distributed to the members in proportion to their patronage.

"While co-operatives generally stick rather closely to the fundamental principles referred to, and while they all have as a

(1) Inquiry on Cooperative Enterprise. Report. Washington, 1937. 2 vols. 731 pp.

fundamental purpose the saving of money for their members, they differ widely in some of their general aims and policies.

"English and Scotch consumer co-operatives look toward the ultimate abolition of private profit; to the establishment of a co-operative commonwealth in which all business will be done by consumer co-operatives, or divided between the co-operatives and the State—a set up of society in which all national income (except for a small fixed return on capital) shall be paid to workers in wages and salaries, with all profits accruing to consumers in the form of lower prices.

"In Sweden an important aim of consumer co-operatives is to be a price yardstick; to do enough business to insure fair prices to consumers. Swedish co-operators believe that competition is better than even a co-operative monopoly. They desire to define the terms of competition by doing enough retailing and manufacturing to make price-fixing by private monopoly impossible. Monopoly, they say, can be controlled much more effectively by co-operative competition than by antitrust laws.

"Swiss consumer co-operatives have much the same objective, except that it is confined more to the retail field. They do not desire to eliminate private enterprise. They do not consider it unholy. They are even in partnership with it in the business of meat slaughter and distribution.

"In many countries consumer co-operation is basically an urban worker's movement. In Denmark, farmers make up the bulk of its membership. In Sweden, its worker membership is being supplemented by rapid additions from farmer and white-collar classes. In Finland there are two groups of consumer co-operatives, one composed chiefly of farmers, the other chiefly of urban workers. In Switzerland co-operation is less a class movement than in any other country, its membership being a cross-section of all classes.

"An outstanding co-operative accomplishment is the encouragement of thrift among a class of people who ordinarily save little. It is easier to save when sizeable amounts of money are paid back regularly in patronage refunds. The prevailing cash purchase policy of co-operatives is a stimulus to thrift. Co-operative education in family buying and budgeting also helps. So does the

fact that losses of savings deposited with co-operatives are almost unknown. The larger co-operatives have become great savings institutions.

"In England and Scotland particularly, members are urged to leave their patronage refunds with the co-operatives. After they have bought shares up to a maximum limit, further savings go into "loan capital" at a lower rate of interest. In practice both loan capital and share capital can be withdrawn on demand. During the depression, co-operative shares were almost the only securities in Great Britain which did not depreciate in value.

Co-operative Accomplishments.

"Chief consumer co-operative accomplishments in Europe are:

1. Reduction in costs of retailing with advantages accruing to consumer, thus making possible more saving and higher standards of living, and contributing to economic stability.

2. Promotion of thrift; increasing economic security of members.

3. Education in intelligent buying, family budgeting, and general economics.

4. Better citizenship, the result of widely-diffused ownership of an important democratic business enterprise.

5. Effective control of monopoly by co-operative competition.

6. Comparatively high labor standards.

"Among the important problems not yet fully solved by some or all European co-operatives are:

1. Securing a larger percentage of the trade of their members.

2. Inducing local societies to concentrate their buying more in co-operative wholesale societies.

3. Increasing democratic control by making it easier for their members to vote. (The old "town meeting" voting method does not meet the requirement of large societies.)

4. Improving relations with farmers.

5. Meeting chain-store competition when (as in England)

recent legislation has removed the co-operatives' tax exemption on surplus.

6. Holding their own in competition while maintaining trade-union standards.

7. Wise investment of growing surplus funds.

8. Finding out how to adopt the good practices of private business without the bad.

"Consumer co-operatives in Europe grew up during a period when private retailing was inefficient. They set new standards of efficiency, reduced costs, set standards of quality. Only recently have they faced much chain-store competition. It is too soon to forecast the result of this. It is causing co-operators some worry. In England chain-store business is growing more rapidly than that of the co-operatives. In Switzerland, co-operatives are holding their own in face of the keenest kind of chain-store competition.

"We saw amazing co-operative stores that were setting new standards in merchandizing; other co-operators discussing seriously the menace of the new multiple-shop (chain-store) invasion; still others that were adopting the good and the bad indiscriminately from private business.

"Co-operatives keep down retail margins by low capital costs, large volume of trade, lower executive salaries, standardized goods, and mass buying. In some countries favorable tax laws give them a competitive advantage.

"Consumer co-operatives as a rule pay higher than going wages to labor, require shorter hours, and are more liberal with vacations and sick leave. Co-operative stores in general pay workers 10 percent to 15 percent more than the going rate, and pension their old workers. Most co-operatives employ chiefly union workers, have collective agreements, and arbitration boards which handle the few labor disputes that arise. In general there is a close relationship between organized labor and consumer co-operatives.

Community Relations.

"In all countries consumer co-operation has become an established part of the business life of the nation. Private business has not been ruined by this new competition. It has adjusted itself

to co-operative competition and has learned some things from co-operatives to its benefit just as co-operatives in turn, have learned from private business.

"European governments in the countries we visited are generally friendly to co-operative enterprise. They regard it as a stabilizing influence. It creates a pride of ownership in co-operative members that makes them better and more intelligent citizens; gives them a more definite part in the nation's economic life, and experience in running their own business. Themselves members of a democratic organization, they become stronger supporters of democracy in government.

"Co-operatives have not received many special privileges from government. Some access to government credit, some exemption from taxes on plough-back surpluses, some subsidy to co-operative education—that is about all.

"In most countries co-operatives are neutral in politics. In England and Scotland they contribute to the Labor Party and also support their own Co-operative Party. In Czechoslovakia the store managers are often party leaders and the stores centres of political propaganda.

Aspirations and Limits.

"From the things we learned and the figures we gathered could be woven an Aladdin tale of co-operative success. From a different selection of material could be built a story of co-operative blunders and mistakes and class antagonism.

"It has been our task to try to tell the story fairly, to picture accurately a movement that has its full share of human errors, but that has brought new hope, new pride of ownership, higher standards of living, to a substantial portion of the people of western Europe."

European data alone are of course insufficient for a determination of domestic policies. The applicability of European data to conditions elsewhere is open to individual interpretation. What people may finally think about the future of the co-operative method will be linked with their views as to the economic, political, and social destinies of mankind.

CHAPTER IX

THE HISTORY OF CO-OPERATION IN CANADA

The provinces of Quebec and Nova Scotia vie with one another for honours in establishing Co-operation in Canada, for it was in these two provinces, in the year 1789, that farmers' Co-operatives first dug their roots into the Canadian soil.

John Young, of Halifax, a newspaper correspondent for the "Acadian Recorder", writing under the pen name "Agricola", during the latter part of the 18th Century, is the first scribe of the new movement. His writings inform us that "the first agricultural society in Nova Scotia was instituted at Halifax on the 10th of December, 1789; and soon after, the inhabitants of the County of Hants formed themselves into a similar association, with a view to co-operating with the capital in promoting agricultural and rural economy." In the same year there is record of the formation of a farmers' club in Quebec City under the patronage of the Governor General, Lord Dorchester.

Two years later, the first agricultural society was formed in Upper Canada with provincial-wide aspirations but does not appear to have carried out its program and by 1805 had ended its brief career. Following closely after these early attempts at organization, other societies were formed from which can be traced the beginnings of our agricultural fairs and other permanent institutions.

These early co-operative societies were interested mainly in improved husbandry, and by collective action encouraged and assisted in the introduction of new machinery, seeds and live stock and in the treatment and application to the soil of the natural

limestone deposits. Through their organizations they also assisted immigrants in settlement on the land and in finding employment.

In 1872, the organization known as the Grange, which was then flourishing in the rural communities of the northern United States, and which still operates on a large scale, entered Canada and organized branches in Quebec and Ontario. A few years later, 1877, this affiliation was broken and a Dominion Grange of the Patrons of Husbandry was established under federal charter. This organization established a number of co-operative enterprises of a business nature, none of which have survived, although the society itself still exists. In 1889, another farmers' organization made its way into Canada from the United States. This was the Patrons of Industry which also promoted and established a number of co-operative enterprises. In principle and purpose this organization differed from the Grange in that it definitely entered politics, both provincial and federal. The growth of the Patrons of Industry was phenomenal, but the organization died out rapidly after its failure in the elections of 1896. The Dominion Grange, following the principles of its constitution, has always kept out of the political field.

Consumer Co-operation.

In the latter part of the 19th century, in addition to the further development of agricultural co-operatives, there emerged the first Consumers' Co-operatives. The honour for their establishment goes to a group of Nova Scotia miners who had come to Canada after having been members of Co-operative Societies in Great Britain. It was they who organized, on strict Rochdale principles Canada's first Consumers' "Co-Op". Their first venture was the opening of a co-operative store in Stellartown, Nova Scotia, in the year 1861, which carried on until 1916 when it failed. The society at Sydney Mines, organized in 1863, had considerable success for several years but made the mistake of not providing for a reserve fund. This fact, together with the withdrawal of capital from the society, led to difficulties and when fire destroyed the store in 1905 there was no attempt to rebuild. The history of this organization was sufficiently encouraging, however, to lead to the formation of another society in 1906. This Society,

the British Canadian Co-operative Society, Ltd., of Sydney Mines, was organized more closely in accordance with co-operative principles, a reserve fund being provided for and business conducted on a cash basis. Starting with a membership of 32 in 1906, and an average share capital of \$6.00 each, the society has since grown to monumental proportions. It has recently been described as "probably the most successful consumers' society on this continent."

As an interesting sidelight on the activities of this society, Mr. W. L. MacKenzie King, who as Deputy Minister of Labour, appeared as a witness before the Federal Parliamentary Committee of 1907, enquiring into the Co-operative Movement, read into the record a letter he had received in connection with the several Co-operative groups then functioning in the Maritimes, from which we quote:

"The British Co-operative Society, Ltd., of Sydney Mines, started the present year. This society is composed nearly altogether of old country co-operators. Very few of the members of the old store have so far identified themselves with them. *They are adopting old country methods altogether.* While other societies allow credit to the amount of four-fifths of the capital, this society gives absolutely no credit even to their members. They now have a membership of 78, and are doing a good business."

This society, "adopting old country methods altogether", continued to do a good business. At the end of 1936, after 30 years of consistent and successful business development, they report a membership of 3442; four branches at Florence, Cranberry, North Sydney, Glace Bay, in addition to the main store at Sydney Mines; a business for the year totalling \$1,159,352 representing an increase of \$96,472 over the previous year; and dividends amounting to \$91,536 or 8%.

Elsewhere, as we will shortly show, the Movement was also slowly developing. By the turn of the present century, Co-operation, both as a consumer and a producer movement had gained a struggling foothold in widely scattered parts of the Dominion. Farmers' Co-operatives of one form or another had arisen in most

of the provinces; isolated Consumer Co-Ops were functioning in Cape Breton, British Columbia and other industrial centres; while in Quebec, under the inspired leadership of Desjardins, the first halting developments of Credit Unions, les Caisses Populaires, were being laid. But, as far as the urban Consumer Movement was concerned, it was only a foothold. It was later to meet with severe set-backs.

For a decade interest continued to grow and development along with it. Indeed, the record would seem to indicate that the growth of Co-operation in Canada was keeping pace, in those days, and in all its phases, with similar developments on the Continent and elsewhere. Thus we see, during the year 1906, a Bill being introduced into the Federal House of Parliament to enact enabling legislation on behalf of the then developing Co-Operative Societies. True, the Bill was defeated, after passing the Commons, in the Senate,—but only by one vote, and on the pretext that such an act would interfere with Provincial rights. Undismayed, the proponents of Co-operation arranged for similar bills to be presented during the Parliamentary sessions of 1907, 1909, 1910, 1911 and 1914, but nothing came of them. However the failure to pass Federal Legislation led to fairly satisfactory Provincial legislation. Thus, during this period, did most of the Provinces enact their present legislation on the Cooperative Movement. By 1909, the need was apparent for some central National federation and during the year there was brought into being for this purpose The Co-operative Union with headquarters in Brantford, Ont.

The years 1900 to 1914, betokened promise for Consumers' Co-operation in Canada. But actually, with the same period, the beginning of a disheartening succession of failures paved the way for an almost complete disintegration. The record is a tragic trail of disaster. Its lessons are of peculiar significance to the present widespread interest in the movement.

Failures during 1900-1914.

Let us make a brief excursion back to that period. Ontario offers a good example of what happened, more or less, in other parts of the Dominion.

One of the most promising Ontario Societies, which does not exactly fall within the example of the pre-war failures, but which emerged during that period, was the Guelph Co-operative. Organized in 1904 by a group of workmen to meet what they considered the excessive prices being charged for the price of bread, the society became a flourishing co-operative business. By 1906 a grocery and meat business was added to their co-operative bakery; in 1907 a boot and shoe department; in 1908 a coal yard; while in 1925 a cash and carry grocereria was established to meet the competition from chain stores. In the same year, through circumstances which probably could have been prevented, the Society had to close its doors.

The Guelph Society, as we have pointed out, survived the war period. We mention this society because its growth was typical of what was happening more or less elsewhere. For instance, in the early years of the United Farmers of Ontario, 47 Co-operative Consumer Stores were opened under its auspices. These stores were opened under the multiple or chain store plan. They were not a success and were gradually closed or turned over to local co-operative societies¹. The high cost of living of the later war period led to the formation of numerous co-operative stores, but the business difficulties of the subsequent years, plus immature co-operative leadership and management, brought failure to most of them.

In Quebec, Consumers' Co-operatives have never experienced any particular success. A society in Valleyfield is the only one which has survived a period of years. For a while there was an active society operating in Lachine and some fifteen years ago a Consumers' Co-operative Store was opened in Verdun. For a year or two it did a fair business. But unfortunately the manager was seemingly more interested in propagating his own philosophic views on religion than in administering a co-operative business enterprise and the society finally liquidated when members withdrew in protest. A Masonic Co-operative Society functioned for a brief period several years ago but finally discontinued its activities as such, although the remnant still carries on under private auspices as a commission buying agency. The fate of a Consumers' Co-operative in Maisonneuve, immediately following the war, is wrapped

(1) The failure of the U.F.O. Co-Operatives was due, perhaps more than anything else, to the tendency of their members to go bargain hunting at other privately owned stores.

up in the wrangling among its members and finally the dishonesty of its store manager. Consumers societies in Quebec rural districts have met similar fates, permitting the Provincial Minister of Trade and Commerce, in reviewing Co-operation in Quebec during the year 1934, to state, "that while the Caisses Populaires have been an unqualified success, Co-operative stores have to-day completely vanished."

In other parts of the Dominion,—New Brunswick, the Prairie Provinces and British Columbia, a similar tale could be told. With always the isolated exceptions which seem to prove that where efficient management, sound Rochdale principles, and loyal co-operative members are wedded together, Co-operation in Canada, as a Consumer Movement, is not an unrealizable possibility. For instance, the several British Columbia Societies, particularly in mining districts, whose beginnings go back to the pre-war period, and whose activities have met with considerable success. Likewise among the farming population of the Prairie provinces, whose co-operative buying of binder twine and other farm supplies has been supplemented with grocery staples and household necessities.

But, by and large, up until a few years ago, Consumer Co-operatives in Canada could hardly be said to have proved an unqualified success. Their history is perhaps best summarized in an article in the Canada Year Book for 1925, prepared by Miss M. Mackintosh of the Department of Labour. She states:

"The record of producers' Co-operation in Canada has been, on the whole, one of steady growth . . . but the history of consumers' co-operation shows no such development. The first co-operative stores were opened by groups of workers who were applying the principles of co-operation they had learned and practised in England. In the late '90's and in following decades, when the increasing cost of living put greater pressure on the wage earners, co-operative stores were opened in many towns. Another wave of co-operative activity followed the rising prices during and after the war. But the more individualistic character of the population and the higher standard of living made possible by higher wages appear to have rendered consumers in Canada less inclined to co-operative effort than in the older countries of Europe, so that many co-operative societies have languished for lack of funds, suffered from poor or indifferent management and lacked the enthusiasm of a membership of genuine co-operators. The success achieved by a comparatively small number of societies is all the more striking by contrast."

And in the same general article, but in an earlier section:

"Scattered as they are over a vast territory, the consumers' co-operative societies of Canada have laboured under the disadvantage of lack of communication and absence of opportunity for the discussion of common problems. *The desire to effect a saving in buying commodities has been the only motive of most of the members and there has been little knowledge of the principles of co-operation*, with consequent failure to observe one or the other of the fundamental requisites for the successful operation of the co-operative stores. Managers have been drawn from the retail trade and have not always had any real interest in or understanding of the co-operative system. To these reasons may be ascribed many of the failures of co-operative stores in Canada."

Which brings us down in our summary of the history of Co-operation in Canada, from its beginnings in the latter part of the 19th century, (for we must concede that the earlier developments were not "Co-operatives" in the now accepted sense) to the year 1925.

Renewed Activity since 1926.

Since 1926, and more particularly following the crash of 1929, renewed activity has taken place in the development of Consumer Retail Societies throughout the Dominion. An indication of the extent of their growth may be taken from the fact that twenty of the forty retail co-operatives, affiliated to the Co-operative Union of Canada, have been established only since 1929; eighteen of these twenty within the last six years. The date of organization is not available for those retail co-operative societies which are operating but have not as yet joined the Co-operative Union. It is probable, however, that the percentage of recent organization among them would be about the same or greater.

Along with this recent development in Consumers' Co-operatives has gone a similar expansion in the field of Agricultural Co-operatives. For instance, in the Province of Quebec, the origins of the existing Agricultural Co-operatives are as follows:

Year of organization	Number of Co-operatives Incorporated under the Co-operative Syndicates Act.
1900-1913	9 Societies
1914-1918	10 Societies
1919-1929	31 Societies
1930-1935	99 Societies
	158 Societies

Of the above total, 99 (or 62 per cent) have been incorporated within the past five years. Similarly, the Maritime development consequent upon the adult education program of St. Francis Xavier University at Antigonish, Nova Scotia, has all occurred within the last six years. As a result of this extension movement, the following Co-operative enterprises have been developed:

- 105 Credit Unions (Total savings, \$405,439, membership 17,173).
- 8 Co-operative Stores.
- 10 Co-operative Buying Clubs.
- 5 Co-operative Fish Plants
- 14 Co-operative Lobster Factories.
- 2 Community Industries.
- 1 Co-operative Health Service.

In addition, the Co-operative Union reports 4 Co-operative Wholesale Societies, 3 Marketing Societies, 3 Co-operative Dairies, 1 Transportation Society and 1 Producers Society—all organized within the past ten years and affiliated to the Union. So that of the 55 Co-operative Societies of one kind or another now belonging to the Co-operative Union, 32 (58%) of them are of comparatively recent origin, most of them since the beginning of the depression.

The Federal Government undertook a census of Consumer Co-operative Societies in 1930. The figures revealed that in that year, 1930, there was a grand total throughout Canada of 1173 different Consumer Co-operative Societies doing a volume of business in sales amounting to \$22,881,151. If a similar census were taken in 1938, the figures would undoubtedly be much greater both in number of societies and volume of sales. But in this connection, it should be pointed out that most of these 1173 Societies enumerated in 1930 were of farmer origin and only a fractional proportion of them members of the Co-operative Union. Also that it is probable, although not determinable, that many of them are not Co-operative in the strict Rochdale sense.

Social and Commercial Motives.

For as George Keen, the General Secretary of the Co-operative Union of Canada, recently pointed out at an Annual Congress

*The figures for recent Maritime Co-Operative development, quoted here, are not duplicated in the figures also quoted for the Co-Operative Union of Canada.

of the Union, held in Toronto, September 14-16, 1936, there are two kinds of co-operatives functioning in Canada, "the social type and the commercial type." It is likely that most of the Societies listed in the Federal Census of 1930 fall into the latter category. Their main, if not exclusive function, is to get consumer goods at reduced costs. But, as Co-operative leaders are constantly pointing out, the Co-operative Movement has a more embracing social philosophy than simply the narrow interest of economic savings alone, important though that may be. As a federated movement of Co-operators, both producers and consumers, it seeks certain political, economic and social objectives which can be achieved only through united national effort. And in Canada only a handful of the existing Co-operative Societies have deemed it important to come together for such purposes. So, that while we have seen an extensive development of Co-operative enterprise in Canada, much more extensive than most Canadians realize, it is as yet uncoordinated and largely a price saving mechanism.

In this latter respect, however, what exists in the way of economic co-operation in Canada, does not differ widely from the motives which lead most people into the Co-operative Movement elsewhere. For no less an authority than Sir Fred Heyward, President of the International Co-operative Alliance, speaking at a recent luncheon meeting in New York City, stated: "Only two percent of British Co-operators are co-operatively minded. The balance are content to take advantage of the economic features of the movement."

And, as Mrs. Sidney Webb writes in her illuminating pamphlet, "The Discovery of the Consumer,": "Whatever may be the idealistic aspirations, or the public spirited motives of the founders and directors of a Co-operative Society, it is idle to pretend that any such society can secure, year in and year out, the adhesion and support of thousands of average citizens, uninspired and apathetic, unless it becomes to them a source of immediate and tangible benefit. What brings in recruits to the co-operative society and holds their loyalty to the Movement is the discovery that, in addition to the pleasure of comradeship on equal terms in a joint enterprise, they each and all, owing to their membership, and without de-

priving any person of his dues, actually become individually richer."

The Need for Coordination.

On the other hand, and among other things, the fact that Co-operative Societies in Great Britain and elsewhere are organized into great National Federations, gives them a collective strength in influencing political economic and social developments which they would not otherwise, as individual consumers or isolated Co-operative Societies, enjoy.

And that is exactly what the Co-operative developments at present existing in Canada need most—a strong national organization which will unify, co-ordinate and develop the movement.

The foundations for such a body were laid in the formation in 1909 of the Co-operative Union of Canada. But, as we have pointed out, of the 1173 functioning Co-operative Consumer associations existing in 1930, let alone the other equally numerous Producer Societies, less than 50 had seen fit to affiliate and support the Co-operative Union, or any Federal Co-operative body. The reasons for this are not entirely clear. Certainly, in its twenty-seven years of life, the Co-operative Union has performed a meritorious service on behalf of those societies belonging to it, and on behalf of Co-operation at large throughout the Dominion. But with meagre resources and only a small membership, its possible influence has been correspondingly limited. So that at this particular moment, when the doors of Co-operative opportunity are again opening before the Canadian people, the Co-operative Union finds itself harrassed by the multiplicity of demands for help, with resources totally inadequate to the need.

Observation would suggest that Canadian Co-operators, in the main, still have to learn one of the elementary Rochdale principles, "Co-operative Societies co-operate with one another." And this observation, we may be permitted to suggest, holds equally true for those societies who have already federated into regional organizations for the purpose of operating a Wholesale Society, but whose outreach has stopped at that point. What is needed, we reiterate, is a strong national body, its functions entirely removed from the

business of the market place, its task to co-ordinate and lead an ever-widening co-operative development.

Review.

Now to recapitulate and summarize the present status of Consumers' Co-operation in Canada today.

Added to the background of the foregoing factual situation, there is, as we have intimated, a Dominion-wide interest in Co-operation. This interest at the moment is diffused and unorganized but developing with some rapidity. Particularly in urban centres is there evidence of an aroused interest in Co-operative possibilities. From all sections of the country, correspondence has been pouring into the Co-operative Union offices at Brantford, and to those other centres of activity such as St. Francis Xavier University, enquiring how to set about organizing and seeking general information. The situation in Montreal, where several societies have recently opened new stores while others are now engaged in the task of raising share capital, recruiting an initial membership, etc., is duplicated in Toronto and other large Canadian cities. News of new Co-operative Societies or of groups contemplating organizing, grows apace.

The year 1938 witnesses, therefore, a surging interest and somewhat rapid development in Consumer Co-operation in Canada. Whether it will meet with the same fate as the development in the pre-war decade, remains to be seen. It is to be hoped that the sad lessons of that period are not too far removed from the contemporary scene to have lost all their significance to the present body of Co-operative leaders. Certainly, mushroom growth must not be reckoned as an indication of ongoing stability. Likewise, the errors and omissions of an immature leadership, committed in what was a probably premature environment, must be safeguarded against.

Can this be done? Probably. You ask how? The answer, we think, is in the emphasis which is being placed by leaders of Co-operative thought in such devices as Study Circles and preparatory Buying Clubs. Let us look to the Maritimes. The experience of St. Francis Xavier University has been heralded across the country.

Its lessons are being learnt wherever Co-operation is being talked. St. Francis Xavier has perhaps discovered and added a new principle to orthodox Rochdale Co-operative philosophy. It will perhaps turn out to be Canada's contribution to this mighty world movement. Succintly stated it might be termed: *No Co-operation without preparation*. Or in other words, education *before* action.

It is this emphasis upon adequate knowledge of the principles of Co-operation before undertaking Co-operative business ventures, which will probably be the safeguard of these new groups. That, plus the fact that some of the lessons of the past have been learnt. And most of all, the basic fact that Canadians are no longer a pioneer people enjoying the upswing of an expanding economic system. Those days are gone. Economic insecurity, the propelling force which led the Rochdale pioneers to a program of self-help almost one hundred years ago, is forcing Canadians, in ever growing numbers, in a not dissimilar direction.

Perhaps it is all to the good. We have needed something like the experiences of these latter years to shake off the hypnotic spell which a century of new and rapid wealth-getting has cast over us. A new sobriety of thought grounded in an understanding of economic realities can only result in a strengthening of the national character. Self-help, rather than a reliance upon the vagaries of government or the paternalism of the rich, is a quality worthy of emulation and much to be encouraged.

The present widening interest in the Co-operative idea is therefore a bright sign on the Canadian horizon. The future is still too beclouded with uncertainties to predict what may yet lie before us. But there is some glimmer of hope when Canadians, from all strata of society, who are not too deeply inhibited in retrospect by the seductive nature of pre-1929 prosperity, nor romanticized by the myth of its inevitable resurgence are turning in thoughtful enquiry to such methods as are represented in the Co-operative ideal.

CHAPTER X

LEGISLATION ON CO-OPERATION

In evidence given before the Price Spreads Commission, Dr. R. H. Coats, Dominion Statistician, referring to the Co-operative Movement stated:¹ "There is further the general problem of co-operation . . . but there is lack of facilitating legislation, and even if legislation exists it is necessary to have a Sir Horace Plunkett to draw attention to it."

Federal.

This is certainly true in the federal field. There is no special Dominion legislation affecting the Co-operative Movement. Although, in the year 1906, "An Act respecting Industrial and Co-operative Societies" passed the House of Commons without opposition but was defeated in the Senate by one vote. In the Parliamentary Sessions of 1908, 1909, 1910, 1911 and 1914 (six attempts in all), efforts were made to pass similar bills but none was able to pass the Alcazar of social legislation in Canada—provincial rights.

Failing specific enabling legislation in the Federal field, a number of co-operative societies have incorporated under the Companies Act. Part I of this statute permits the incorporation of a joint-stock company with provision for the distribution of profits on a co-operative basis. If a co-operative association without share capital is in contemplation, the provisions of Part II of the Statute are available.² For obvious reasons, however, the Dominion Companies Act is a poor vehicle for Co-operative incorporation.

In recognition of this latter fact, the Royal Commission on Price Spreads saw fit to recommend "that consideration be given by the Federal government to the possibility of legislation for the

(1) Vol. 1; p. 3.

(2) From correspondence with the Department of the Secretary of State (April 14, 1936.)

incorporation and regulation of consumers' co-operatives, enabling them to do business under the same conditions as any federally incorporated company. It is further recommended that it be provided by law that the word "co-operative" shall not be used in any trade mark, or as part of any trade name, except by a co-operative society duly incorporated under federal or provincial law. While the co-operative movement in its operations asks no special privileges, it has a right to demand fair and equitable treatment from government and private enterprises. In particular it should not be victimized in the early stages of its development by unfair competitive practices or price discrimination on the part of manufacturers and wholesalers. We recommend, therefore, that whatever measures are taken to protect business generally against these evils should offer equal protection to the co-operative movement."¹

Something of the spirit of the Price Spreads Commissions' recommendations was manifested in the amendment made to the Criminal Code during the last session of the late Conservative Government (July, 1935). The amendment makes it an offence for any person to discriminate in any sale against competition of the purchaser by granting rebates or discounts not available to such competitors; but it is stipulated that this provision shall not prevent a co-operative society of producers or consumers, or a co-operative wholesale society, from returning to its members dividends on their purchases from the society or on their sales to it.

Provincial.

All of the Provinces have statutes regarding agricultural co-operation, in one form or another. But only Nova Scotia, Quebec, Manitoba, Saskatchewan, Alberta, and British Columbia have special statutes concerning consumer co-operative organizations. In each of these provinces a declaration stating the name and objects of the association is required to be filed with a provincial or municipal officer, and provision is made for protecting the funds of the society. In Ontario, the Companies Act contains a section providing for consumer co-operative associations. In New Brunswick, consumers' co-operative societies are formed under the provincial Companies Acts or by private Acts.

(1) Report of Royal Commission on Price Spreads, pp 219-220.

Legislation in the Provinces respecting co-operation falls into three classes.

- (1) Laws enabling the formation of Co-operative Credit Associations. (Quebec, Ontario, Manitoba, Alberta, Nova Scotia).
- (2) Laws governing Agricultural Co-operative Associations. (all the provinces).
- (3) Laws providing for co-operative societies for the production and distribution of commodities. (N. S., Quebec, Man., Sask., Alberta, and B. C.).

At the last session of the Nova Scotia legislature an amendment was made to the Domestic, Dominion and Foreign Corporations Act, whereby co-operative Societies, incorporated under the Co-operative Associations Act, are exempt from a payment of the annual registration fee. An amendment to the Provincial Revenue (Corporations) Act also exempts Co-operative Societies, so incorporated, from the payment of the taxation imposed upon corporations operating branch stores. The Nova Scotia government, by these exemptions, would seem to recognize the social significance of co-operative activities and distinguishes their difference in function from privately operated corporations.

By contrast, recent amendments to the Ontario Companies Act, under which co-operative societies are incorporated, imposes a severe restriction upon co-operative practice.

Quebec.

Of all the Provinces, Quebec enjoys the most embracing Legislation for Co-operative developments in the Dominion.

In 1906 a provincial law was enacted to govern the operation of Les Caisses Populaires (Co-operative banks or Credit Unions) then developing in the Province. In 1909 enabling legislation for agricultural co-operatives was enacted; also in 1909 was passed the Quebec Co-operative Syndicates' Act, which superceded the Act of 1906, and provides for "co-operative consumption, production, credit, provident or any other economical purpose." Finally, in 1922, was enacted legislation creating the Quebec Federated Co-operative, which is a federation of agricultural co-operatives for

purchase and sale of farm requirements and products, and for the operation of agricultural industry. The legal titles of these three Acts are:

- (1) Co-operative Agricultural Association Act.
- (2) Quebec Co-operative Syndicates' Act.
- (3) Quebec Federated Co-operative.

The Quebec Co-operative Syndicates' Act, under which Consumer Co-operative Societies are incorporated provides a simple and inexpensive formula for their legal incorporation. Individual Societies are confined in their operations to a provincial electoral district, or in the case of a city or town by the territorial limits of that city where the Society has its head office. Extension of territory may be extended with the approval of the Lieutenant-Governor in Council. Provision is also made for sectional or province-wide Federations of individual societies, with such federations enjoying the rights and powers of associations created under the Act.

Trading must be confined to members of the association only. Twelve associates are required before a Society can be incorporated. Shares must not be less than one dollar. The capital of the association may vary. It is permissible for School Commissions, and corporations of cities, towns, villages, parishes and townships, as well as individuals, to own shares. Each shareholder may vote by proxy except the societies or public bodies that hold shares, each of which shall have one vote only. The annual general meeting, on the basis of the year's fiscal report, shall determine the amount of the profits which shall be allotted.

Two recent amendments to the Quebec Co-operative Act are of interest.¹

(a) "No person carrying on business alone under a firm name, and no commercial partnership or association not incorporated, shall use in a firm name the words "co-operative syndicate," unless incorporated under this act." (Exemption from this amendment is given to those firms or individuals who were in business at the coming into force of the ruling.)

¹The first was made on March 29th, 1933, the second on Feb. 19th, 1932.

(b) "An amount of twenty thousand dollars shall be set aside yearly for the efficient propaganda and supervision of the people's saving banks called Desjardins, governed by the Quebec Co-operative Syndicates' Act."

Observations on the Quebec Co-operative Syndicates' Act.

(1) The clause which restricts sale to associates only is a restraining clause. It is seldom required in Co-operative legislation elsewhere. Conventional practice is to permit the general public to buy in co-operative stores; the dividends of non-members being allowed to accrue and applied to their purchase of share capital. In some instances, patronage dividends of non-members are applied to the educational fund of the society. They are never distributed to the members.

On the other hand, by forbidding business with any other than their own membership, the Act has the salutary effect of keeping membership on an open basis and making increase in membership a necessity.

(2) The clause permitting public bodies to own shares and participate in benefits, might be useful for any co-operative undertaking in the marketing of commodities such as coal, gasoline, fuel oil, etc.

(3) The amendment making it illegal to use the words "co-operative syndicate" would be greatly strengthened if to it were added "or the word co-operative in any shape or form". The intent of the amendment is probably in this direction but its wording permits evasive practice.

(4) The recognition by the Provincial Government of the educational and organizational needs of Les Caisses Populaires is a recognition on the part of Government of the part they can play in encouraging the development of forms of co-operation. There is no reason why such subsidy should not be widened to include Consumers' Co-operation.

Restraining Legislation in Ontario.

In April, 1935, an amendment to the Ontario Milk Control Act, concerning the return of dividends to customers, was passed by the Ontario Legislature. The amendment prohibits the return

to the consumer of savings made on milk, thus denying the consumer the benefits and economies of co-operative distribution. The Milk Control Board sets the standard of quality of the milk that may be sold and fixes the retail price, forbidding any rebate, discount, or dividend to the consumer.

The reason given by the sponsors of the amendment was that it was aimed at protecting the poor farmer. Co-operative leaders in Ontario regard it as a direct attempt to proscribe the several fast-developing consumers' co-operative milk companies which have recently been organized^{1*}.

General.

While certain underlying principles are common to all provincial legislation dealing with co-operation, in some provinces the definition of powers is much more explicit, and their application permits a larger scope of activity, than in other provinces.

Since all the acts are designed to serve the same purpose, greater uniformity of provisions and wording of clauses should clarify inter-provincial relations, and would facilitate any Dominion-wide undertaking of a co-operative character. In the Maritime provinces, acts have been framed to suit certain commodity groups, and do not permit of general application.

The Co-operative Union of Canada, which represents a large body of consumer-co-operative activity and opinion, and various co-operative marketing groups in the Dominion, has given consideration to this problem and has urged the implementing of Dominion legislation. Keen co-operators should lend their aid to all such efforts to bring about a more satisfactory legislative coverage in the Dominion as a whole.

^{1*} The Manitoba Legislature recently amended its Milk Control Act stipulating that the prohibition of rebates to buyers of milk does not apply to co-operative associations to which the Companies Act applies.

CHAPTER XI

THE POSSIBILITIES OF CO-OPERATION IN AGRICULTURE

Co-operation may be applied to many things, but it is a necessity in agriculture¹. Necessity, that is, if enough bargaining power is to be secured by farmers to put them on comparable terms with those with whom they have to do business. This condition of affairs is of fairly recent development and must be studied in some detail to be clearly understood.

Need for Co-operation

In former times, when all lines of business including farming were organized on an individual basis, it was possible for the farmer to enjoy a bargaining power similar to that of those with whom he had to deal. Those days are gone and for the following reasons.

Business organizations have changed greatly in recent times.

First came the gradual decline of the individual business and the increase in partnership form of organization. This was to secure more capital and hence a greater volume of business. The partnership system did not last long for two reasons. First, it was not of much advantage in securing capital and secondly, it restrained investment by requiring that each partner assume unlimited liability. Then developed the corporation designed to get rid of the two weaknesses of the partnership. The corporation with sale of shares to the public was an easy method of gathering together huge amounts of capital. With the formation of a limited company by which investors were responsible for the success of the company only to the extent of the number of shares held, limited liability was secured.

(1) The material for this chapter was contributed by Prof. J. E. Lattimer of Macdonald College.

The net result has been that we now see corporations with almost unlimited financial power and limited liability dealing with farmers who have limited financial power and unlimited liability. Under such arrangements, it is not surprising to find unequal bargaining power. The way to secure more equal bargaining power on the part of the individual bargainer is to increase strength by group effort. This is co-operation.

Collective Bargaining

Labour has seen the need for group effort and the labour movement has directed its effort toward securing some degree of collective bargaining power. As the major portion of the cost of all goods is the labour employed in the providing of them, then, with labour in some industries using collective bargaining in the sale of its services while in other industries individual bargaining prevails, wages are consequently higher in some industries than in others.

Farmers who deal directly with large corporations (and indirectly with organized labour in some industries), cannot hope to sell their goods at fair prices unless and until they give up their individual method of dealing and strengthen their position through group effort. This may be done by co-operatives.

Freedom Retained

Such group effort need not restrict freedom. We are continually increasing freedom by curbing liberty in many ways. One of the best examples is the stop and go signs on a busy street. By observing the restrictions, traffic is speeded up and freedom increased.

The co-operative method of organization offers plenty of scope for individual effort. Farmers continue to do what they wish to do day by day, but with the addition of group activity for certain ends where individual effort is of necessity weak.

Consumer and Producer Co-operation

The most successful start in the co-operative method of organizing business was that of the Rochdale Pioneers in England.

This movement, which, as we have already pointed out, started as consumer co-operation, has now in its expansion embraced productive activities in many lines. Indeed, even in the eighth years of its existence, the original Rochdale Society had started to make shoes for which it employed three men and an apprentice to do the work. At the same time tailoring was started and a corn mill operated employing eleven men. Consumer co-operation may be the simpler method to start, as all customers may be expected to be consumers of somewhat similar goods. But that most members are producers is equally true, and producer co-operation becomes possible if the goods lend themselves to the staple retail lines.

Farmers have a great opportunity of combining consumer co-operation in the securing of supplies with producer co-operation in the disposal of their goods. The farmers of Canada have a peculiarly favourable chance because of the specialization that prevails in their productive practices, which are based upon the purchase of great amounts of raw material in the way of feed for their animals. The purchase of supplies may easily be as important as the disposal of their "cash" products.

Community Organization

Such a condition brings up one of the most debatable points in co-operative organization. Should the form of organization be on a sectional basis or on a commodity basis? It is difficult if not impossible to secure co-operation in a district among producers of different products. This difficulty may be overcome if and when an association handling many lines is large enough to specialize in all lines. By that time experienced experts may be available to handle all lines of goods. But the initial handicaps may be too great.

The commodity basis of co-operation means that a producer of several different lines of goods becomes a member of several different co-operative associations. Thus a farmer who runs a dairy farm may be a patron of a co-operative creamery, and at the same time a member of a co-operative bacon factory where he sells the hogs (which are fed on the by-products of the butter produced) and also, possibly, a member of a co-operative egg-selling organiza-

tion through which his eggs are sold. Denmark, which is the outstanding example of a country with successful producers' co-operation, follows the commodity basis of organization, and here it has worked with great success.

There is no need to point out other differences in consumer and producer co-operation. The need is to stress the similarities. And in the main the principles are the same: they apply whether consumer co-operation, co-operative credit, co-operative insurance, or producers' co-operation is under discussion. All these activities have been successfully organized through co-operatives.

Bringing Producer and Consumer Together

A great and outstanding opportunity of bringing about a better understanding and greater harmony between producers and consumers is now offered the co-operative movement. The first step is to educate the people engaged in the various industries of modern times in the contributions of one another to production as a whole. It is so easy with our present intense specialization to underestimate the contribution of the other fellow that education along this line seems imperative if industrial peace and harmony are to prevail. Herein is a great opportunity for the co-operative movement in general. And herein lies a particular opportunity for co-operation in agriculture. Farmers can undertake two kinds of group effort—disposing of their products, and purchasing supplies which they need for further production.

Fundamental Principles of Co-operation

In order to secure successful co-operation certain conditions are basic. They may vary to a certain extent with time and place and the objects of the association, but all students of the movement agree generally on the following fundamentals.

1. *Understanding the Purpose of the Association.* The first need for successful co-operation is an understanding of the possibilities and also the limitations of this method of doing business. Most successful co-operatives start by the formation of a study group to consider the need for such an organization, the objects

and aims of the society, and methods to be followed in reaching its objectives.

It is generally easier to start a co-operative than it is to organize a group to *study* co-operation. That is the reason why so many co-operatives have been started to reform the world, to eliminate the profit motive, etc., rather than to improve business conditions. In agriculture at least, it is better to establish co-operation on the principle of a fair reward for services rendered than to build everything on the slogan of eliminating the profit motive. Naturally the elimination of the profit motive, however, has its appeal when it is evident that a "fair deal" is not being secured. But this brings us to the second point.

2. *Co-operation Should be Necessary.* Co-operation is generally most successful when the need for it is most keenly felt. If present arrangements for the providing of necessities for the sale of goods are satisfactory, then the chances of another method of organizing the business being adopted are much slighter. But, on the other hand, if present arrangements are unsatisfactory and could be improved by working together, then the chances are much greater that success will be assured. The Rochdale Pioneers found conditions intolerable; they started from the smallest initial savings, and they show how the principle of "born of necessity" developed.

For this reason it is wise to examine carefully and study thoroughly the business arrangements at present available for carrying on the activity which it is proposed to displace by co-operative organization. If present arrangements are suitable they may be retained. If they are not suitable an improvement may be made by the co-operative technique.

3. *The Co-operative Idea, and the Nucleus-Group.* It is difficult to start a co-operative society without a group of prospective members who are interested in the idea and who may be relied on to become permanent members. In this connection it has been found that permanent residents, for instance farm owners are much easier to work with than renters who may be transients and whose moving away to another district may weaken the association. It is

less difficult to secure co-operation where prospective members are interested in one particular line of activity.

4. *Commodity Organization.* Organization by commodity has been found most successful. There have been exceptions to this rule, as previously discussed, but this principle is now more or less generally accepted. Specialization in farming is a trend of the times, and makes the organization on a commodity basis more suitable. Co-operation may make specialization possible. Many farmers would not hesitate to co-operate provided they had something to co-operate with. They may be producing only small amounts of a number of different crops. This condition is only natural as many Canadian farms were originally looked upon as a place to grow only what was necessary to live on. The day when this was sufficient has gone, and now it is necessary to produce something to dispose of for cash. To do this means buying certain special supplies. In this way the co-operative purchase and sale of these things may encourage production in that line. At the same time increased output of one special line makes it easier for co-operative buyers to help one another to secure sufficient volume to make the association successful.

5. *Sufficient Volume of Business.* One of the most common handicaps of a co-operative society is the difficulty of securing enough business to make it pay. Co-operative creameries and cheese factories have been started where there were not enough cows to warrant such a venture. This illustrates the need for studying the situation first. Co-operation is no panacea; it cannot be expected to inspire people to effort which e.g., sparse population or poor soil will not warrant. It is only a special method of organizing business to do certain things. It is not something to be made the subject of exaggerated claims, but something to be adopted and applied to conditions where careful study reveals some need for it and some chance of success. Volume of business is necessary in order to:

- (a) Lessen the overhead charges;
- (b) Provide more rapid turnover;
- (c) Reduce the margin necessary to cover expenses;
- (d) Secure efficient management.

In any system of purchase or sale, the margin necessary to pay expenses, much less leave a profit, will depend very largely on the volume of business. The best opportunity for success in co-operation is in securing a greater volume of business through the advantage of handling it through one agency.

6. *Efficient Management.* The real cost of a manager to any business organization is his salary plus the mistakes he makes. A poorly paid manager may provide cheap services, just the same as low wages may secure cheap labour. The manager must give value for his money; but co-operators will do well to choose him with the utmost care. Management of a co-operative is a different and much more difficult task than the management of a privately owned corporation. In addition to the task of making the business pay, which devolves upon any manager, the manager of a co-operative has to keep the members loyal to the concern. This is because the co-operative depends upon the membership for its customers. This brings us to another point which is closely connected, that of educational policy.

7. *Education.* A co-operative must organize a department of education or publicity to keep its members informed on policy. This publicity may be part of the manager's job, but generally, in large and successful organizations, it becomes a department in itself. This service, if left only to the manager, makes his job difficult. Since it requires special funds from the society's revenue, it should be closely connected with the control of the society.

8. *Control must be Democratic.* The essential points in the control of an agricultural producers' co-operative are fundamentally the same as those of an urban consumers' co-operative. They include:

- (a) Open and voluntary membership;
- (b) Restriction of number of shares allowed to one individual;
- (c) Restriction on voting. This may be either (1) one man one vote, or (2) one man one vote, plus votes according to certain amounts of business done through the association.

- (d) Absolute neutrality in regard to political or religious affiliation.

All of these essentials have been modified in certain cases. For instance, the open and voluntary membership has recently been modified by the substitution of contracts enforceable by law. Another modification has been the introduction of what is called "compulsory co-operation". This term is not so fearful as it sounds when we become better acquainted with it. Compulsory co-operation is explained in Britain as provision whereby, when two-thirds of the producers in a district decide to dispose of their goods co-operatively, that system shall become compulsory for the region. The object is to prevent a minority from taking advantage of the organization without sharing in the responsibilities.

9. *Adequate Financing.* It requires money to establish a co-operative. Some scheme of financing is necessary. There are three ways frequently followed. One is the sale of a certain restricted number of shares to each member. This does not furnish much money. Secondly, associations may borrow on warehouse receipts provided they have goods stored of the required quality and grade necessary to secure loans. Another method is a small deduction from the prices of units handled. It should be remembered, as important elements in financing, that it is necessary to build up some reserves for contingencies and the educational purposes already mentioned.

10. *Insistence on Quality.* In order to secure loans on warehouse receipts, proper grading is essential. There is more in this point than may appear. Ordinary purchasers of farm products prefer to pay for goods on a flat rate and do their own grading. Hence, there is seldom a premium paid for quality. Moreover, farmers cannot be expected to grade their own products. Co-operative societies, however, may do the grading—as, for instance, the Citrus Fruit Growers of California do—and pay a premium on quality, in this way promoting improvement. The Rochdale pioneers organized to secure not only cheaper goods but also better quality products and honest weights and measures.

11. *Business on a Cash Basis.* One of the sound practices of the Rochdale pioneers that has been found just as necessary by co-

operatives ever since the start of that association is the need for maintaining business on a cash basis. True, some people lose all interest in co-operation when they find that it involves this principle. If so, this is a good time for them to lose interest, before they get started. Membership is open to all, as previously stated: but this means open to all those willing to subscribe to the principles including this one of doing business only for cash. Credit may easily run a society into bankruptcy or hamper its proper development. The exclusion of those who are not willing to prevent this handicap is usually to the benefit of the organization.

Where sales organizations furnish supplies, these may be settled for by deduction from returns from sales. Where the sales organization has to store the product or part of the product for some time, only partial payments may be made at time of delivery. Such modifications are quite reasonable, but they should not be allowed to interfere with the general principle of doing business for cash.

12. *Current Market Prices.* Another practice of the Rochdale pioneers since conceded to be a general principle, is to charge market prices. This is the best way to start a co-operative as it will not offend competitors or invite retaliation. The aim of the association may be eventually to lower prices or to raise them. But it is not necessary to do this directly; it may be done in an indirect way, the best method of which is through the patronage-dividend.

13. *Patronage Dividends.* Co-operatives pay dividends not according to shares held, but according to the amount of business done through the association. This is the important difference between co-operative and corporate organization. With membership limited to those who deal with the concern, shares limited in number, and interest on shares at a fixed low rate, profits (or surpluses) are returned to members by dividends based on the amount of business done.

14. *Adequate System of Accounting and Auditing.* It follows from what has already been enumerated that careful records must be kept. Accounting must be provided for and auditing of the books must be regular and professional. This is absolutely

necessary in order to ensure the permanence and stability of the association.

15. *Loyalty of Members.* Finally, a co-operative lives by and in the loyalty of its membership. The best way to secure and retain loyalty of members is to make a success of the undertaking. In Denmark, where co-operation has proved so successful over a long period, it is claimed that when a farmer buys a farm he expects to have included in it the privilege of membership in co-operative associations. Successful co-operation offers membership as a privilege. When this stage is reached, loyalty of members is assured. At the start, when members may be somewhat suspicious of results, it requires tact and diplomacy on the part of the directors and management, and above all education, to develop and retain loyalty of members.

Possibilities of Co-operation

Assuming that there is an opportunity for this type of business organization and that the principles here enumerated are observed, the possibilities of this method of doing business are far-reaching.

(1) *Improving the quality of the product.* This is accomplished by paying a premium for quality as already mentioned, and also by educating the grower on what the market demands. This may be done better by a co-operative than by a private concern, on account of the greater confidence which the farmer can place in an organization of which he is himself a part, and whose control he can share.

(2) *Replacing suspicion with confidence.* Producers should, and in most cases do, have the control over the disposal of the goods they provide. Where farmers dispose of their products to others, the market relation is impersonal, if not a matter of mistrust. Advice as to market demands is not well received through channels in which confidence is lacking. On the other hand, where farmers market their goods co-operatively, they retain control for a longer time and find out for themselves what the demand is. There is for this reason a possibility of more nearly meeting the demand of the market through this method of marketing.

(3) *Better chances of equating supply to demand.* The recent development of greater regulation of imports of various countries, or the tendency towards quota allowances (e.g., of so many cans of milk per day to shippers) show how important this point has become. The hit-or-miss system of providing farm products does not work to the advantage of the farmer or the consumer. It is necessary to find out what the market wants. If producers wish to find this out, one possible way is to do their own marketing through a co-operative and secure information from a source in which they have confidence.

(4) *Provision of better marketing services.* Successful co-operation may provide a better marketing service than can be expected from any other source because it can keep the welfare of the whole industry in mind. An agency representing the entire industry may look after advertising, publicity services, price reports, quality tests, and other things that affect the entire industry, which may be neglected by a group of individual competitors.

Summary.

In the last analysis, the test of success is twofold. The economic position of the farmer who links himself up with others through co-operative organization is better. He gets better prices, a steadier market, more security. But he also gains from working with others, learning for himself the principles of marketing management, and learning something also of the proper relation of farming to other industry and society at large. One of the most beneficial consequences of the expansion of the co-operative method of organizing is the educational result. Nowhere has this been demonstrated more abundantly and successfully than in Denmark, where the Folk Schools, offering special rural courses, accepting and teaching co-operative ideals, have been in operation among farmers for over sixty years. It is much to be hoped that, stimulated by the pioneer work which has been done in Canada so far, particularly in Nova Scotia, Quebec, and Alberta, the Canadian equivalents of this cultural arm of the co-operative movement will soon flourish. Economic need is here; educational achievement may be realized side by side with co-operative improvement of marketing conditions, if the principles proved by time are intelligently followed.

CHAPTER XII

CREDIT UNIONS

The hungry forties of the 19th Century, notwithstanding their strife and tragedy, gave to the world two great social movements. In England, as we have seen, impoverished weavers in the little town of Rochdale, in the year 1844, laid the foundations for the now far flung Co-operative Movement. At about the same time in Germany, a judge, Herman Schulze-Delitzsch, in Prussian Saxony, and Frederick William Henry Raiffeissen, a Prussian burgomaster, each working independently, were formulating the framework of the Credit Union idea.

Both these movements were products of their time. It was a period when continental Europe was being swept by a social unrest grounded in the plight of the masses. The Napoleonic wars had laid waste vast sections of the countryside. Famine added to the distress. Incipient rioting for a decade or more, was prevalent. Intermittent peace brought little security and brooding fear remained to haunt the people. Wages were pitifully low. The spectre of industrial unemployment, a new curse of civilization, had raised its head. Oppressive and tyrannous laws weighed heavily upon the citizens. Unscrupulous merchants and avaricious money lenders, as though in league with one another, preyed upon the simple peasantry and poor town dweller alike, the one getting what little the other left. A serfdom worse than slavery, that left as an inheritance not only the chains of labour but the crippling bondage of debt, was the lot of the common people. Drink and vice, the twin sisters of poverty, became the conventional opiates to help deaden the futility of living.

In the face of these conditions, the exhortations of the clergy for the practice of virtue fell upon barren ground. For religion, contrary to accepted opinion, does not flourish long on empty stomachs. Witness the reply of the Danish peasants to Pastor

Sonne in his effort to bring them promises of eternal happiness in the world to come. "Teach us how to obtain bread and butter in this world," they reply. And Pastor Sonne, repulsed but not rebuffed, taking the hint, set about to establish the first co-operative society in Denmark.

Likewise with Schulze-Delitzsch and Raiffeissen. Through intimate contact with the distressing conditions among the poor in their own communities, they felt impelled to do something more than simply register their sympathy. Something more even than charity.

Particularly acute among the German masses was the problem of credit. Usurious money lenders exacted terrific toll for trifling loans. Freedom from the bondage of the usurer would, of necessity, have to be the first step in the people's emancipation.

Looking for a way by which this chain could be broken, Schulze-Delitzsch and Raiffeissen each came to the conclusion that the solution lay in co-operative effort by the people themselves. They projected two different systems of co-operative credit, adapted to the different circumstances of the small farmer and the urban wage-earner. Though different in form these two types of Credit Unions, or people's bank, are in essentials the same.

In essence their purpose is threefold.

First, to encourage thrift by providing a safe, convenient and attractive medium for the investment of the savings of the members of a society.

Second, to promote industry, eliminate usury, and increase the purchasing power of the members by enabling them to borrow for productive or other beneficial purposes at a reasonable cost.

Third, to train the members of a society in business methods and self-government and thus bring them to a full realization of the value of co-operation¹.

Growth of Credit Unions.

The amazing beneficial results, so early apparent in these German Credit Unions, soon led to their adoption throughout Europe.

¹By definition, a "Credit Union is an association of persons, united by some common bond or community of interest, joined together in a co-operative endeavour" for the above purposes. (*Peoples' Banks*, by Arthur H. Ham, p. 8).

They are to-day found by the thousands in France, Italy, Austria, Bulgaria, Roumania, etc. In some European countries, Poland for instance, the Federation of these Credit Unions has resulted in the creation of great central banks, around which the economic life of the nation revolves.

Nor is the movement confined to Europe alone. In Africa, the White Fathers are active in promoting this great work; in India the British Government. It has made progress in New Zealand and Australia. Japan has over 5,000 such societies and China is rapidly adopting them to aid her people. They have attained success in the Philippine Islands, in Egypt, in the Argentine, in Palestine, in England, Ireland, the West Indies, the United States, and, as we shall see later, in two of the provinces of Canada—Nova Scotia and Quebec.

It must not be inferred that Credit Unions are a peculiarity of peasant people and the poorer industrial workers. They thrive in any homogeneous grouping, among any group who have a community of interest. There is a successful Credit Union of many years standing among the Civil Service at Ottawa. The employees of the New England Telephone and Telegraph company are enthusiastic about the idea. Seventeen years ago they organized their first union with a collection of \$20.00. In 1934, the eight credit unions within the company made loans of over \$1,500,000 and had assets of \$2,000,000. Similar is the record of the Boston and Maine Railroad Employees Credit Union, Swift and Armour, the Gilco Credit Union (employees of a departmental store), City of Boston Employees Credit Union, and other vocational and cultural organizations. Postal clerks, firemen and policemen, municipal employees, university professors, store clerks—and bank clerks, all have organized their respective societies. A recent Credit Union is composed of clergymen in the Maritime Provinces.

Thus, within ninety years, the Credit Union Movement has spread throughout the two hemispheres and among all classes. It has been estimated that the total business of the Credit Unions of the world has now reached the amazing total of fifteen billion dollars annually. And it is still growing!

Credit Unions in Canada.

But this study is concerned with Canada. To what extent has the Credit Union Movement made progress here? And what hope is there for its wider development? Most relevant of all, why is it so important that it should develop?

We shall examine these questions in turn.

To a French Canadian, Alphonse Desjardins, a Hansard clerk and journalist by profession, but a humanitarian and social prophet by inclination and practice, goes the honour for establishing the Credit Union Movement on the American continent.

"Les Caisses Populaires".

In 1900, moved by the sufferings of his own people in the grip of the money lenders in the Province of Quebec, Desjardins, after several years of preparatory study and interchange of correspondence, travelled to Europe to observe at first hand what had been done by Raiffeissen in Germany, and in the Lictiazzi banks of Italy. He returned to set up in Levis the first Caisse Populaire or Co-operative Peoples' Bank, as Desjardins translated it into English.

The story of that bank is the opening chapter of the history of democratic banking in North America . . . "Set up with a capital of \$26.00 in the first seven years of its existence it ran that capital up to \$80,000, made loans aggregating \$350,000 to its members at an average rate of 6½%, drove the money lenders out of Levis, and launched what has become one of the marvels of American finance."¹

"Les Caisses Populaires" were originally organized under the Quebec Co-operative Syndicates' Act. In the succeeding years following the founding of the first society at Levis, and under the wise direction of the founder, they have developed into one of the most important institutions in the community life of the French Canadians of the Province.

The transactions of these banks are those of a mutual company, owing to the fact that they generally loan only to their shareholders; these have the right of making deposits over and above

(1) "Credit Comes to the Masses," by Bertram B. Fowler, in the *Christian Century*, December, 1935.

the amount of their shares. This dual privilege makes them a savings, as well as a credit institution. The shares are generally fixed at \$5.00 which may be paid in installments. Both shares and deposits may be withdrawn on demand. The contribution of each shareholder is limited to subscription which generally does not exceed \$2,000 per shareholder; shareholders and borrowers must reside within the area of the banks' field of operations; the by-laws may, nevertheless, allow shareholders who may move away to continue as members of the association, with full benefits, but without eligibility to office. The larger loans are made upon first mortgage and the smaller ones upon notes. A portion of the loan, capital and interest, must be repaid at fixed periods in such a way as to extinguish the debt within a determinate time.

"Les Caisses Populaires" are managed by three committees: the *Board of Management*, composed of at least five members, but more often nine, has charge of the general direction of the bank; the *Credit Committee* is composed of at least three members, ordinarily of four; its duty consists in examining, approving or rejecting loans asked by shareholders; the *Board of Supervision*, composed of three members, inspects the books and documents, verifies the value of loans and securities required, etc. These services are gratuitous but the manager may be paid. Under the present law, the Board of Supervision must have the operations of the Association audited once a year by an inspector of an organized federation. This audit is made at the expense of the syndicate if it is not already affiliated to a federation. If requested by a federation, a Board of Management or Supervision, by 25 members or by two-thirds of the members if there are less than 25, the Provincial Treasurer may order such audit to be made.

To encourage development of Peoples' Banks, in 1932, the Government granted a yearly subsidy of \$20,000 to the Quebec Federation of district unions, which sees to the founding, maintenance and inspection of such bodies. The union devotes this subsidy to propaganda and the supervision of the member societies, particularly the savings department.

Let us examine some statistical data on Les Caisses Populaires. Fairly adequate figures are available for the year 1934, although of the 221 Societies then active only 177 submitted full details of

their operations to the Provincial Government from whose compilations we have taken the following facts.

Beginning with Desjardins' original society in Levis, which commenced operations in 1900 with a capital of \$26.00, the 226 Societies which had been organized up to the end of 1934,¹ had handled in one form or another a total of \$217,772,828. Of this amount, \$152,783,936 was in savings deposits; \$3,433,562 in paid-up capital; \$52,176,205 in redeemed loans; \$7,336,673 in entrance fees and profits; and \$2,042,496 in current loans.

In the year 1934 there were 39,723 depositors in the 177 societies who reported full statistical data. The average amount on deposit per member was \$154.00; the average in deposits per society was \$34,405. The total amount deposited in all societies amounted to \$7,522,689. The average paid-up share capital per society \$8,555. Profits from all sources amounted to \$441,876.00.

Of the 11,275 loans granted during 1934 and totalling \$2,042,496, an analysis of 10,388 of them, totalling \$1,160,417 reveals the following classification. (Comparable analysis was not submitted by all the societies reporting, but we may take it that if these figures were available the total picture would remain similar.)

Loans:	Number	Total Amount
\$1.00 - 25.00.....	3,653	\$38,373.00
25 - 50.....	1,764	62,673.00
50 - 100.....	1,931	137,102.00
100 - 200.....	1,590	222,394.00
200 - 300.....	628	158,172.00
300 - 400.....	303	102,473.00
400 - 500.....	144	64,138.00
500 - 500.....	144	64,138.00
500 - 600.....	124	64,970.00
600 - 700.....	35	21,727.00
700 - 800.....	26	19,043.00
800 - 900.....	17	14,213.00
900 - 1,000.....	36	35,321.00
1,000 and up.....	87	196,437.00(2)
Unclassified.....	—	23,381.00
TOTAL.....	10,338	\$1,160,417.00

(1) The record of Les Caisses Populaires reveals that of the 226 societies which have been incorporated since 1900, only 4 have gone into liquidation and 1 has discontinued operations.

(2) The amount of the largest loan represented in these figures was \$53,217.00; the next \$45,900, and then follows \$20,836; \$12,366; \$9,385: the balance of the loans over \$1,000 range up to \$5,000.

From the foregoing we gather that 7,348, or 71% of all loans granted during 1934, ranged from \$1. to \$100; 8,938 or 86% of the total were for less than \$200. The larger loans (over \$5,000.) were to School Commissions or local church authorities.

Interest on saving deposits varied with different societies. It was as low as 2% and as high as 5%; the average was 3%. The interest rate on loans ranged from 3% to 7%; the average was 5%.

Observations of disinterested observers as well as the factual record of Les Caisses Populaires, mutually confirm each other in testifying to the importance of this movement among the French-Canadians of Quebec. Certain it is that after thirty years of consistent steady growth, it has amply fulfilled the hopes of its founder, dispelled the fears of its critics, and satisfied beyond their expectations the credit needs of its own members. By so doing it has injured no one. Without question it has brought blessing to many.

Credit Unions in Nova Scotia.

From Quebec, let us turn eastward to the Maritimes and travel to the little town of Antigonish, Nova Scotia, where we shall meet the sympathetic, if not the lineal descendants, of Schulze-Delitzsch, Raiffeissen and Desjardins.

For, even as one cannot think of Credit Unions without conjuring up these great names from the past, so, one cannot describe their present wide development in Nova Scotia without associating with them the names of Coady, Macdonald, Tompkins and MacIntyre. Thus do ideas become enshrined in the works of men and thus do men become symbols for great ideas.

Elsewhere we have drawn together a composite picture of the impact upon the economic, social and cultural life of Nova Scotia, consequent upon the activities of the Extension Department of the Catholic college of St. Francis Xavier. Suffice it, therefore, that we confine ourselves at this point, to a resumé of the part that Credit Unions are playing in this modern drama of economic and social rehabilitation.

Dr. A. B. MacDonald, ("A.B." to those in the wide and warm circle of his embracing friendship) tells of a cold, miserable December evening, a week or two before Christmas, in the year 1932. Snow and rain slashed the windshield of a car that bumped and rolled through the half-frozen snow and mud on the not too modern Sydney-Glace Bay Highway. In the car were two of the Extension workers from "St. F. X." and Roy F. Bergengren, leading promoter of the credit unions in the United States. The three were on their way to a meeting of miners at Reserve.

"Would the miners turn out on a night like this?" was the unspoken question in the minds of the three as they peered through the dark night and the drizzling snow flurries. They were not disappointed. A hundred miners faced them in the Legion Hall. A hundred men eager to hear, but cynical in believing that these three had anything substantial to offer as an antidote to the unemployment, hunger and despondency that prevailed in the mining towns of Cape Breton at that time.

A hundred miners who lived in Reserve, but who were from Missouri as far as such things as credit unions, co-operative stores, etc. were concerned. Hadn't they been the subjects of "political" and "economic" cure-alls for the past fifty years or more? They'd tried them all and found them all to be so much eye-wash. What could a bunch of half-cracked though well-meaning university professors do for them that governments hadn't promised, perhaps tried—but failed to do?

After the preliminary introductions, the meeting got under way. Alex. S. MacIntyre, at that time an unemployed miner, one of their own, (now Field Secretary of St. F. X. Extension Department and President of the Nova Scotia Credit Union League) was in the chair. One after the other the three speakers attempted to show these workers that the solution of their difficulties lay largely in their ability to do for themselves what previously they had allowed other people to do, or attempt to do, for them. They urged that to begin with they should organize a credit union, save their money, and build their own community bank.

The men listened patiently, but amusedly, to the end. Then the uproar began. These men from St. F. X. were no different from the rest of the politicians, preachers and agitators. They were

all alike, all tarred with the same brush. All promising the impossible—either the prospect of better days to come, a heaven hereafter, or an unrealizable earthly Utopia—all in process of time. What they wanted was something now, no matter how little it was, but something immediate, tangible and definite. If St. F. X. had no quick formula for the bettering of their conditions, then out with them to limbo, and good riddance.

A dozen men were on their feet, all throwing brick-bats at the idea. The chairman pleaded for order. "One at a time," the speakers from St. F. X. cried out—"any kind of question, but one at a time!" Finally, one of the miners, more vociferous than the others, managed to put the following question to the Chair: "How can we save? Do these speakers know that we are getting only one day's work a week and that 60 per cent of the people in Reserve are on relief? Surely, it is folly to think that we can help ourselves by beginning to save money when we haven't enough to feed and clothe our children decently?"

Carefully and quietly the question was answered. Illustrations were used to show how credit unions were started in communities where there was extreme poverty, and yet in no time, large sums amounting to thousands of dollars were accumulated through the savings of ten and twenty-five cent pieces. Moreover, the speaker argued, everyone, no matter how hard pressed, spends a few cents foolishly every month. Here was the example of 15 poor workers of the Bell Telephone Company in Boston, who, in 1909, organized a credit union with a collection of \$4.60—and today that credit union has assets of more than one and one-half million dollars. Such explanations given at length, and with many convincing illustrations, more or less quieted the crowd till someone in the rear of the hall violently protested that it was not credit that was wanted but work.

"The people of the mining communities can get plenty of credit now. Some of us can borrow from the banks, all of us can buy on the instalment plan anything that we need, and the most of us can get credit at the local stores."

The miners nodded in assent, mumbling among themselves.

Again the speakers were called into action. They explained and proved that a large proportion of the workers' wages went to

pay for the expensive credit service that the people were now using. They quoted figures from an economic survey made by the National Welfare Bureau of the U.S.A. to prove that 85 to 93 per cent of the North American people have not had access to bank credit at legal rates of interest. They showed from studies made that instalment buying was costing the purchasers from 20 to 30 per cent in interest charges, and that ordinary store credit, of necessity, had to be extremely costly to those who had to use it. They stated that the propertyless workers must set up an institution such as the credit union, through which the people of the community could have control over a fund sufficiently large to enable them to buy all their goods and services *for cash*, thereby securing the lowest possible price for such necessities.

"But workmen can't run banks!" someone shouted in objection. "It takes well-educated people to operate the banking system of the country."

Again the Extension workers explained that Credit Unions have been organized among farmers, fishermen, miners, and all classes of poor, uneducated workers, and that they have proved successful beyond the fondest hopes of the membership. In fact, the speaker explained, the workers of the United States have shown that they can operate banks more successfully than a good number of the bankers themselves; for since the depression over 5,000 banks have failed while 5,000 more had to be assisted by the government, and during the same period not one of the 3,000 credit unions in the United States had to close its doors. Furthermore, it was explained, the average credit union membership was made up of groups of people who had been hard hit by unemployment and decreased wages as a result of the depression.

Still unconvinced, another of the miners brought forward the argument that credit unions were new and untried, and that it would be doubtful whether or not they could bring relief to the starving miners of Reserve.

The Extension workers countered by telling something of the ninety years experience of Credit Unions throughout the world. Many of them had been in areas more depressed even than Cape Breton. They recounted actual incidents showing how the credit

union had not only brought relief, but new hope, to the most distressed sections of the world.

Someone then loudly proclaimed that the people are crooked, that they would borrow from the credit unions and would not repay their loans.

To this objection the Extension workers replied that from studies made it was proved that the loss due to bad loans in all countries is less than one-half per cent, being the lowest percentage of any loaning institution in the world. They also showed that in the way loans are made, the danger from loss is not so great as in other loaning societies. They explained that before a member could borrow from a credit union he must first show that he was going to use the money for "provident or productive purposes." No matter how substantial the security he offered he would not get one cent unless it was clear that he was to employ it for useful purposes. Secondly, he had to prove that he would have sufficient revenue coming in to make repayment at the end of the loan period; and thirdly, that one, two, or three of his fellow members would endorse his note.

These and many more questions were asked and answered. The nodding of the miners' heads and mumblings of their discussions turned from dissent to assent. Nineteen of them, after the meeting pooled their total savings amounting to \$4.75, and decided to organize a Credit Union.

This, in brief, is the story of how one of the first credit unions in Nova Scotia, among the miners of Reserve, got started. That was in December 1932.

Now let us see what has happened since that date. On September 1st, 1935 there were 420 members in the Reserve Mines Credit Union, with a total savings of \$12,000. During the interim they loaned to 210 of their members \$10,600, a not inconsiderable sum. The society continues to grow, adding new members and assets every week. It is efficiently run by an enthusiastic board of directors, a credit committee, and a supervisory committee—all miners. Their questions have been answered. They are "sold" on the credit union idea.

Following the lead of the miners of Reserve, a total of 105 Credit Unions have been organized. They are found in farming

and fishing communities, in small villages and in large centres. They serve 17,173 members whose mutual assets now total nearly \$450,000. During the past five years they have loaned nearly \$650,000 to their members, and as yet not one cent has been written off for bad debts.

At December 31st, 1937, financial and other figures for the Nova Scotia Credit Unions as a whole revealed unmistakably the rapidity of the growth which is taking place. The following summary in comparison with 1936 shows a remarkable development:

	1936	1937	Gain
Members.....	12,175	17,173	41%
Share Capital.....	\$244,447.83	\$405,439.45	65%
Deposits.....	\$3,000.00	\$7,642.24	154%
Loans Issued.....	\$374,923.79	\$646,349.90	72%
Total Assets.....	\$269,044.96	\$446,403.19	65%
Guarantee funds.....	\$5,200.00	\$9,485.65	82%
Credit Unions.....	71	105	48%

When it is borne in mind that this total development has occurred within the last five years, the above record cannot be described in any other term than phenomenal.

Observations.

The statistics and dollar volume of business for Credit Unions are voluminous and extensive, but their real work cannot be written in terms of the millions of dollars they have saved and loaned to their members.

Here are institutions dealing in more than dollars and cents. Their real worth is in the security and new confidence they have brought to millions of people. Here is a peoples' banking movement that is as human as are the needs that brought it into existence. As near to the member as the neighbouring farm; or the fellow who climbs the same telephone pole; or who goes down the same mine shaft,—and as understanding.

There is no "red-tape" in the Credit Union Movement. Everything is as simple and above-board as can be without sacrificing

elementary efficiency and the need for prudence in the granting of loans. Every member knows, understands, and approves the simple routine.

He knows that if a sudden emergency should arise, the illness of a child, the need for an emergency operation, the appearance of a sudden and unforeseen demand for money, the credit union stands as a bulwark between his peace of mind and probable despair.

The records of Credit Unions are human documents. Here is the case of a young woman who had fallen into the clutches of the loan shark. She was desperate when she came before the credit union. Weekly payments demanded of her by various creditors were greater than her total weekly wage. The credit union took this young woman, pooled her debts, got drastic reductions from her creditors in return for immediate cash. In three years this young woman was free of debt, had a savings account in the credit union and, most important of all, had learned the meaning of true credit and its relationship to thrift.

Here is another case. A member of a Credit Union wished to purchase a stove. The time price was \$75.00. An appeal was made to the Credit Union; the Credit committee of which asked the member to offer the merchant \$55.00 cash. The stove was purchased at that price . . . the loan being granted after the credit committee was fully satisfied that a new stove was necessary for the member. Another member wished to make some necessary repairs to his house. The contractor's price was \$150.00; on applying to the Credit Union for a loan the credit committee, (one of whom was a carpenter) thinking the price asked excessive, told the member to offer \$82.00 for the job. The contractor agreed to the price and the loan was made, saving about \$70.00 to the member. The child of another member was suddenly stricken ill. The doctors found that an operation, which could be performed only at the Victoria General Hospital in Halifax, was necessary to save its life. A few hours after the member's application for a loan of \$40.00 was received, the child was on the train for Halifax.

And so the record goes. Credit Unions have proven that they can and do meet a crying need for a sound system of credit to replace philanthropy, charity, and downright usury.

Their wide development in all classes of the community should be welcomed and encouraged by church, state and industry.

CHAPTER XIII

RETAIL STORES, HYDE PARK, CHICAGO

"A consumers' oasis in a chain store desert" is the way Henry Davis describes Consumers' Co-operative Services Inc., Hyde Park, Chicago, one of the first co-ops to establish a foothold in a "native" middle-class community in a large North American metropolis.

The story of Hyde Park CCS is significant for it is an excellent laboratory example of how *not* to organize a Consumers' Co-operative and how to go about reorganizing one that has met the inevitable vicissitudes that come when Co-operatives fail to follow the rigid but simple rules laid down by the Rochdale school.

The story is one whose early chapters are filled with failures but whose more recent history reveals an ever expanding success. CCS is now in its fourth year. Its four years of experience are replete with danger signals and guide posts, suggestive to any City Consumers' Co-operative, whether it be now in operation or only in contemplation. That the society survived its somewhat halting and awkward beginnings demonstrates excellently the intrinsic toughness and sturdiness of the principles that lie behind the Co-operative movement itself.

We will let Henry Davis tell the story of the Hyde Park CCS as reported in the April (1936) issue of "Consumers' Co-operation".

CCS began in December 1932 as a grocery buying club with nine members and no capital. The organizers decided upon an annual membership fee of \$1.00 for charter members and \$2.00 for subsequent members. Of the \$2.00 fee, 50 cents was to go to the secretary of the club in lieu of a salary and 50 cents to the solicitor as commission. In the early stages two persons devoted from 8 to 10 hours a day on membership and organizational work; three

persons spent 10 hours a day on three days every two weeks buying, checking, receiving and sending out grocery orders.

Orders were placed bi-weekly at first, later weekly and finally daily. A store room for assembling and distributing orders was rented at \$4.00 for three days. The procedure was for the member to telephone or bring his order to the CCS "office" located in a private home. The orders were made from mimeographed price lists (a mimeograph machine proved to be a profitable investment) the first of which contained some 40 different items. Deliveries were made from the distributing station for 10 cents. Bulletins were mailed to the members each month to announce price changes and other events and to explain briefly the principles of co-operation.

"Collective Bargaining" and "Cost-Plus"

By using the united purchasing power of the membership as a lever, the club was able to obtain discount arrangements from a dozen other retail stores on such articles and services as laundry, furniture, bakery goods, hardware, meat, electrical appliances and men's suits and overcoats.

The society adopted the "Cost-Plus" system of prices, i.e., the groceries were sold to the members at a small margin above the wholesale price—just a little more than enough to cover the expense of handling. It was figured that CCS would break even on sales of slightly more than \$2,000 a month on this basis and that it would tuck away a neat surplus on a sales volume of \$4,000 a month.

Seven of the members took part in the first order. It amounted to \$51.50 and included 21 items. Seventeen took part in the second order, 24 in the third and so on. Sales increased steadily until in June, with 105 items listed, they touched \$956, and by February 1934, they were at \$1,370.

Membership, meantime, had spurted correspondingly. From the original 9 it jumped to 47 in February, 167 in April, 311 in July and so on until in April, 1934, there were 430 members.

Besides gradually expanding the number of grocery items, the club had been adding new discount arrangements. It incorporated in July, 1935, under the non-profit law of Illinois. Officers were

appointed to serve for one year, at the end of which period an election by the general membership was planned. A new store room was rented for \$25 a month and daily orders of delivery within 24 hours were taken. At that time the society's capital amounted to about \$350, raised through membership fees—which were boosted from \$2 to \$3 in May, 1933—and loans from members. In addition, three members formed a partnership organization known as "Associated Purchasers" to buy merchandise in large units and sell to CCS in small units at a 1% mark-up.

This was the situation, when, in March, 1934, CCS appeared to be speeding right along. Sales were up, membership was up, loan capital was coming in, new discount arrangements were being established, and everything looked rosy.

Reaping the Whirlwind.

Unfortunately, everything was not rosy. Something was wrong. Suspicions were first aroused in the summer of 1933. It was discovered that of the 300 members, only about half were using CCS at all; that most of the members did not know anything about consumers' co-operation, and, if they did know, were not excited about it. So efforts to get new members were redoubled. The commission of new memberships was raised from 50 cents to \$1.00. Apparently beneficial results were obtained for membership figures soared that fall and winter.

But still something was wrong. The organization seemed to make no headway. In July 1933, the society had a surplus of \$57; on October 31st, 57 cents. By the end of the year there was a deficit of \$313. This was cut to \$143 by April 1, 1934, but obviously something had to be done about it, especially since sales fell from the peak of \$1,370 in February to \$856 in March.

The Board of Directors accordingly went into a budget-balancing huddle in April and voted to stop the payment of commissions of membership renewals. Then the storm broke.

A member who had been soliciting memberships protested in writing to all the members. He also attacked the management of the store—shared by three—as undemocratic, attributed the deficit to "poor management" and criticized the set-up of "Associated Purchasers" as a private profit-making scheme. He demanded the

members boycott CCS until the wrongs he mentioned were righted. Many of the members, frightened, did so, and the continued existence of CCS became doubtful.

Return to Rochdale.

At this crisis, the members decided to take matters into their own hands. They held the first membership business meeting in May, 1934. And it was then they took the step which saved the life of CCS. Applying democratic prerogatives for the first time, they voted to turn over a new leaf and become a genuine Rochdale consumers' co-operative.

They adopted a constitution providing for democratic control by the membership instead of dictatorial control by the management. They prescribed at least two membership business meetings a year; also at least two audits a year. They discarded the cost plus price system in favor of selling at the prevailing retail market price. They made plans to return surplus savings or net profits to themselves every six months in proportion to the amount of their purchases. They abolished the annual membership fee and substituted a \$10 life membership. They liquidated "Associated Purchasers". They enrolled in the Central States Co-operative League. They opened the store to the public as a regular self-service grocery without provisions for charge accounts. And finally they elected a new board of directors which in turn hired a new manager who knew what consumers' co-operation is all about.

Despite a shaky summer, the transition was accomplished successfully. After dipping to \$549 in August, 1934, sales climbed to \$924 in September; \$1,321 in January, 1935; \$1,622 in March; \$2,251 in October; \$2,578 in November and \$2,960 in February.

In the past year, with the aid of members loans, \$300 was asked for—\$625 poured in; CCS has doubled its floor space; installed complete grocery equipment, including a giant "butcher box" and display refrigerator; added many new shelves and hundreds of new items including fresh fruits and vegetables and cold meats; launched a free delivery service for orders over \$3.00; added one full-time and one part-time employee, making three in all; stocked U.S. graded eggs; stocked non-advertised items on which the consumer in some cases saves as much as 50 per cent over the

price of the advertised brands; and has paid back to members 5 per cent and $4\frac{3}{4}$ per cent of their grocery purchases alone for the two semi-annual periods—all since the advent of Rochdale principles.

Education—Entertainment—Enthusiasm.

On the educational side, "The Co-op News" was launched as a monthly informational bulletin; information meetings on soap, milk, cheese, etc., have been started as well as "tasting parties" at which various brands of the same canned food are tasted "blind-folded" to determine which is the best; a series of educational meetings have been held at which nationally known speakers on co-operation have been heard; a co-operative discussion group has been formed; an education committee has been elected and is functioning in developing new and perpetuating old ideas in co-operative education; a booklet explaining the aims and purposes and achievements of CCS has been published; open house entertainments have been held at the store.

The membership figures tell a story in themselves. In April, 1934, 430 were listed as members. In November, 1935 there were only 276. Yet sales in April totaled \$780; in November \$2,578. The explanation is, of course, that in the 430 were quantities of "dead wood", persons who had been lured in on the old annual fee basis by "bargain" appeal, who thought of CCS as one grand continual bargain counter and who knew little of co-operation. By the time these "members" were liquidated in the summer of 1935, the membership had shrunk to 225. At present, however, the climb back up has been resumed.

Observations.

Now for some second guessing. We suggest that the early growth of CCS was attended by the following grave errors:

(1) *Insufficient knowledge of consumers' co-operation* by the founders. Members were obtained almost wholly on the basis of savings to be made. Little attempt was made to inform them on co-operation or to aid them to become "smart buyers" of food. Payment of commissions for new memberships encouraged "high

pressure" tactics. It is highly probable that the society added members so fast it could not assimilate them.

(2) *Lack of democratic control.* The membership was never given a chance to have its "say" in the early policies of the society. The management looked upon the members as too busy to share in the control, kept them entirely apart from the business end of CCS. There was consequently no sense of that mutual ownership so essential to the success of a growing co-op. The control was centered in one small group which wielded its power autocratically, though doubtless with honorable intentions.

(3) *Lack of an adequate plan for obtaining capital.*

(4) *Amateurish accounting methods.* Proper depreciation was never allowed. The books were rarely in order, and members were unable to find at any given time the status of their accounts. Half the management thought the society was making rapid headway at the time it was piling up the \$300 deficit.

(5) *Failure to sell at the market price.* The cost-plus system arouses the opposition of other grocers. It prevents selling to the public because it would be absurd to confer on strangers the same benefits as on members. It prevents the building up of capital. It makes ruin of the store probable in the event of unexpected handling expenses arising—and they will do that.

Facing the Future.

As to why CCS at present appears to be succeeding—the members are even now planning a new store and considering plans for a meat market, an oil station, and a milk plant—that is more difficult to answer. Efficient, conscientious management is a large part of it. But probably even more important is the fact that within CCS there has been a genuine spirit of co-operation, a genuine pooling of brain, brawn and purchasing power. Many members, not just a few, have worked together and thrilled with pride as they saw CCS become, from the stand-point of the consumer, the best store in the city.

CHAPTER XIV

CONSUMERS' CO-OPERATIVE SERVICES, INC. (New York)

Cafeterias and Apartment Houses.

Consumers' Co-operative Services, Inc., of New York City, familiarly known to its members as "C.C.S.", is one of the most interesting urban consumer co-operative projects on the North American continent. Its history, pattern of development, and general experience is so suggestive, especially in the development of consumers' co-operatives in large urban centres, that we shall record in some detail the story of its growth, present status and plans for the future.

The beginnings of C. C. S. go back to the immediate post-war period. In the fall and winter months of 1918-19, a small group of middle-class New York "intellectuals", now that the war was over and "democracy" had been saved for the people, met from time to time in solemn conclave to ask themselves what had now to be done to make this the best of all possible worlds. They were not at all sure that the war had solved all the ills of the people. Indeed, they sensed, even in those days, that four years of holy fratricide had probably unleashed more ills than it could ever hope to resolve. Nor had they any abiding faith that the governments of the post-war world were either minded or capable of pursuing some of the major tasks of reconstruction with which society was now confronted. And certainly one of these tasks, they argued, was the creating of a more equitable, less wasteful, more efficient method of distribution. And if this was to happen, it would occur, they reasoned, not because of governments nor paternalistic vested interests, but in spite of them.

Under the guiding genius of Mary Ellicott Arnold who is not only an able social philosopher but who, along with that pre-requisite to intelligent social action, enjoys a well merited reputation

as an epicure and connoisseur of good food, coupled with a more than ordinary business acumen, this little group of practical social thinkers decided to experiment in the field of co-operative consumer distribution. Their deliberations led them to the opening of a consumer-owned co-operative cafeteria.

So it was that in the month of April 1920, at 49 East 25th Street, in the heart of New York's busiest business district, with a faith that but meagrely cloaked much honest trepidation, the doors of the first C.C.S. cafeteria were thrown open to a small initial membership of co-operators plus the general public.

If there were doubting Thomases in that first select circle of C.C.S. co-operators they kept their qualms to themselves. Certainly they soon ceased to doubt. For, from the very beginning, the Co-operative Cafeteria idea proved a practical business venture. And that, after all, is the pragmatic test of any co-operative business project. It works. And if perchance it doesn't, the record of investigation would seem to show that the thing that was wrong was not the principle but the application of it.

But to get on with the story. By the end of their first year of business, C.C.S. Cafeteria Number One had done a total business of \$95,869. Their net earnings were \$5,672 (5.9%) and they were able to return rebates to participating members, pro-rata to their purchases, amounting to \$1,788. At the close of the first year they had enrolled a total of 379 shareholding members.

In ten months time (February, 1921) they dared to open a second cafeteria. The third followed in January, 1923, the fourth in April, 1924, and so on. In almost perennial procession a new store has been opened. So that today, C.C.S. now owns and operates 11 modernly equipped, tastefully decorated, efficiently staffed and well managed cafeterias in the downtown and uptown business sections of Metropolitan New York. And that, notwithstanding the myriad of chain and independently owned restaurants that abound in the district. The business at the close of the last fiscal period (March 31st, 1936) shows a total of \$447,211 with net earnings of \$20,127, (4.5%) Rebates amounted to \$5,394 and the enrolled membership now reaches the high peak of 4,674 participating shareholding members.

A Co-operative Apartment-House.

But that is not all. Nor indeed is it the most important aspect of C.C.S. history and experience. For the Co-operative Cafeteria idea is but the germ of a greater ideal now working in normal development to an ever enlarging and more comprehensive objective. Already we see it spilling over into other phases of co-operative activity.

Thus, from these centres of co-operative thought and planning, has come, among other things, a modern 67-family apartment house, one of the most interesting co-operative developments in New York. We found "Our House", the name by which these Co-operative Family Apartments are known, to be an oasis of rational living in what, somehow or other, appears to be a bleak desert of passive existence—in the face of what less courageous minds than these co-operators have thought to be insurmountable difficulties. C.C.S. is proving the lie to all that!

Let us give you the inside story of how and why "Our House" came to be built. It is an interesting story and best told by one of its tenant-owners. For this purpose we will ask McAlister Coleman, a well known American writer who is an enthusiastic occupant of one of the family apartments, to describe its genesis and what it all means, both to its present occupants and probably to a wider community. Coleman writes as follows:

"A new landmark in the aeroplane pictures of Old Chelsea on the lower West Side of Manhattan is "Our House", the thirteen-storey co-operative apartment house erected in 1930 by consumers' Co-operative Services; and a landmark as well in the progress of genuine Rochdale Co-operation in New York where so many privately-owned enterprises trade for fat profits on the good name of Co-operation.

"'Our House' stands on eighty-five feet of solid earth on West Twenty-first Street a most tangible proof in brick and mortar that even in days of storm and stress it is possible for those who want a life free from the domination of landlordism to come together in the spirit of mutual aid and work out co-operatively the pressing economic problems of food and shelter. Since October and November of 1930 over sixty families have been living in 'Our

House'. Many of them had their first contacts with the co-operative movement through the cafeterias of the C.C.S. And Co-operative eating seemed to suit them. So it was natural that co-operative housing should follow.

"From the cockpit of an aeroplane above Manhattan, 'Our House' may not seem to loom so large compared with the massive Pueblo piles of the London Terrace development two blocks to the North and with Al Smith's Mount Everest the Empire State Building, which dominates all that part of the city farther East. But we think 'Our House' is by far the most significant of all the new structures which are springing up in Old Chelsea today. For there is more than stone in its foundations. There is the steel of an idea, the idea that is back of all genuine co-operative enterprises.

"The building of 'Our House' was no overnight inspiration. It grew out of the sort of economic planning which is so much in the public's mind these days. There was, to begin with, the inevitable questionnaire as to the sort of apartments the members of the C.C.S. most needed. The answers indicated that the vast majority wanted apartments which would range from \$25.00 to \$35.00 a room per month or higher. Central Manhattan was the preferred location for the group of prospective tenants but at that time land in Central Manhattan was as dear as the speculators could well make it. The cheap lots were mainly in slum neighbourhoods. There was a prolonged scouting expedition, with now and then the goal seemingly in sight. Many times it was to prove a will o' the wisp, until at length the selection of the Twenty-first Street site was backed by a vast amount of shrewd paper work to prove that it would be feasible.

"New York's Old Chelsea has, Heaven be praised, escaped the notoriety of the 'atmospheric' Greenwich Village to the south of it. Once an aristocratic suburb of the little city that had its northernmost boundary at Canal Street, later the last stand of the Irish-born Americans and filled with swarming families of workers along the great docks at its edge, it retains today something of its old-time air of aloofness from the main streams of the city's life. Many of the fine old houses still stand. Directly across the street from 'Our House' through the tree-shaded grounds of the General Theological Seminary, gowned students go to their classes to the sound

of chimes. From the river-front comes the wail of an outbound ocean liner. The accustomed metropolitan uproar seems far away; And yet it is but ten minutes on the Ninth Avenue Elevated two short blocks away to clamorous Cortlandt Street and but twenty minutes walk clear across town to Fourth Avenue.

"On April 7th of 1930, Harold Hynds, our builder, sank the first foundation pile and on September 24th the first of the co-operating families began to move into 'Our House'. Landscaping was completed by November 1st.

'Of course the first question on the lips of every co-operator is, 'What price?' and here's the answer:

	Budget made March, 1930	Actual Cost
Land Cost	\$190,000	\$190,000
Construction	398,000	395,890
Fees and Cost of Financing	67,000	66,810
Safety Margin	5,000	
	\$660,000	\$652,700

"The money comes from the following sources: a first mortgage of \$300,000 from the Bowery Savings Bank; a second mortgage of \$130,000 from members and from C.C.S.; \$119,600 from tenants' investments; \$65,400 from temporary loans until all apartments are sold; C.C.S. fourth mortgage and equity of \$37,700. Because this is a co-operative affair the whole amount was raised without a single bonus, without philanthropy, and without paying more than 6% on any part of the money. One month after completion the last of the sixty-six apartments, thirty with four rooms and the rest with one, two and three rooms each was tenanted, all on a co-operative basis. One becomes a co-operative tenant by securing a fifty-year lease and investing from \$1,000 to \$4,200, depending on the apartment. The monthly charges are as follows:

- 1 room apartment: \$44-\$65 per month
- 3 room apartment: \$66-\$95 per month
- 4 room apartment: \$77-\$134 per month."

(It may be interpolated here that these rents are of course high; a lower scale of building would be necessary for a co-operative project catering for lower-income groups).

"In all these apartments there is extra large window space; with few exceptions there are real kitchens in all the apartments; there are fireplaces, and incinerator, electric refrigeration, tiled bathrooms and a lot of what Stuart Chase calls 'dandy gadgets'.

"Mere figures in black and white leave out of the picture the colour and very human touch of 'Our House'. There was the historic occasion when the General Manager marched proudly forth from the offices on the ground floor, holding aloft a pie-knife borrowed from the cafeteria for the laying of the corner-stone. There was Christmas Eve when, with candles blowing on a lighted tree below the wreathed windows, every one came down to the street and sang the familiar old carols with the workers from the cafeterias and from the 'House' itself. This record cannot tell of the long comforting talks in the dining room on the ground floor when the tables are cleared, pipes are filled, and smoke is blown against walls gay with pictures from the 'House That Jack Built'; the cock, the priest, the dog, the cow, and the maiden all forlorn. Nor again is it possible to chronicle the perplexed problems of co-operative milk, laundry, gas, electricity, radio antennae, parking of baby carriages, installment of summer screens, and the thousand other things which House Manager Louis Breslo and his energetic Management Committee, elected by the tenants, have constantly to tackle.

"Red and silver are the motifs of the gay entrance hall, while the dining room whose windows open onto the street, leads from it. The two elevators, one a self-service, the doors and hallways all are done in the most warming of reds. At the rear is the rock-garden with its tiny pool in the centre wherein gold fish and a co-operative eel lead the good life and around which roses climb on trellises. From the roof-top one can look down on the broad Hudson with all its water-traffic, or Southward to the towers of the financial Babel, or east and northward across a world of roof-tops.

"There is no intention here to picture any Manhattan Utopia. The people who live in 'Our House' have not escaped the nagging worries and real tragedies which have been the common lot of

Americans these past depressing years. But they have at any rate done something to appease that appetite for non-competitive living.

The Fortunes of the Cafeterias.

"Since, in the long run, 'Our House' was made possible because Our Cafeterias sold so many slices of roast beef, and so many pieces of pie, how have these co-operative food centres fared in this worst depression the competitive system has ever known? In the second phase of the panic when folks had stopped laughing at the victims of the Wall Street crash and had begun to pull in their belts in deadly earnest, there was a sudden and dismaying falling off of customers at every cafeteria. The total money taken in for meals served during the melancholy days of October, November and December of last year was almost exactly 10 per cent less than it was during the same months of each of the three preceding years. Then co-operation called upon psychology and a way out was found. Relatively few price reductions were possible. In view of the lowered income caused by a drop in the average check, any drastic cut would have been suicide. It was from the personnel of the cafeterias and their willingness to act as guinea-pigs for the cause of research that the solution finally evolved.

"Miss Arnold, our General Manager, said to them: 'I want you girls to do what so many of our customers are now doing—confine yourselves for two weeks to a dollar a day for food. And no snacks between meals. Take anything you want but don't go over a dollar. In a week you'll know what to put on the menus for people who can only spend that much.'

"From this experiment came a change in menu. It involved sweeping from the front part of the counters the 'dainty' but non-filling dishes and the substitution of bulkier, more nourishing foods.

"At this writing it is evident from the increase in the numbers of those we serve that through co-operative effort we have solved the problem of many of our customers and the co-operative idea has won another victory.

"'Our House' and 'Our Cafeterias', practically unknown to the city's six million, may yet be the seeding grounds for the New York that is to be; a planned co-operative commonwealth with

such a measure of freedom for its citizens as, in these dark days, might well seem incredible."

In her annual report for the years 1934-35 and 1935-36, Mary Ellicott Arnold, who since the very beginning of the C.C.S. has acted as Treasurer and General Manager of the whole organization, makes several interesting comments from which we quote:

From the 1934-35 Report:

First, listen to this—"Maintaining our wages in the face of depression competition has been a major job for four years. We have kept up the fight for two reasons. First, there is no hope for a better world in human terms without better living conditions for the great multitude of minimum wage earners and their families. Second, only as consumer buying power is put into all hands can industry's wheels run steadily to put stability into our economic system, and wages alone distribute buying power to the great majority of consumers. Co-operatives the world over have recognized the human values and the economic significance of wages and have stood for higher minimum figures than business in general has been willing to pay. In the main, the Co-operative movement has been of and by workers."

And this!—"But there is another reason for this difference in point of view between Co-operatives and ordinary business. Management that fixes wages in profit business is itself paid in proportion to capital earnings. Not only salaries and bonuses, money income, but prestige are determined by stock dividends. The pressure is enormous to keep wages down so dividends may be high."

"What would happen?" asks Miss Arnold, "if, in our traditional industrial system, executive salaries could be tied in with wages? Suppose in a given business the chief executive were informed that his pay thereafter would bear a 10 to 1 ratio to the minimum wage paid. It may be a long time before business in general can be brought to a position so tenable from both human and economic view-point. In the meantime, co-operatives may serve as 'yardsticks' as they are doing in other ways. *To put into practise the concept that wages at the bottom and pay at the top*

should be tied together, the Board voted to establish for C.C.S. a ratio of 5 to 1 between the two.

And this from the 1935-36 Report:—

Referring again to the wage problem, Miss Arnold states: "During the 16 years of C.C.S. history, we have paid wages in round numbers of two and a quarter million dollars. This is exclusive of administrative salaries and salaries for publicity and education. It is impossible to say just how much of this sum represents an amount over that of the prevailing pay in New York restaurants. However, facts brought out in the NRA Code hearings in 1933 showed we were then paying approximately \$10,000 a year more to our wage workers than the proposed Code rates called for."

Referring to plans of the C.C.S. for expansion: "A year ago the Board of Directors voted to appropriate an amount up to one half of our 1934-35 net earnings as a special fund for co-operative expansion. The fund made possible a much enlarged programme of co-operative education and business expansion in the New York area. Among results reported were: 14 new societies; rapid development of small groups organized for study or buying or both; and increased interest in the Summer Co-operative institute, making two separate institutes necessary this year; a rise in the Eastern Co-operative Wholesale Society's annual volume of sales from \$183,000 to \$206,350."

"This year the Board again felt the time was ripe for a special expansion drive, this time as a C.C.S. educational programme among our membership, our non-member cafeteria patronage, and within the New York metropolitan area where our membership is chiefly concentrated. One half of the 1935-36 net earnings have been set aside as a special fund to finance this programme."

New York plans Co-operative Expansion.

Thus it happens that at this particular moment when interest in the possibilities of the Co-operative idea is sweeping the cities and towns of the United States and Canada, when Governments and leaders of thought are anxiously looking towards it as a probable solvent of the economic paradox of our time—scarcity in the midst of plenty—that the largest city on the Continent, Metro-

politan New York, finds within its precincts a social laboratory and body of technicians who by experience, conviction and understanding are able to give expert leadership to its development. For C.C.S. after sixteen years of steady growth, based on the proven Rochdale methods and technique of Co-operative operation, has now become the beacon and the force to which and from which the movement in New York city will receive its inspiration and acceleration.

The plan for C.C.S. for Co-operative expansion in the Metropolitan area of New York is simple. It is possible, largely because of what they have already achieved.

As we have pointed out, 4,674 different persons are participating members of C.C.S. If you were to spot a map of Greater New York showing where C.C.S. members lived it would reveal the following. After the day's work is over one third of them go to homes and communities scattered all over the large commuting area: 31 to East Orange; 21 to New Rochelle; 28 to Jackson Heights; 9 to Rutherford; 16 to Scarsdale; 24 to White Plains and so on.

About one half of them live in the Boroughs of New York itself: Manhattan is home for 1596, scattered throughout the length and breadth of the island; Brooklyn claims 533; Queens account for 276, etc.

You would have to hunt to find a community of any size in Metropolitan New York with no C.C.S. members in it. Now what would happen if nearly five thousand people, disciples of co-operation, were to carry back into hundreds of neighbourhoods where they live the story of the co-operative movement, not as a theory they heard enunciated at some public meeting but as a practical business proposition in which they are participants?

Five thousand evangelists for co-operation sounds mighty like the miracle of the loaves and fishes! But believe it or not, Mr. Ripley, that's the proposition before the C.C.S. right now. Already the preliminary plans have been worked out. C.C.S. members are getting ready for the great advance. They are taking an hour one night a week to prepare themselves. They meet around supper tables at Co-operative Cafeterias. They are out to capture New York for Co-operation.

Let us take you behind the scenes to the recent annual meeting where the proposition was presented, discussed and decided upon.

We are within the walls of the 25th Street Cafeteria, where sixteen years ago the first "experiment" was humbly ushered in. The walls are hung with posters. Gay panels show news headlines and magazine covers announcing stories on co-operatives, for the American press, these days, is crowded with stories on the Co-operative Movement. There are pictures of Co-operative stores, Co-op Filling Stations, Co-op tires and tractors and paint and a dozen things consumers in other places are getting through their co-operatives.

Tables and shelves are piled high with boxes of soap, with bags of flour, with glistening jars of honey and Barbadoes molasses and freshly ground peanut butter, with packages of tea bearing the familiar C.W.S. label of the British Co-operatives, with Co-operative Coffee and Macaroni and sardines and all the rest. All Co-operative produced or processed goods.

Stacks of pamphlets and books rise from other tables, Warbasse, Fowler, Marquis Childs, Beatrice and Sydney Webb—names that are by-words among co-operators and names now sweeping across the American-Canadian scene. And Bert Fowler himself is there to autograph copies of "Consumers' Co-operation: Democracy's Way Out."

Not in sixteen years has C.C.S. held an annual meeting in such a setting. Members keep coming in long after every chair is filled. They sit on the stairs to the upper dining room, they perch on the window sills, lean against the walls, threaten to topple over the exhibits.

This largest meeting in C.C.S. history points to two things. First, the present wide interest in co-operation. Second, the desire of C.C.S. members to make their organization a bigger and more far-reaching co-operative in New York. They are here to-night primarily to discuss "The Plan".

The members vote whole-hearted approval of the proposal of the Board of Directors to set aside one half of the net earnings of C.C.S. for Co-operative expansion. They say by their vote "Forward to Co-operation." Like their cousins across the sea, they are

fully persuaded of its efficacy. They enthusiastically approve "The Plan".

Visiting C.C.S. headquarters at 433 West 21st Street, the ground floor of "Our House", where also is situated a Co-operative Cafeteria and Library, gives one the unmistakable impression that Co-operation in New York is on the march and going places. And which is confirmed as one continues to make the rounds of the other diverse and interesting co-operative projects in and about New York,—Co-operative dairies, bakeries, housing developments, consumer stores, laundries, Insurance, Credit Unions, wholesales, Mail order, research, and so on.

Not that "ticker tape" parades down Fifth Avenue are being accorded Co-operative leaders: Or that New Yorkers have temperamentally jumped upon some co-operative band-wagon! By no means. For indeed the movement, numerically and organizationally, is still hardly out of its swaddling clothes and it is probable that only an infinitesimal fraction of New York's six million know that it even exists. But that it is growing into a lusty infant showing bright promise for the future cannot be denied.

The important thing about C.C.S. and other New York Co-operatives is the fact that they have proven rather conclusively that co-operation is not a phenomenon on the North American continent adaptable only for farmers' organizations and rural communities. Plus the fact that their experience has produced a technique indicating a method whereby Consumer Co-operation in large urban centres can be organized, stabilized and from which wide expansion can take place.

Particularly is this true of C.C.S. For, as we have seen, from a modest cafeteria, opened in 1921, has come in the short span of fifteen years, a million dollar co-operative enterprise, with ambitions and probably realizable plans, for a much wider development.

Of a truth—great oaks from little acorns grow!

CHAPTER XV

MAIL ORDER BUSINESS AND CONSUMERS' RESEARCH: NEW YORK

Co-operative Distributors, Inc., with headquarters at 30 Irving Place, New York City, is a Consumers' Co-operative Society operating on a nation-wide mail order basis. In this respect it is probably unique among co-operative projects. For this and other reasons it warrants our intimate study and analysis.

"C.D." has successfully demonstrated that mail-order distribution by co-operative methods is sound. More than 250 products (the number is growing constantly) ranging from household supplies, clothing and cosmetics, to office supplies, are sold to individual co-operating members as well as to non-profit organizations and other co-operative Societies. In addition, C. D. is sponsoring the organization of local consumer clubs. Some 65 organized Clubs are now in operation. From these Co-operative buying Clubs, which are also educational circles, it is expected will develop local co-operative stores, gasoline filling stations and other co-operative projects.

While C. D. products range over a wide field, it has made a major contribution in the distribution of drug sundries and cosmetics. Perhaps in no other field has the consumer been so consistently subjected to gross exploitation. Prices are notoriously high and quality standards, too frequently, correspondingly low. As the result of the work of its own and co-operating consumer research laboratories, C. D. has introduced a line of drug sundries and cosmetic products (many of which are manufactured under its own specifications), which it distributes on the basis of open formulas, without benefit of high pressure salesmanship or advertising ballyhoo—and at extremely low prices.

Co-operative Distributors serves as a co-operative purchasing agent for its members who buy from C.D. either individually, at

members' prices or as consumers' Clubs at quantity discounts. C.D. products are selected with the aid of a testing and research laboratory which is maintained as an adjunct to the Purchasing Department¹. In addition, C.D. suppliers must show that they maintain decent conditions of labour, preference being given to union shops. The merchandising service which C.D. offers to individuals and club members is based therefore on the twin principles of quality standards for products and a fair deal for labour.

Because it operates on a nation-wide basis, C.D. does not follow the usual practise of charging members current market prices. Prices on identical articles vary in different parts of the country. C.D.'s practice therefore, is to charge a fair price based upon the competitive price in the New York market for similar quantity goods. These prices, even with shipping costs added, meet competitive market prices, generally speaking, anywhere in the United States. Non-shareholding members may purchase from C.D., but a preferential price is given to shareholding members.

Membership in Consumers Distributors is of three kinds: individual, Club and affiliated Co-operative Society. Individual membership is acquired through the purchase of one \$5.00 share, which gives the member one vote in C.D.'s co-operative management. Consumers' Clubs and Co-operative Societies affiliate with C.D. through the purchase of two \$5.00 shares, which entitles them to members' prices and to one vote at annual and special meetings. Consumers' Clubs, which C. D. as the parent co-operative organizes and serves, are on a dues paying basis—\$3.00 a year (\$2.00 is retained by the Club and \$1.00 is allocated to C.D.). All members receive the "Consumers' Defender," the monthly magazine of C.D., which also serves as a catalogue of goods for sale, with complete descriptive and qualitative information.

An interesting aspect of the development initiated by Co-operative Distributors is the collective bargaining agreements entered into by its member Clubs which are essentially consumer unions bargaining collectively with local suppliers. By concentrating the buying of its members and controlling prices, quality standards, and labour conditions by carefully written contracts, the clubs are able to return patronage dividends to their members

(1) CD was at one time linked with Consumers' Research, Inc., but is now disassociated and carries on its own independent Research.

that run as high as ten and fifteen percent. The collective bargaining agreements cover a wide range of regularly purchased products and services: coal, ice, milk, laundry, dry cleaning, automotive service, groceries, gasoline and oil—practically every commodity that goes to make up a family budget.

The Consumers' Clubs of C.D. are not dissimilar to orthodox Co-operative Buying Clubs. They are constituted by a group of consumers who though buying by mail from C.D., yet, inasmuch as they live in the same community, organize locally for the collective buying and bargaining of those commodities which C.D. is unable, as yet, to supply them.

Their stated aim is as follows:

1. To protect their interests as consumers against exorbitant prices and poor quality.
2. To practise collective purchasing as a means of raising their living standards.
3. To support organized labour in its battle for decent wages and working conditions.
4. To conduct educational programs about the Co-operative movement and help to organize Rochdale Co-operative Societies.

Unlike the Co-operative Society, there is no capital investment and no shares issued; in other respects the Club functions in accordance with Rochdale principles.

Observations.

C.D. is owned and financed by its members. It is they who elect the officers and determine policies at annual meetings. One man, one vote, irrespective of the amount of share capital owned is the basis of representation and control. Patronage dividends are returned to shareholding members pro-rata to purchases. Interest on share capital is fixed at a maximum of 5%.

In all these respects C.D. is an orthodox Rochdale Co-operative project. We were informed that in the past there have been disagreements between C.D. and other Co-operative Societies, also that there have been internal difficulties within C.D. itself and that its application for membership within the Co-operative Union

has been tabled pending certain required adjustments. But these matters are being satisfactorily ironed out and leaders of the Co-operative Union and those societies who have hitherto had occasion to be critical of the structure and practice of C.D. are now satisfied that the problems complained of have been amicably and satisfactorily resolved.

Which is all to the good, for it would appear that the philosophy and practise of C.D. are peculiarly congenial and adaptable in meeting certain special conditions existing in both Canada and the States. C.D. represents a new approach to Consumer Co-operation and one which is based on a realistic appraisal of the present situation.

Let us develop, at this point, the argument in favour of such a co-operative project as Consumers Distributors. For it is a point of view which will be much to the fore in the days to come, especially in the larger urban centres. Already, in Toronto, a not dissimilar organization to C. D., has been the subject of some considerable discussion, most of it adverse, and much of which we are inclined to think, flows from an inadequate appreciation of certain economic, sociological and time factors now pressing upon the Canadian-American scene.

To begin with, present day economic and political conditions demand rapid but not forced growth for the Co-operative Movement. Particularly, if they are to be of any substantial force in overcoming the existing economic impasse. To those who do not see the Co-operatives in this light, what follows is secondary, or even beside the point; but to those who are betting on Co-operation as a "middle-way", our thesis is timely and pertinent.

Arguments for the "C.D." method.

It is true that elsewhere the Co-operative Movement has grown slowly over a period of years. In Great Britain it was not a serious factor in the economic life of the nation until the turn of the century. Some would say not until the close of the war. But at any rate, it was fifty to sixty years before the British Co-operatives had climbed into a place of primary importance in the distributary mechanism of Great Britain's economic life. Similar was the

development of the movement in the Scandinavian countries and on the Continent.

Now, we in Canada are not at this moment at the position of the Rochdale pioneers in the year 1844. For we already have an extensive agricultural Co-operative movement functioning in this country. And in scattered centres some exceedingly well organized Consumer Co-operative Stores, as well as other ventures, are in operation. Likewise there are the Credit Unions of the Maritimes Provinces and Quebec and so on. Indeed, in all branches of Co-operation the movement has made some advances and is steadily growing.

But to say that it is developing at a pace commensurate with the needs of the day is merely wishful exaggeration. True, there is a good deal of diffused interest and much talk about Co-operation throughout the length and breadth of the Dominion. But so far, not excluding the amazing work of St. Francis Xavier University in the Maritimes, there is insufficient evidence of its growth to warrant us in believing that at its present rate of development it can make any serious dent in resolving our present economic difficulties, at any rate for the great masses of the people, for some years to come.

Moreover, if, as an observer of the Canadian Co-operative Movement recently pointed out, "Canada is in the same position as the British Movement of 1863, before the advent of the Co-operative Wholesale Society," and if, as some people would seem to believe, the Canadian movement must go through the same chronological adolescence as the British Co-operatives have already come through, then it will be about the year 2000 A. D. before Co-operation in Canada will be in any comparable position, let alone in any position capable of exercising much influence on the body economic, political or social. And that will be about sixty years too late!

Either the Co-operative Movement, as a democratic force, will make its impact on our national life felt, and felt vigorously, within the next decade, or, as a democratic force it will cease to be. Notwithstanding, that in all probability, its economic forms will continue to develop within the framework of whatever kind of

dictatorship may follow in the wake of our present lingering and seemingly impotent democracy.

In other words, what we are endeavouring to point out is, a "time factor" in the Canadian situation with which Co-operative developments in Great Britain have not had to cope. There is a sense of urgency today, different in degree and nature, from any relative urgency with which Co-operation in Great Britain was ever confronted. They worked to raise the standard of living and economic security of the masses. But with no threat of economic or political collapse within the economy itself. We struggle within the tottering framework of an outmoded economy, to erect the framework of a new social system, while all about us is the threatening collapse of the old order, which, if, as and when it occurs will probably bring all democratic efforts to naught. Certainly, under any form of a totalitarian regime, the truly democratic aspects of the Co-operative movement will cease to be. We have already seen that to be true of the Movement in Russia, Germany, Italy and Austria. It will be true elsewhere.

Now, if, as Co-operative leaders believe, their movement offers a "middle way", then to those who seriously hold this opinion, it must be apparent that the times do not afford the luxury of narrow sectarian divisions. And, unfortunately, here and there across the country, evidence is not lacking to indicate the existence of contentious opinions.

The Rochdale principles are tried and proved. Co-operators must watch them and remember their lessons. But they must be realistic, and must understand also contemporary economic institutions and the special conditions of the North American continent. We must be open-minded to certain adaptations of co-operative techniques, so long as they continue to satisfy the objective of raising living standards through thoroughly democratic participation in business, which was the basic impetus of the pioneers of the past.

CHAPTER XVI

CO-OPERATIVE DEPARTMENTAL STORES: The Filene Plan

In the early spring of 1936, newspapers and trade journals carried the news that Edward A. Filene, prominent Boston departmental store owner had set aside one million dollars for the purpose of developing a chain of co-operatively owned and managed departmental stores.

The news met with mingled reception. Among the trade, the proposition was regarded with suspicion and thinly-veiled but not yet open hostility. In the world of co-operative thought it was at first viewed as "another Nelson affair¹" but as more complete details of the plan were announced and its Board of Directors revealed as constituting some of the most distinguished leaders in the American Co-operative Movement, it has finally been welcomed as a major step in furthering the fast growing co-operative development in the United States.

Mr. Filene's plan, which in essence is a well considered proposal for the creating of a league of co-operative consumer-owned departmental stores, is not philanthropy nor in any way Utopian. His own ideas are stated as follows:

"We can achieve wealth *now* only as we distribute it. We can save only as we spend. We can secure *now* only as we arrange for everybody's security; and we can have liberty only as we liberate the masses everywhere from the age-old struggle for mere physical

(1) N. O. Nelson, a prosperous American industrialist in the late nineties, devoted his time and his fortune in an abortive attempt to develop the Co-operative Movement on a large scale in Louisiana. The enterprise, incorporated as the Nelson Co-operative Association, finally included 61 stores, 4 butcher shops, a bakery, a milk pasteurizing plant, a coffee house, a condiment factory, and a 1500 acre farm. The experiment sky-rocketed to an early success; in 1917, the volume was increasing 15% per annum and the total business approximated \$3,000,000. But for some occult reason Nelson omitted the one technique which establishes consumer co-operatives as consumer co-operatives. He did away with the dividends on purchase, and sold goods nearly at cost or at cost. Customer control consequently could only come about through the investment of share capital in the company's stock. But the dividend on purchase was the only way in which his farmer-working customers could ever secure any capital to invest. Like Robert Owen's 18th century experiments, his paternalistic philanthropy proved a failure and eventually bankrupted him.

existence, and make it possible, for the first time in human history, for them to release their energies in the ways that are indicated by human aspirations."

In explaining why the plan embraces such large units as departmental stores rather than small units Mr. Filene states: "To eliminate the wastes of distribution, however, two things are necessary. The distributing system must be so large as to become an adequate outlet for modern, economical large scale production; and it must be expertly managed. If the enterprise is large enough and is sufficiently well managed, and if it is also a consumers' co-operative, it will have a certain advantage which the system run for private profit does not have. In either case, the lowest practicable price is the most profitable price, because it results in maximum sales—a principle well demonstrated by the automobile industry on the one hand and by such retail organizations as Woolworth's on the other. The average retailer, however, dealing mainly in the ordinary staples of mass consumption, has a very difficult problem as to the price margin which, on the one hand will result in adequate sales and on the other, will still be safe."

Mr. Filene believes that: "if consumer co-operation is to succeed in America, it must attack this problem of large scale distribution. For America is the home of mass production. Distribution has remained in the primitive state. We have our units of production, typified by the large plants that filled our highways with modern cars, the skies with whirling propellers, our houses with labor-saving machinery and comforts. But our system of distribution is still very largely in the horse and buggy age."

"The problem in America is to set up mass distribution to balance mass production that we may as consumers get our share of the abundance that surrounds us."

Studying this problem, Mr. Filene, after many years of enquiry and thoughtful observation, backed by his own experience as one of the most successful large scale merchants in America, reached the conclusion that nothing short of consumer co-operation would provide an adequate solution. Surrounding himself with a group of research technicians and merchandising experts,

Mr. Filene organized the Consumer Distribution Corporation, furnished \$1,000,000 of his own money for its initial capitalization, and called upon a group of Co-operative leaders to assist him in its development.

The Consumer Distribution Corporation plan is a combination of ownership and control from the bottom up, and efficient management from the top down. The central organization around which the co-operative departmental stores are to be formed is a practical attempt to successfully bring consumer ownership and control into the departmental store field. Mr. Filene realizes that before any store development can take place, the consumers in the area must do their part in organization, and must assume the responsibility that goes with the ownership of these new co-operative departmental stores.

What is the Consumer Distributive Corporation?

The C. D. C. is a non-profit Corporation organized to render the following services to those departmental stores which shall be set up by the consumer. It will provide these services by linking the stores together around a central purchasing and management unit.

1. It will employ the best experts, most competent organizers, and managers for both the central organization and the stores belonging to the league.

2. It will assist local consumers in organizing their own departmental stores.

3. It will supply efficient management to run the store under the supervision of a local board of directors who shall be elected by the consumer-owners in the area.

4. It will obtain the economies of centralized purchasing for all of the locally-owned stores in the League, thus giving each individual store all goods as cheaply as any of the big chains can supply such goods to its own units.

5. It will organize and operate a centralized bureau to make available to consumers, accurate information as to the quality and value of the merchandise sold in their stores.

6. It will organize a bureau for the development and expansion of service through the local co-operative department store to small stores which deal in food and other necessities in adjacent localities or adjacent communities.

7. It will supply all needed services such as research, personnel, public relations, (including advertising,) finance, etc.

What is the future of the Consumer Distribution Corporation?

Let us make some reasonable speculations as to the probable future of C. D. C. The Consumer Distribution Corporation is now organized to assume direct managerial control over each store for a period of not less than five years to insure the adoption of sound business policies and methods, and to make certain that the stores will be efficiently managed.

At the end of the five year period, as this democratic responsibility and control is built up, the ownership of the Consumer Distribution Corporation begins to revert to the member stores. At the end of ten years the Consumer Distribution Corporation will automatically come under the complete control of the locally owned stores. Any funds which have accumulated during this period in the Consumers Distribution Corporation revert to the local organizations along with the ownership and control of the central organizations.

For the initial period of ten years, therefore, management of the local stores is from the top down, while the ownership is in the hands of the local consumers. During this period, the directors of the local store who have been elected by the consumer-owners contract with the Consumer Distribution Corporation to render this management and other services at a fee sufficient to pay the actual operating cost of this central organization.

Thus the Consumer Distribution Corporation is the parent organization which assists and directs the growth and development of the locally-owned department store. The whole aim and end of such help and control is a league of firmly established, co-operatively owned and controlled local stores. Having gained the necessary experience and responsibility, these stores then take over the services rendered by the parent organizations and perform such services for themselves.

Aim of the Plan as a Whole.

The Consumer Distribution Corporation, it should be remembered, did not come into being as a result of any idealistic appreciation of the great European co-operatives. It resulted from a factual analysis of America's greatest problem—poverty in the midst of plenty—business depression at the very time when production had reached its highest peak of efficiency.

"That it aims at putting distribution under control of consumers may seem," says Mr. Filene, "at first to be a revolutionary step; but all truly modern businessmen agree that the customer is, or at least should be boss. The purpose of industry surely is to supply human wants. Human beings do not want work for work's sake, nor even because of any compelling instinct, but work definitely because they want results. Organizing our economic efforts, therefore, in the interests of the consumer is the only logical course. It is where we attempt to organize for some other purpose that our economic mechanism gets out of balance. No sane system of economy, surely can be built upon efforts to fit humanity into some traditional pattern of work instead of organizing our work to serve the needs of human life."

"But", as Mr. Filene also points out, "both production and distribution, however, are technical problems. They cannot be operated at mass meetings, even if the mass-consumer is the all-important person to be considered. The Consumer Distribution Corporation, therefore, while it aims at putting distribution under the control of the consumers, is also aiming at such technical efficiency as to make that control worth while."

In Great Britain and the Scandinavian democracies, the achievement of such efficiency was no over-night development. It came about after a long and painful trial and error process. But Mr. Filene did not believe it is necessary and inevitable that Co-operation in America requires to make so many hesitating steps. No more so than it is necessary for China, in the development of the aeroplane, to repeat all the mistakes made by the Wrights and Langley.

Under the impact of such devices as C.D.C. and others which this book has described we may reasonably look therefore, for some

very sudden and perhaps startling changes in the American-Canadian scene, as this necessary new movement gets under way.

There will not be changes merely in the technique of distribution. There will be cultural changes, probably political changes—including some of the changes which have occurred in Europe in the great co-operative countries. For it was through fact-finding research conducted by the British co-operative movement to discover why prices were too high, that political and social reforms were given impetus, especially when it was discovered that the consumer had to pay for all unnecessary waste and graft in government, as well as for the unprogressiveness of monopolies more costly even than their greed.

That Mr. Filene's plan is based upon sound reasoning is self-evident. He is not taking any chances and is therefore safeguarding the development with reasonable precautions without jeopardising the essential structure of proven co-operative principles.

That departmental stores can be consumer-owned and co-operatively managed is not theory, but fact. Last year, in London, one co-operative departmental store alone did a business of \$50,000,000. It employed 11,866 persons. It provided every service its consumers desired. In Sweden the same thing has happened. One of the largest and best run department stores in Stockholm is owned by consumers. Swedish consumers dominate the field of retail distribution. Doing more than 40% of the retail business, Swedish consumers set the pace, forcing private merchants who wish to succeed in business to use better methods of distribution, give better values, in other words, do their part in distributing more and more goods to the people.

"Consumer Co-operation," states Mr. Filene, "we may be sure, has come to America to stay, and to achieve even greater results than it has achieved in Europe. Its logic is unassailable. Its technique has met every test to which it has been put. It now asks only that it be applied to the most distressing and threatening problem of our time which, if not solved, must bring America to social and economic chaos. That is the problem of poverty in the midst of plenty,—of failure to distribute according to our capacity to produce. This is the task to which the C.D.C. turns to-day."

CHAPTER XVII

CO-OPERATIVE HOUSING:—The Experience of Various Countries.

Co-operative housing organizations in Europe have provided better homes and greater conveniences at a lower cost over a period of years than equivalent dwelling units provided by private builders.

This is the conclusion arrived at by President Roosevelt's Study Commission on the European Co-operative Movement following several months first-hand observation during 1937¹. It is an opinion also held by other equally competent observers. One of the best internationally known housing authorities, Catherine Bauer, records the fact that the Garden City Movement is a direct outgrowth of the idea of co-operative association and states: "the idea spread from England around 1900, and the most advanced architects and planners of the day worked with the trade unions and labour organizations to produce some of the best housing built on the Continent before the war."²

European Co-operative housing associations, however, follow no single pattern of development. They vary greatly in their objectives, form of organization, and method of operation. Many of them depart widely from orthodox co-operative principles.

In Denmark, for instance, one society accumulates its funds from the savings of members, and determines from time to time by drawing lots which member is to construct his house with the accumulated savings of the members. When houses have been built for all the members, the society is dissolved. As a whole, the English housing societies are more like building and loan associations than co-operative societies.

1) United States Inquiry on Cooperative Enterprises, 1937.

2) "Modern Housing" by Catherine Bauer, (1934) p. 93

Many European co-operatives finance housing construction through the savings of their members; others, probably the majority of them, utilize either private or public credit for the greater part of the necessary capital, supplementing it with the individual savings of the members. In one instance, however, loans are secured by individual societies from the national co-operative federation, the notes of the individual members serving as security for the loans.

Federations of co-operative housing societies have been formed in some countries on a nation-wide scale, and in others there are federations of societies located in one city or in a few large cities. Frequently, strong co-operative societies organize a separate subsidiary society for each of a number of projects. In this way financial support can be given to individual societies, and technical assistance to all, and materials and equipment can be bought in large quantities. This plan provides more efficient management and yet gives to the individual project greater self-government, and makes for a definite sense of responsibility on the part of the tenant members.

Dwellings constructed by housing co-operatives are in some instances sold to individual members and in others to nonmembers as well, while many societies rent such dwellings to their members. The rental plan permits tenants to move freely, but is not an advantage to the co-operative society in times of falling prices because of competition with privately owned property. Tenants in co-operatively built dwellings, it is stated, generally have better homes, more conveniences, and lower rents than tenants in privately constructed houses.

Government control of some sort is common in most countries. In Stockholm the city is represented on the board of directors. In England such societies must submit periodic reports to the Chief Registrar of Friendly Societies, who has general supervision.

A great impetus to co-operative housing has been the furnishing of financial and other aid by States and cities. Outright subsidies and grants were a feature of early post-war years, being designed to overcome the housing shortage. This form of assistance is no longer common, aid now being granted generally in the form of low-cost building credit, leases of public building sites for long

terms and at low cost, and in some cases by giving technical assistance or by encouraging or organizing housing societies. Exemption from taxation and stamp dues from payment of interest for a certain period, and often from city transportation taxes on building materials, are other forms of public aid.

Guarantee by the State or city of loans to co-operatives is common. This serves to provide capital at a lower interest rate than would be obtainable otherwise, and the liability of the public authority is only contingent.

Some Interesting Examples.

Adequate comparable data are not available for many countries, but some of the features of co-operative housing in different countries are here set forth.

Sweden.

The co-operative housing movement in Sweden is now strongly organized. Its aim is to provide 25 per cent of the houses in Sweden. The 10 per cent or more it is now building have influenced rents materially and helped in raising housing standards and in providing many conveniences not formerly available to workers.

The first co-operative housing society was formed in Stockholm in 1916, which put up half a dozen apartment houses in as many years. Its success was such that in 1922 a national Tenants' Savings Bank and Building Society was founded—the now well-known H.S.B. (the initials of the Swedish title). H.S.B. has developed into a national federation of housing societies, which at the end of 1935 had more than 16,000 members, and by the middle of 1936 owned real estate valued at the equivalent of \$35,000,000.

When a building is constructed by the parent society it is transferred to a housing society for that particular project. The two most numerous kinds of houses built are "Type A", which includes the majority of houses or apartments (the deposit required of the occupants is here 10 per cent of the value of the real estate); and "Type B" apartments, on which the deposit required is 5 per cent of the real-estate value. Usually these include from one to

five rooms, with bathroom and kitchen. A number of "Type C" dwellings have been built in co-operation with city governments for which the tenants have not had to make any deposits; the renting of these apartments being subject to the city's regulations. And recently the city of Stockholm has sponsored "Type D" dwellings for the larger families (three children or more) in the lower-income groups. In these, from 30 to 50 per cent of the rent is contributed by the government, according to the size of the family.

About 60 per cent of the estimated cost of construction is financed by bank, city or state loans, 30 to 35 per cent by savings-bank deposits and the working capital of parent and subsidiary societies, and the remaining 10 or 5 per cent by the basic deposits of the members. The general plan is for the parent society to loan the subsidiary company, on the completion of the building, an amount equal to the deposits of the members, this loan to be amortized by the subsidiary society within 20 or 25 years. State loans have been provided in some cases at rates as low as $\frac{3}{4}$ per cent per annum.

"As in all co-operatives, the members receive interest on their deposits (six per cent); when their apartment is built, they pay an annual rent which goes toward interest and amortization on loans, service, heat and hot water. Rents for an A-type apartment run from \$125 to \$865 a year; for one of the B-Type, from \$120 to \$485. The rent is figured on the floor space of the apartment. Consider the fact that building costs in Sweden are at least fifty per cent higher than in Germany and Europe generally—partly due to the extreme climate . . . and partly to the strength of the trade unions which prohibit "cheap labor"—and it will be obvious that co-operative building under a well-disposed Government has very definite financial advantages.

'But the advantages are not purely pecuniary; for the co-operative spirit has led to some interesting innovations in apartment housing. To begin with, all housing comes under municipal control, which sets a minimum standard. The basement is fitted up with communal electric washing machines and mangles, which each housewife uses on an allotted day at a cost of about seventy-five cents for the month. In

addition a kitchenette saves the laundresses a trip upstairs for the frequent pauses for coffee. An enclosed room (enclosed so that the noise will not disturb other tenants) is available for beating rugs and mattresses and the dust is carried off through a vacuum mechanism in the ceiling. The garbage is disposed of in the furnace—a device which the careful Swedes soon found took something off the coal bill! Nearly every block has a wire-fenced courtyard, which makes a safe playground for the youngest tenant; its border of bright flowers adds a touch of beauty.

"In these apartment blocks are large nurseries, charmingly equipped and decorated. They are in charge of one or more nurses, who supervise the children's play, put them away to sleep in the afternoons on little woven pallets, and give them three meals a day. As one of every four married women in Stockholm has a job and many more do not have maids, communal nurseries in co-operative apartment houses came in direct response to the needs of the tenants. A Government subsidy makes it possible to keep the charges down to fifteen cents a day for children aged up to two years, and twenty-five cents from two years to school age."

H.S.B. has set up a centre for the purchase of building materials and also manufactures such materials as plaster, stucco, cabinet work, etc. It provides for its members the services of a savings bank, and sells "building bonds", which pay interest at $4\frac{1}{2}\%$ per annum and are in four denominations—50, 100, 500, and 1,000 kroner.² It has also formed a special agency, which operates a so-called repurchase fund (made up of annual contributions) for the purchase of apartments when members must dispose of them because of unemployment, illness, death, or need, thus protecting the interests of both the members and the society.

Denmark.

In Denmark the construction of dwellings for people of moderate incomes has been encouraged by laws remitting taxes

¹Helen Marsh: "Sweden Builds Homes", *Maclean's Magazine*, August 1st, 1937, from which certain other data in the above section are taken.

²Average exchange rate of kroner (1936) was 25.63 cents.

and interest for certain periods and by grants and loans. The housing societies to which loans are granted are not in the strict sense co-operative societies but private organizations. The co-operation of the individual applies only to the extent of his membership which is not necessary to obtain housing through the society. Municipal guarantees of at least a portion of the loan are required by law, and from 10 to 20 percent of the purchase price is presumed to be assumed by the applicant. The buildings constructed by housing societies have been mostly apartment houses. The apartments are not sold but are leased to the tenants in accordance with varying rules, the most important of which follow.

The tenants become shareholders of the society, but may sell their shares and still remain in the apartment or move and keep their shares. Shareholders have some voice in the management and are not subject to arbitrary cancelation of the lease. Tenants may acquire bonds issued against a loan on the property, or deposit receipts, which makes their tenancy secure but gives them no voice in the management. Members have a fairly well-secured right to live in an apartment at a rental corresponding to their capital deposits and a proportionate part of the expenses of the property.

Great Britain.

While 3,000,000 new homes have been built in England and Wales since the war, the part taken by the co-operative housing societies has been relatively small and in connection with building societies' activities, rather than as a separate movement.

Most of the low-cost housing has been constructed by cities, often with government aid. Building societies in England are more like building and loan societies than like co-operative housing societies. Instead of undertaking co-operative ownership, and management, they finance low-cost individual houses. There are many mutual building societies, which, as regards to one purpose of buying dwellings, are similar to the co-operative credit societies common in Europe. A substantial number of the houses constructed in England and Wales without government aid since 1919 have been sponsored by the building societies.

The Co-operative Permanent Building Society, which was formed in 1884, operates as follows:

The society concentrates on making advances in the construction of working-class properties. It has seldom, if ever, made any advance in respect of large houses, and then only when the amounts required were small. At the outset it did make advances upon business premises to a few co-operative societies, but with that exception it makes no advances on business premises other than small shops, then only under special circumstances. Every effort is made to meet the peculiar difficulties which beset working-class life.

United States.

In the United States co-operative housing has been best developed in New York City. In most cases the property of the housing association consists of a single apartment building which the association has either erected or has bought already constructed and which it is managing in the interests of the members. In one or two instances the association owns a group of buildings.

One of the best examples on this continent of a co-operative housing enterprise is Amalgamated Dwellings Inc., occupying the entire block bounded by Grand, Sheriff, Broome and Columbia streets, in the heart of lower New York. There are eight building units, six and seven stories high, which provide 231 apartments of 3, 4, and 5 rooms. Included in the development are a number of community facilities including a large garden (24,000 square feet), an auditorium, gymnasium and roof garden. Club rooms are also available for young and old.

These apartments are owned and operated by the tenant co-operators, all of whom benefit from the enterprise and mutually share the rental savings. Further savings accrue from the joint purchase of milk, electric current, and laundry service.

The financial set-up is simple. By law, the building is limited to one mortgage. The only other investment is the stock held by the tenant co-operators. This calls for a subscription of \$500 for each room occupied, but this amount may be paid over a period of ten years. When purchasers have been compelled to

withdraw, and have given three months notice, it has been possible to return their initial investment.

Like co-operative housing in Europe, there are wide variances from standard co-operative practice in co-operative housing developments in the United States.

As a rule, in a co-operative housing association the member does not receive title to any individual apartment or dwelling. He merely owns shares in the association to the value of the dwelling he occupies. His only evidence of ownership consists of a stock certificate and a permanent lease on his apartment. Legal ownership of the property is vested in the association as a whole. A member wishing to withdraw receives only the amount paid in on shares, minus any damages to the property. In this way speculation and profit making are prevented and housing is developed for residence purposes.

Fixed charges (such as interest on capital, bonds and mortgages, depreciation, taxes, amortization, etc.) and operating expenses are met by a monthly charge, paid by the tenant-members.

These policies are followed in co-operative housing associations because the purpose of such associations is not to make money, but to obtain for the members attractive, well-built homes—homes built and run for service, not to rent, sell, or speculate in for profit. Such policies differ from those of a private builder, where the earnings on stock are limited only by the earning power of the business, and in which money is invested in buildings for the purpose of making as much profit as possible for the individual owners by means of sales and rentals.

The advantages of co-operative housing are that the members live in permanence and security in homes which they obtain for a smaller investment and at a fairer cost than similar homes bought or rented for profit. Large salaries paid to promoters, landlords, and agents are eliminated.

In New York City, for instance, it has been stated that in large scale enterprises, in which the full benefit of low cost in purchase, construction, and maintenance is obtained, at least 12 per cent. can be saved in annual costs. Instead of rents steadily in-

creasing, it is the general experience that monthly charges for co-operative housing decrease each year. Thus, a co-operative association, on whose homes the carrying charge at first is \$50 a month may estimate that at the end of 20 years, when all loans are paid, the carrying charge will be \$22.50 per month. Co-operators are usually permanent residents. This eliminates the high turn over in tenancy. Vacancies are a great waste and a cause of added costs in non-co-operative housing. Co-operative home makers as a group take an interest in their homes, so that the property does not deteriorate as it does under transient tenants or landlords. Co-operators unite in the care and upkeep of their property, and order and cleanliness result.

Co-operative Housing Principles.

True co-operative principles to which co-operative housing associations should conform are:

(1) Democratic control; one vote for only each member regardless of the amount of stock owned. Responsibility for administration to rest with the board of directors elected by the owners. This means decentralized control for purposes of democracy and centralized administration for purposes of efficiency.

(2) Invested capital to receive fixed interest not to exceed the current legal rate.

(3) Legal ownership of the property to remain vested in the association.

(4) Shares in the associations' capital stock to be non-transferable except with the consent of three-fourths of the members of the association, and not to be transferred for profit.

(5) Surplus savings accruing from the association's operations, which are not used for expansion or other mutually beneficial purposes, to be returned to the tenant-members as savings returns in proportion to the amount of their patronage or rental paid.

Deviations from Standard Co-operative Practice.

Many organizations in different parts of the world which are called "co-operative", but which are not entirely co-operative, deviate from the foregoing principles in one or more respects.

(1) Some societies, as in England for instance, build co-operatively but sell homes or apartments outright, giving title to the property owner. Such a policy perpetuates private ownership and allows individual sale of the home at a profit. Obviously it encourages speculation, promotes instability of residence, and destroys the co-operative aspects of the enterprise. It is merely the use of the co-operative technique applied as a price-saving mechanism for an immediate personal advantage and has nothing in common with the fundamental aspirations of the co-operative movement.

(2) Some societies do not give title to the property but nevertheless allow members to sell their shares to the public at their own valuation. This also makes speculation not only possible but inevitable. Ultimately the co-operative plan is destroyed.

(3) Some societies own the land co-operatively but give the individual a 99-year lease on which they may build their own homes, and sell them at their own price.

(4) Some allow voting by shares instead of limiting the vote to one per member. In such case ownership of property determines control.

(5) Some associations observe all other rules of co-operation except that they permit members to sublet at a profit which they are permitted to keep. Houses have been completely emptied of owner-members because of this policy.

(6) Some societies rent as many as half of their dwellings to non-members at a profit which they apply to the reduction of the members' rent.

(7) Some accept philanthropic grants or funds from civic bodies and permit the grantors to control and administer the property.¹

(1) For anyone interested in the actual organization of a Co-operative housing project an excellent and inexpensive pamphlet entitled "Organization and Management of Co-operative Housing Associations (with Model Bylaws)" is issued by the United States Department of Labour, for sale by the Superintendent of Documents, Washington, D.C. Price 5 cents. Bulletin No. 608, from which some of the foregoing data has been taken.

CHAPTER XVIII

HON. W. L. MACKENZIE KING AND THE CO-OPERATIVE MOVEMENT; THE CANADIAN ENQUIRY OF 1907

In recording the history of Co-operation in Canada, we have already pointed out that during the pre-war decade, a wide development and interest in Co-operation, not dissimilar to the present wave of interest, took place in the Dominion.

So much so, that in the year 1906, the proponents of Co-operation were massed on Parliament Hill. They had come to Ottawa seeking the enactment of a Federal Enabling Bill on behalf of the Co-operative Movement. Their General and spokesman was Alphonse Desjardins, a Hansard Clerk in the House of Commons, who had become the leading protagonist for the Credit Union idea among the French Canadians of the Province of Quebec. One of his able lieutenants was George Keen, now the General Secretary of the Co-operative Union of Canada.

Politically, Canada was in those days governed by a liberal regime. The Prime Minister was Sir Wilfrid Laurier. The Governor-General, Earl Grey. The Deputy Minister of Labour, W. L. Mackenzie King. We mention all of the foregoing, for the facts and personages are important to Co-operative history in Canada.

The Bill, which was presented as a Government measure, after some preliminary discussion in the House, was referred for study and recommendation to a Parliamentary sub-committee, consisting of the following: Messrs. Aylesworth, Lemieux, Smith (Nanaimo), Bourassa, Verville, Gervais, Sinclair, White and Monk.

It so happened that Earl Grey, at the same time that he was Governor General of Canada, was also the President of the International Co-operative Alliance. In the latter capacity he consented to appear as a witness before the Parliamentary Committee

of Enquiry. His appearance marks one of the rare, if not the only occasion in British history, when "The King" appeared as a witness before a House of Commons investigating Committee. His testimony is one of unqualified approval of the Co-operative Movement, a portion of which we shall later quote.

Other principal witnesses who appeared before the Committee included Alphonse Desjardins; E. M. Trowern, Dominion Secretary of the Retail Merchants' Association, who on behalf of his association vigorously protested the enactment of the proposed legislation; and the Deputy Minister of Labor, W. L. Mackenzie King, C.M.G.

Mr. King's testimony is so elucidating, revealing as it does an intimate and sympathetic understanding of the philosophy and workings of the Co-operative Movement, gathered at first hand as well as through his economic studies, that we will quote copiously his verbatim evidence before the Committee.

The record from which the following excerpts have been taken is the report of the Special Committee of the House of Commons, 1907, to whom was referred for study and recommendations Bill No. 2—"an Act respecting Industrial and Co-operative Societies".

Mr. King, as witness, gave evidence as follows:

By Mr. Monk—

Q. Mr. King, you have been for several years Deputy Minister of the Department of Labor, have you not?

A. Yes.

Q. Previous to your assuming that position, had you made a special study of economics?

A. Yes.

Q. Have you had occasion to examine the Bill which is now under the consideration of the Committee?

A. Yes.

Q. Will you give the Committee your opinion in regard to the advantages that might result from the operations of this Bill?

A. Perhaps I can give that information best, Mr. Monk, by referring to some experiences I have had in connection with co-operation, and to the study I have given the subject . . . I might say that the first time I took up this question of co-operation was at

the University of Toronto, as an under-graduate, in connection with the work of political economy at the University. We were obliged to study the co-operative movement in the different countries. Subsequently, I spent some time in post-graduate study at the University of Chicago and also at Harvard University, and particularly at Harvard, I gave additional study to the subject of Co-operation. Then I spent a year in Europe studying industrial conditions and at that time went rather carefully into the question of the Co-operative Movement in England and slightly on the Continent. As far as economic studies go, I would say, I gathered distinctly the impression that most of the best known men like John Stuart Mill, who are known to be strong individualists and men not given to favouring schemes that are not thoroughly well understood have endorsed it most strongly and heartily; in fact, I think John Stuart Mill looked more to the Co-operative movement for the great betterment of the working classes than any single movement he could see at the time.¹ Some reference was made in evidence given this morning to Mr. Ruskin and Mr. Carlyle as to what they would think of a movement of this sort. I think probably the Co-operative movement has had no stronger supporters than it has found in both these gentlemen.² I think careful perusal of their books will show that. Leading economists of today, both in England and the United States, men who have not at heart the interests of one class of society as against the other, but who look impartially upon economic affairs are, I think, pretty well one in the favour with which they view the Co-operative movement as a movement exceptionally beneficial from the point of view of educating the mass of people, from the point of view of enabling the mass of people to improve their own conditions and from the point of view of the general betterment and welfare of the people of the country.³

(1) Mr. King's reference to John Stuart Mill's view of the Co-operative Movement is well substantiated by a reference to his writings, of which the following is typical: "It is now one of the recognized elements in the progressive movement of the age—it is hardly possible to take any but a hopeful view of the prospects of mankind, when, in two leading countries of the world the obscure depths of society contain simple working men whose integrity, good sense, self-command, and honorable confidence in one another, have enabled them to carry these noble experiments to the triumph and issue which the facts record."

(2) The English speaking world is generally familiar with the fact that both Ruskin and Carlyle were vigorous protagonists for the Co-operative Movement.

(3) The author has sought, without success, to discover one economist of international repute who regards the Co-operative Movement with disfavour.

Middlemen.

It is perfectly natural to expect there will be objections to the Co-operative Movement by middlemen. Perhaps I might say at this point after listening to the evidence given this morning by Mr. Trowern, that it seems to me perfectly natural to expect that anybody who is representing what is virtually a combine of retail merchants should be opposed to any movement that might have a tendency to check the possible effects of such a combine. Mr. Trowern's argument, it seems to me, reduced to its logical conclusion would prevent a woman from doing her own house-work. Because his statement is simply one strong argument in favour of retaining the middleman at any cost. The Co-operative Movement aims at doing away with the middleman. It might as well be stated frankly that it has this as an aim—or rather the substitution for him wherever possible by a Co-operative society, in which men who are contributing towards the purchase of commodities may also share in the profits. I know in my own experience at Harvard that having the opportunity of being a member of the Co-operative Association—I was enabled to save a considerable sum and to this extent to take advantage of opportunities there which I might not otherwise have been able to do. And I know that what has been my experience has been the experience of a great number of men at the University. What is true of the Co-operative movement as applied to body of students at a University, is equally true of Co-operation as applied to a group of working men or to the people in any community.

Civil Service.

Q. Did that system obtain at the University of Toronto?

A. No, I think not. I think they have not such a club. I might say that I think a similar society started here in Ottawa would be a god-send to the members of the Civil Service. I think if every man in the Civil Service became a member of a Co-operative Society and purchased his coal and clothing and other necessities through that society, he would find that his income, the purchasing value of his income, would be increased by 10 or 15 per cent. And men, living on limited incomes, I think, could look for

a good deal in the way of improving this condition by becoming members of such a Society and helping to further a movement of this kind.

Co-operatives in England.

I stated that when in England I looked into this movement, off and on at different times, and this morning before coming to this committee it occurred to me that I might have in the journal or diary, which I kept during my trip in Europe, some reference to the Co-operative Movement.—I came across this reference, dated London, February 6, 1900:

Went at eleven to the Wholesale Co-operative Society's establishment and was shown over their buildings. First went through the tea factory—about 300 employees. The conditions were splendid; lots of light and air space, clean, regulated hours and good wages.

Next went through the coffee and chocolate factory, then the ham, bacon and groceries, and finally the tailoring. Here the work is kept up all the year round. Good rooms, bright and clean and not too crowded. No work given out except in pressing season.

Had dinner in the hall along with buyers from the Southern section. Talked with Deans and Benjamin Jones. The former stated Co-operatives did not succeed in London because of the too great competition of the cheap sellers; the latter because of the nature of the people, who preferred cheap goods and poor articles.

I think the Co-operative movement an excellent thing, very beneficial to the working people who join it.

Quality of Goods and Welfare of Workers.

The point that I would like to direct attention to, however, in view of what has been said this morning, is the objection, or rather the reason alleged by two of the great Co-operators in England as to the failure of the Productive Movement to make great headway in London—the great competition of the cheap sellers.

Now, undoubtedly the movement has this feature about it: that inasmuch as it is conducted by persons who are interested in

all stages of it, the quality of the goods and the welfare of the workers is likely to be a first consideration, and the result is that men purchasing from Co-operative Societies are likely to get a class of goods and a kind of commodity which will be better in quality than what may be obtained at other shops under the ordinary competitive system. The danger, therefore, of the Co-operative Movement really injuring the retail trade is very much minimized in view of this fact. The retail trade has the opportunity always of putting any class of commodities before the people, while under the co-operative movement, particularly where productive co-operation prevails, the method of manufacture is on the best scale, having reference to the welfare of employees from the point of view of health, wages and such like, and it is, therefore, probable that in a good many cases the price of an article may be a little bit higher than it would be in the case of commodities made up indiscriminately under the competition system.

Capital and Labor.

Mr. McMullan refers to the Sydney Co-operative Store having been started as an outcome of the Sydney strike. Perhaps the committee will permit me to say just a word or two in regard to that store, as it indicates wherein the Co-operative Movement has a bearing upon the labour question in reference to the possible conflicts between labour and capital. I was looking into the cause of the trouble between the steel company and its employees at Sydney prior to the time at which this store was started.

Mr. Wherry, who is referred to there, was a leader of the men on strike. It was perfectly apparent from the conditions that the men could not hope to get any great increase in wages. The strike, it seems, was brought on at a time when the cost of living was high and when the men, from the wages they were receiving, could not enjoy comforts to any extent. I made a suggestion to them—to the company and to the men—that the difficulty might in part be met were an effort made in a Co-operative direction; the company assisting the men in getting coal at a reduced rate, the men starting a store whereby they could purchase some necessities themselves, and instead of all the profits going to dealers, they would be

able to make a small saving on their purchases. They seemed to think that the idea was a good one and wrote for information. The department sent some books on Co-operation, and Mr. Wherry has since written me that the society has been doing, although on a limited scale, good work and has been really the means of helping the working men to appreciate the difficulties of the capitalist, as well as a means of enabling them to meet some of the difficulties with which they had to contend themselves. There is that great feature, it seems to me, in connection with Co-operation which makes it specially important in considering the relations of labor and capital. It teaches the working classes something of the responsibilities of capital, the risks that capital has to take; it familiarizes them with matters of trade; the kind of management that is required; the kind of skill that is necessary to enable business to be carried on profitably and satisfactorily; it teaches them the possibility of the losses of stock through fire and the like; and also the difficulty of retaining the customer.

In every way it is as educational as it is possible for a movement to be; and naturally, when working men come subsequently to deal with an employer and he begins to explain matters of this kind to them, they have an intelligent appreciation of what he is endeavouring to convey.

I think in that way the movement is decidedly helpful as a means of solving industrial conflicts, and of course, where the movement is carried out on any great scale and the men themselves are shareholders in the industry, the reason for striking is entirely removed; they have to face the question of profits, and they look at the two things in relation to each other. In that way the Co-operative Movement certainly is a strong factor towards solving the vexed problem of industrial strife.

Credit Unions.

Q. Speaking generally, that phase of Co-operation which has reference to credit and loan, or banking as it has been called—I think a little pompously—if safeguarded by proper legislative restrictions, is it not a necessary complement to other forms of Co-operation? That is, given what we have heard before in the committee as to the utility from every point of view of Co-operation, do you not think that might be applied to that form of co-

operation which is provided in the Bill and by which credit and loan is established, surrounded by the legislative safeguards that the Bill gives?

A. I certainly do, Mr. Monk. I hesitated, in replying, because of the words "necessary complement", not understanding whether you mean by "necessary" that the one of necessity must accompany the other, but if you mean by necessity that it is of equal importance with the others as educative, and helpful and uplifting, I should certainly say it is.

Q. From your knowledge of the organized labour movement in different cities, for instance—I know you have a good knowledge of the movement throughout Canada—and also your knowledge of the membership and the funds that might be raised from time to time, do you not think if such a scheme as is provided for by the Bill were passed 500 of the labouring people in the city could start a bank for themselves?

A. That they could start a bank?

Q. Do you think they could start a Co-operative bank in any city?

A. They could start a co-operative society for the purpose of obtaining credit. I think the use of the word banking is a misnomer; it is rather a system of mutual credit based on knowledge and confidence.

Q. Take a large city of 300,000 population and more, do you not think they could establish that credit system, as you style it, in such a way as to help out their members?

A. I think, unquestionably. A working man—take for example in the building trades—may find opportunity to do a particular piece of work, but he might find, for the time being, that he had not the necessary equipment, has not the tools, the trowels or whatever is required. The being able to get a loan sufficient for him to purchase the tools necessary for his occupation would be of very great service to him. I think it would be of service also in other ways. Opportunities come to men to purchase houses. The chance may come today and may never come again, and if a man is not able to get credit today in some form he misses it altogether. The large banks will hardly recognize individuals

who have not the very best kind of security to give them. On the other hand, one working man may be known to other working men in the community, and they may have confidence in him and may be prepared to, and would gladly, assist him by a loan through the operation of one of these credit societies.

Organized Labour and the Co-operative Movement.

Q. What do you think is the sentiment among organized labour with regard to the question of co-operation in Canada?

A. I do not think organized labour in Canada has given a great deal of thought to the matter. I think the Co-operative Movement in certain parts of Canada—for example, in Cape Breton and out in your part of the country, Nanaimo, where are men from the old country who have seen the movement in the country from which they came—might receive the endorsation of organized labour. In other centres, I think, where the labouring men are not familiar with Co-operation they have not really taken up the subject to any extent.

Q. You know that in England and Scotland, where there are both trades organizations and Co-operative Societies, the latter movement has been very closely allied with trades' unionism?

A. Quite so.

Q. Men in the trades union movement are leading in the Co-operative Movement?

A. That is what I meant when I said a moment ago you would have the same body of men who had formed the trades and labour associations organizing into one of these credit associations for the purpose of assisting each other in that way. I think the trade union movement and the Co-operative Movement have been the two great movements of the past century for benefiting and bettering the conditions of the working classes. I do not give that as an individual opinion merely. I base it on the authority of men who have given the subject the most careful consideration.

Housing and the Co-operative Movement.

Q. In all our large cities it is impossible for the working people to live in the central parts, because this place is required for

manufacturing purposes; they have to go out into suburban districts. They would like to have their own dwellings, but the trouble is they cannot realize sufficient money. Under the Bill it will be possible for them to get money for this purpose, and it would be loaned by their own fellow-working men. I live in a part of the city where the residents are all working people; there is nobody poor and nobody rich. They are often handicapped for the want of a little capital, and when they need money they have probably to rap at the door of some slaver. Once they get into the hands of the note slaver they have to stay there. This Bill would prevent all that?

A. I think the Bill would deal a blow at the usurer. I think it would cut into the heart of his practise, where he has been gaining his profits through taking advantage of the necessities of individuals who want to carry on legitimate work. I have no doubt, however, the usurer would still have a field for men who wanted to raise funds for improper purposes; but where money was required for legitimate business, particularly of the kind that you have mentioned, men wishing to build houses for themselves, they would be able to obtain credit from one another, simply because they were known.

Wages and Co-operation.

Q. Taking a city like Montreal, one of the largest cities in Canada, you understand the strength of trade unionism in a country and the amount of money which labour men could put aside every year—they could easily raise annually \$25,000 if they desired—you must acknowledge that by co-operation they could put large sums aside annually, and in a couple of years have a pretty good credit?

A. I am glad that you mentioned that point because it has always seemed to me that the solution of the industrial question in regard to strikes was going to be helped most by the working classes having their attention focussed on something other than a perpetual demand for an increase of wages. While this country is growing, wages may continue to rise, but the time will be reached when we cannot hope to increase wages any more without putting

the industries of this country at a disadvantage compared with the industries of other countries. Now, if for a time the working classes can begin to focus their attention on the problem of how, with the wages they have, they can get more commodities, there will be less agitation, it seems to me, of a kind which leads to strikes and at the same time there will be the possibility of bettering their condition in an effective and genuine way. I think, just as you say, that the trade unions, formed for the purpose of regulating the relations of the men with their employers, would be a good nucleus for the purpose of getting the men together and of seeing what could be done by means of saving funds. The same body, formed into a credit society, would begin to direct its energies to this question of bettering the condition of the cost of living, and I am inclined to think that as the Co-operative Movement makes headway we will find industrial strife begin to diminish in proportion. . . . What the working man must strive for is to maintain, with the incomes which they have been able to get, as high a standard of comfort as possible. Now, it seems to me they can hope to improve that standard through a movement like the co-operative movement. They cannot hope to improve it in many cases through a continual agitation for higher wages, resulting in strikes and causing them to lose, in some individual cases, whatever little they have saved. . . . ”

Mr. Monk: “I would like to say, before Mr. King is discharged from further attendance, that I think the committee is very much indebted to him for his evidence. It was his duty to come here, but he has gone to the trouble of collecting some very valuable data as to the prospects of Co-operation in our own country, and the result of the services, I think, will be of great use to us all. I feel very confident, Mr. Chairman, that if this Bill becomes law we have a very able and competent man to help to carry out its provisions.”

CHAPTER XIX

A GOVERNOR-GENERAL AND THE CO-OPERATIVE MOVEMENT.

The appearance of Earl Grey, Governor-General of the Dominion of Canada, before the Parliamentary Committee of Inquiry studying the Co-operative Movement, marks a significant event in the Dominion's history. The circumstances leading up to his appearance are recorded in the evidence of the proceedings from which we quote verbatim:

"The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at twelve o'clock noon, the Chairman, Hon. Rodolphe Lemieux, presiding.

Mr. Chairman: We have the good fortune this morning of having with us His Excellency the Governor General, who has been for so many years one of the apostles of co-operation in Europe. His Excellency is the President of the International Co-operative Alliance. We are gathering as much information as possible in order to provide for prudent and wise legislation on co-operation in this country, and it was the unanimous desire of the committee that, having heard some of the best authorities in Canada on economics, and on the co-operative movement, His Excellency should be invited to give us his views on that question with which he is so familiar. The newspapers have stated that His Excellency was appearing before the committee to give evidence. That is a wrong impression; His Excellency is doing us the honour of giving us the benefit and advantage of his views on a question with which he is most familiar.

I will proceed with a few questions that I have prepared. Your Excellency is the president of the International Co-operative Alliance?

The Governor-General: Yes.

Q. Would your Excellency explain to the committee the nature and purpose of the International Co-operative Alliance?

The Governor-General: The object of the International Co-operative Alliance is to make known to the civilized peoples of the world what are the methods and aims of co-operation; to explain the principle and to point out the methods by which that principle can be applied to the industrial life of the people.

I have come here at your request, Mr. Lemieux, not in my capacity as Governor-General of Canada, but as President of the International Co-operative Alliance, to give you the expression of my views for what they may be worth as to the advantage likely to accrue to the people of Canada from the legalization of co-operative associations for banking, industrial and agricultural purposes.

I do not propose to refer to the provisions of the Bill which is the subject of your consideration. The possibility that they contain matter which may prove to be of a controversial character when under discussion by parliament, makes it undesirable that I should do so, but having been informed that under the existing law in Canada, co-operative associations of workingmen have no legal status, I have come here in order to state that I am heartily in sympathy with the object of the Bill now before parliament, which I understand is to give to co-operative associations of workingmen that legal status which is now wanting, and which it is most desirable should be secured in order to help workingmen in their endeavours to help themselves.

"Les Caisses Populaires".

When it was suggested that I might be able to give assistance to your committee, if I accepted your invitation, I visited Quebec for the purpose of inspecting the Caisse Populaire which Monsieur Desjardins has started at Levis. I paid a visit in the early part of this month to Monsieur Desjardins' bank, and I have no hesitation in saying that if a new Act is required to facilitate the multiplication of banks like that which Monsieur Desjardins, to his great credit, has established, the sooner that Act is passed the better—

Let me refer to some of the advantages which appeared to me to result from it to the community of Levis:

It supplies those persons who are known by the people among whom they live to be good, thrifty and honourable men, with opportunities for helping each other and themselves in a manner conducive to the growth of those qualities of mutual trust and helpfulness which lie at the very root of good citizenship.

I examined carefully the books of the association and I satisfied myself that the bank was being conducted on safe business lines. I traced the dealings with the bank of individuals whose names I selected at random from its list of shareholders. I ascertained that the first payment was a small contribution to the funds of the bank of 10c, and then followed in several cases small payments of about 25c at a time, until the sum of \$5 stood to the credit of the subscriber, when he became a qualified member or a shareholder in the bank to that amount.

In several instances I noticed that the members of the bank had borrowed small sums of \$25, \$20, and \$15, and that these advances had been repaid sometimes in small instalments, sometimes by single payment. The punctuality with which small loans had been repaid proved that the existence of this bank had been of real use to the people of Levis who were its members.

Further, the usefulness of the bank was demonstrated by the fact that over \$200,000 had been loaned in small amounts since it was established six years ago, and I was not surprised to learn that this bank, like the co-operative and agricultural banks in Germany, Austria, Hungary, Italy, France, Ireland and India, notwithstanding the large number of its transactions, had not lost a single cent.

The soundness of these credit banks may appear strange at first sight to business men, but those who realize the golden truth that the average man would rather die than fail to loyally respond to a trust imposed in him, will not be surprised, and it must be remembered that the members of a co-operative bank like M. Desjardins' bank at Levis, are something higher than the average man. No man is allowed to borrow from the Levis bank unless he is a member, and no man can be a member unless he is voted unanimously by ballot to be a man worthy of being associated with the existing members of the bank. Thus, only men and women who are known by the common consent of the people

among whom they live, to be straight, thrifty and honourable persons can hope for admission to the membership of M. Desjardins' bank. Then, as an additional security against improper loss, after the members of the bank have secured by the fact of their membership this mark of popular confidence and esteem, it is impossible for anyone to obtain a loan unless the management is satisfied that in view of all the circumstances the loan is one which should be made.

Now, nobody who has any acquaintance with the life of the people can doubt that the establishment of a bank, formed on the basis of mutual knowledge and confidence for the mutual assistance of each other, must be of service not only to the members, but to the whole district in which they live. To those who are engaged in business come opportunities from time to time of making a cheap purchase if only the money with which to make the purchase is forthcoming, and the poorer they are, the more important it is that they should have the power of seizing profitable opportunities.

The farmer, for instance, while he is waiting for his crop to ripen, wants money in order to make a cheap purchase which will help the farm, or it may frequently happen to those members who are not farmers that the ability to make a cash payment in the middle of the month will enable them to secure an advantage which will benefit the whole family, but which they would not be able to make without a loan, in view of the fact that their salary is not paid until the end of the month. Here comes in M. Desjardins' bank. The member goes to the bank, explains the circumstances, obtains the loan, secures the advantage, and when he has sold his crop or received his salary he repays to the bank the loan he has borrowed from it. The bank has received in the interval a good interest, and the member has been able to secure the advantage of a good bargain.—

A joint stock bank as a rule will not lend to an individual who has no security but his character to offer, but when a group of men known to be honest and thrifty and of good character, give their collective guarantee for the repayment of an advance, then experience has proved conclusively that a security is provided on which a bank can safely lend. The character of this security is

shown by the fact that on the advances made to 2,169 Raiffeisen banks not one single cent has been lost.

Denmark and Co-operative Education.

His Excellency: Now I have prepared a few remarks on one or two countries. I do not know whether the committee would like to hear them.

The Chairman: We are most anxious, Your Excellency, to hear your views on the subject. (To the committee) It must not be forgotten that His Excellency is probably the most expert on the co-operative movement in Europe.

His Excellency: Well, gentlemen, the evidence I am going to give you is gleaned from co-operative publications, and to all who are interested in the subject of co-operation it will, I think, be most welcome and encouraging. I will begin with Denmark. . . . After the loss of territory sustained by Denmark from the unfortunate war with Germany, in 1864, her people rallied their broken strength calling to their aid the assistance of the principles of association and education; and by means of these two plumes the people of Denmark have winged their nation to greater heights than they ever approached in their unmutilated state.

The people of Denmark by educating themselves and by co-operating together, soon reached a degree of efficiency which has enabled them to secure the first place for their products in the markets of England.

The story of the co-operative developments in Denmark during the last 40 years has many lessons for Canada. It was shortly after the war of 1864, that a clergyman, Mr. Sonne, was repulsed in his efforts to put his flock in the way of obtaining eternal happiness in the world to come, with the remark that it would help them still more if he would only teach them how to obtain bread and butter in this world. He took the hint and set to work to study the methods of the Co-operative Movement in England, and in 1866, he established the first Co-operative Society in Denmark, on the English plan.

—Now it should be noted that the education given in their schools has been of great assistance to the Danish farmers in help-

ing them to apply successfully to their farms the methods of co-operation.

The Chairman: Would your Excellency pardon me? Are we to understand that in the schools of Denmark the children are taught to practice the principle of co-operation?

His Excellency: In the High Schools, certainly. I do not know whether it extends to the Primary Schools. In the rural parts of Denmark, the population realizes that their prosperity depends upon the degree in which the co-operative principle is applied.

Co-operation in England.

Mr. Smith is no doubt wondering when I am going to come to England. He is an old co-operator and knows all about the system there.——

Now this vast organization which is destined to exercise a greater influence on the life of England year by year, is the practical result of the enjoyment by the people of England of the rights which the Bill now before your parliament wishes to confer on the people of Canada. When this Bill becomes an Act the example of co-operation in the United Kingdom and on the continent of Europe will be of great assistance to Canada. You must not, however, expect to be able to avoid all mistakes, and you must not be discouraged by failures. Failures confronted with spirit become the steps to success. It is well to remember that the great and successful co-operative movement of England has been founded on failures.

Robert Owen is the father of co-operation and every one of the 700 societies which owed their birth to the enthusiasm which he created for the principle of co-operation, have one after another disappeared. Various reasons have been assigned for their failure—incompetent managers, dishonest managers, the abandonment of the ready-money system, dependence on the rich for assistance instead of on self-support; but the real cause of the failure is to be found in the want of character and education among the people that Owen hoped to benefit. He wished to thrust improvement on them from the top, instead of allowing it to grow up from

below. The failure of his societies was owing to fact that the movement originated with him and not with the men themselves.

The movement, which grew out of the Rochdale store started in 1844, by the self-denial of a few workmen who resolved to do for themselves what Owen had tried 50 years before to do for them, on the other hand, has shown astonishing results.—

Advantages of Co-operation.

The chief advantages secured to England by this co-operative organization of trade and industry, which the legalized establishment of similar organizations in Canada, in accordance with the provisions of this Bill, will bring within reach of Canada are:

1. \$50,000,000 saved annually by the co-operators of the United Kingdom and this amount steadily growing year by year.
2. Training in business habits of the committee men who are entrusted with the administration of the local societies, through which this saving is effected—
3. Effect on character of the population influenced by their association with this huge organization and the responsibilities attached to it.
4. Security provided against trusts run in the interests of a few capitalists.

Trusts, Combines and the Co-operative Movement.

I would have you reflect on the security which the development of co-operative methods offers against the tyranny of trusts and combines. There is no guarantee that the power of a trust, or a combine, will not be used against the general well-being of both producers and consumers. The co-operative movement provides a safeguard against this danger of a value proportionate to its strength. The Co-operative Consumers' Organization, which is in itself a trust in the interests of consumers, is prevented by law from becoming a closed co-operation with limited membership.

It therefore cannot be captured by a capitalist trust. Further, no man may own more than 200 shares. Every member has an equal vote. Its command of millions of capital enables it to make large purchases in every part of the world. This power and

their possession of a market gives the great Co-operative Consumers' Organization a unique position.

Co-operative Home Building.

Mr. Verville, in one of his questions, referred to his hope that co-operative might make it easier for working men to build their own homes.

Perhaps one of the most interesting features in the co-operative movement in England at the present time is the work which is being done by Co-partnership Tenant Societies in London and elsewhere.

On the Ealing estate a small institute has been built; there is a library, a choral society, cricket and other clubs, and a discussion class, and debates are organized by the tenant shareholders, and lectures are arranged from time to time.—

The tenant's position in such a society is as follows:—

1. He gets a house at a rental which, if accommodation and other things are compared, is not higher and is probably less than he would have to pay elsewhere.

2. He can invest in the society of which he is a tenant any savings he finds it possible to make out of his earnings, at 5 per cent.

3. Should values go up, the tenant gets the benefit either by way of a dividend on his rent or by paying a rental which is below the market value.

4. He secures practically all surplus profit after the fixed charges have been met.

5. The tenants, as a whole, can relieve themselves of dependence on outside capital altogether, by acquiring through investment or by accumulated capital, the value of the property.

6. The capital for building his house is provided at a cheaper rate than it could be obtained on any system that is commercially sound.

By gradual process, therefore, it lies with the tenants to transfer the ownership from non-tenant shareholders, who take the main risk to begin with, to the tenant shareholders who, it is hoped, may become the ultimate owners. . . .

As will be seen from the above illustration, a tenant owners'

society, to administer a garden village, can make a start with very small resources. Why should they not multiply rapidly? Cheap transit is now enabling the people to travel quickly from the centre of our towns into the suburbs; tenant societies might well be started to share in the development of these suburbs, buy land or lease the same from municipalities, and thus raise the whole tone of speculative building. The system upon which societies are worked is a comparatively simple one, and, with a central organization to mould societies and guide them in their infancy, their number should rapidly increase.—

I have put this information before this committee owing to a remark of Mr. Verville leading me to suppose that the problem of how to house the workmen of the rising towns of Canada is one which is very naturally engaging his attention."

A vote of thanks was then tendered to His Excellency. In seconding this vote, one of the members of the Committee, Mr. Smith, M.P. for Nanaimo, said:

"As a member of the select committee appointed to consider this Bill, I have very much pleasure in seconding the motion of my honourable friend Mr. Monk. . . . I am surprised to find that, seventy years after the enactment of a law providing for the incorporation of co-operative societies in England, we are discussing the importance of the same principle in Canada. Perhaps in the consideration of this subject by the committee I have been a little impatient, because I thought that after seventy years of experience in England it ought to be easy for us to adopt the principle in this country right away. The principle of the legislation is that of purely voluntary action. There is nothing compulsory about the principle at all; it simply provides that the individual members of the State shall have the right to co-operate for their own interests, to minister to their own wants, and to economize their own finances. I am very much pleased that His Excellency, with so many years of experience, has favoured the committee with an address this morning, and I have no doubt that what he has said to us will help the members of this committee and of the House of Commons to further the passage of this wise and necessary legislation. Doubtless His Excellency's address will have far-reaching effects on the country."

CHAPTER XX

HOW DOES A CONSUMERS' CO-OPERATIVE DIFFER FROM AN ORDINARY BUSINESS?

A Consumers' Co-operative, while outwardly appearing very similar in its operation to an ordinary retail store, actually represents an entirely different kind of a business venture. The two are similar only in respect that gasoline and water look the same while having their origin from fundamentally different sources and in practice fulfill different purposes and meet different needs.

As between a Consumers' Co-operative and a privately owned retail store, what then are the differences?

They are several.

First, in the purpose for which they are run.

Second, in the method by which they are controlled.

Third, in the way their earnings are distributed.

Fourth, in the manner of admission of new customers and shareholders.

Let us examine these several major differences in detail.

The Purpose for which they are run.

The primary purpose for which an ordinary business is run is to make money for those who own its stock. The fact that a service is rendered in the process is secondary. In order to make money it is necessary that a spread between the cost of production, the wholesale price, probably a jobber's price, and sometimes other middlemen's charges must be made. All down the line, the few or many people who handle the production and distribution of merchandise, do so in order to make money by a process of profits added to the initial cost of their part of the undertaking. Private enterprise engages in business to make money through profits. It produces or handles goods essentially and primarily for this reason.

The primary purpose of a Consumers' Co-operative is to distribute and produce goods or provide services for its shareholding members to use themselves. A Co-operative society is in business primarily to render a service and without making a profit in the orthodox sense.

The Method by which they are controlled.

In an ordinary business, each share of stock entitles its owner to one vote in determining the management of the business. A person owning a thousand shares has a thousand votes. Decisions are the coercive power of the majority of dollars. One man, or a small group of men, can own and control. Money power determines management. Financial ownership dictates.

In a Co-operative, each shareholder has one vote, and one vote only, *regardless of the amount of stock or number of shares he may own*. A shareholder in a Co-operative society *may* own one hundred shares in the enterprise, and receive interest thereon, but this does not entitle him to any larger say in the management of the society than the person who owns only one share. His interest, therefore as a shareholding member is in the quality and price of the goods, or the service, and not primarily as an owner of capital. A majority of the members run the business. Consumer power determines management. A democracy of consumers manages the enterprise.

The way their earnings are distributed.

An ordinary business pays its earnings or 'profits' to stockholders in proportion to the number of shares each owns. Management is charged with the responsibility of making the profits as "high as the traffic will stand". A successful business is a "well-paying" profit business.

A Co-operative limits interest on its stock to a legal rate (usually five percent). This payment to stockholders is considered in the light of an operating cost to be limited in advance. It is just as much an operating cost as are wages to labour or interest on a bank loan. Management is charged with the responsibility of meeting the cost of doing business and not harassed with the task of forcing the business to its maximum line of resistance,

which in practice generally means exploitation of both labour, wages and consumer prices.

Further, in Co-operatives, all distributions of earnings, after payment of limited interest on stock, are made to customer-members as rebates in proportion to the amount each has purchased and paid for in commodities or services. This "patronage dividend" on surplus earnings is used in accordance with the expressed wish of the shareholder members. In some instances, it is applied to the purchase of additional share-capital. In other cases to the provision of social needs such as the erection of a community centre or welfare services. Some Co-operatives allow their dividends to be transferred to a savings account, upon which they receive interest. Others claim their dividends at the end of each business period, and apply them to the purchase of additional consumer goods or services. But no matter what the individual Co-operator may do with his patronage dividends, they represent in fact a return to him of the excess cost of the goods he has purchased, after providing for the normal and legitimate expenses involved in the business service which his Co-operative society has rendered to him.

Co-operatives, therefore, do not operate at a profit, but function as a service maintained at cost on behalf of member-owners who manage and control the business in their own interests. Earnings or profits in a co-operative enterprise represent the excess cost of doing business, and are rebated, pro rata to purchases, to the co-operating members.

The manner of admitting new customers or "partners".

An ordinary business usually issues new stock to new stockholders only when it is thought that the extra capital will sooner or later increase the rate of profit. In general, the fewer partners to divide profits, the better. Many business ventures are closed corporations as far as new "owning" partners are concerned. And, as a rule, when additional finance is sought, or when a company's stock is available for public purchase, care is taken, by legal or other devices, to assure that such stock may not exercise management control.

A Consumers' Co-operative always welcomes new "customer-partners" who will use its services. It is in the interest of

Co-operatives so to do. Because earnings are distributed on purchases instead of on stock, the economies of large-scale production can be obtained only by increasing the number of consumer-members. In general, the more "partners" to decrease the cost of service, the better. A Co-operative has everything to gain and nothing to lose by wide and unrestricted admission of new members, each enjoying a complete equality of status.

Why does a Consumers' Co-operative set prices at market rates, and then pay rebates?

This is a question which frequently confuses the uninitiated. "Why not sell at cost in the first instance and get it over with?" is a query of most people examining Co-operative principles and methods for the first time.

The answer is reasonable and simple, although attempts on the part of Co-operative societies to tamper with it have almost without exception led to grief and eventual failure.

Briefly, the reason for selling at market prices is that it is impossible to budget in advance the exact cost of producing an article or rendering a service. The people who buy want to know at once how much it will cost them. The only thing to do, therefore, is to set a price sufficiently greater than the known minimum cost of the article or service, and later to return as a rebate any amount that remains after the exact final costs are ascertained.

As a matter of practical business, the determining of prices that will be in excess of cost is quite easy. For nearly a hundred years Co-operatives have been able to use the market rate set by their competitors. In recent times consumers have been again reassured *that* rate contains the necessary excess!

How does a Consumers' Co-operative keep its stock at par?

Very simply.

In the first instance, interest on Co-operative shares is fixed. This is usually at five or six percent of the par value. Co-operative shares obviously do not respond to speculation.

Secondly, the number of shares is unlimited.

Thirdly, as a matter of good policy, the Co-operative sells

and will redeem its shares at par. For this reason, no buyer will pay more, nor any seller take less, than par value for his stock.

Lastly, a share of Co-operative stock represents exactly what it purports to represent, no more and no less.

As such, it cannot be watered.

Nor can it represent promoters' cost, bankers' commissions, brokerage charges, future earnings, market rigging, and all the other means by which the enduring actuality of an enterprise is stretched like the skin of a balloon, so that to touch it is to break it. Nor can it be juggled, as investment bankers have juggled merely commercial stocks, shuffling old values into a sleight-of-hand creation of make-believe new assets.

Do Co-operatives sell to Non-Members?

Generally speaking, they do, but it depends on the law. In the Province of Quebec, a strict reading of the Co-operative Syndicates Act, under which Consumer Co-operatives incorporate, does not permit Co-operative societies to do business with non-members. The law reads that a society incorporated under the Act "may buy for resale to associates only". Elsewhere the prevailing practice is for Co-operatives to do business with the general public.

Does a Co-operative pay dividends to Non-Members?

It may or may not.

If it does, it usually pays them only half as much as it pays to members. Sometimes it gives them credit towards purchase of share-capital in the society, instead of cash. This enables the non-member to become a member at a very small cash outlay, or none at all.

However, there is nothing to prevent a non-member becoming a member though he receives no rebates whatever to apply to purchase of stock. He may simply pay down a small deposit on a share of stock, and pay the balance by small instalments.

In those societies where no rebates are allowed non-members, the amount of such non-members' dividends are transferred to the reserve or educational fund. *They are not distributed to the members of the society.*

Is there a ground for basic antagonism between independently and co-operatively owned stores?

In the long run, the answer would appear to be yes. In the short run, no.

For it is obvious that if co-operative trading, in practice, proved to be a superior method of doing business, the tendency will be for the independent ownership of stores to be gradually superseded by them. To this extent private trading must eventually give way to co-operative trading.

But, by nature, the Co-operative movement does not operate as an explosive revolutionary force. Its effect is gradual and not upsetting. Co-operators have no ill-feeling against the independent merchant. They are not out to put him out of business overnight. Nor indeed to put him out of business at all. Rather do they desire to assure to the presently harassed and economically insecure private trader, business stability and economic security. Co-operation will do this by transferring his present nominal ownership, with its burden of debt and uncertain future, to a collectively-owned and democratically-managed store of which he will be manager, with the full dignity such a position represents, and enjoying an income probably greater than he now receives, plus a guaranteed tenure of office. Such has been, and is continuing to be, the experience elsewhere, as the Co-operative movement penetrates and develops. There is no reason to believe it will be otherwise in Canada. Indeed already many independent merchants are enquiring how they can turn their business over to a Co-operative society, they to continue as managers.

In the meantime, and during what will continue to be a transitional period, Co-operators recognize that independent merchants are providing services the people need. Just so long as such services are demanded, private merchants are entitled to a reasonable rate of return on the use of their capital and time. And Co-operators recognize this to be the case.

Furthermore, the attitude of enlightened merchants is undergoing considerable change as the economic realities of our contemporary world further impinge themselves on the traditional business structure.

Take for instance the convictions held by the late E. A. Filene, prominent Boston departmental store owner, who, persuaded that a wide development of consumer-owner Co-operative stores was not only inevitable but desirable, set aside a sum of \$1,000,000 to facilitate their sound development. We have described his plan elsewhere, but his attitude on the question of how far Consumer Co-operatives will affect business generally is pertinent to this aspect of our study, so we will deal with it here.

In a pamphlet issued by Mr. Filene's group, entitled "The Need for Consumer Co-operation and a Plan for Its Expansion", we find the following observations:

"One might suppose that, as Consumer co-operation advances, the private profits system of distribution must wane. Such an assumption, however, is based upon a fallacy, and is akin to the assumption that a high standard of living for the masses generally must necessarily mean the impoverishment of those who are now well-to-do. The masses really know better. They know that both prosperity and hard times are catching—that business succeeds best when the masses are most prosperous, and inevitably runs into trouble when the masses are unable to live well. Business men also know that they do best, as a rule, when their competitors are doing best; for it is only when business generally is doing well that individual businesses are likely to do well.

"The secret of this, of course, is that we have arrived at such a period of abundance that there is no longer much point in taking wealth from the Haves to distribute it among the Have-nots. It is far simpler to permit the Have-nots to become producers of wealth and thus to become Haves almost overnight; for our technical progress in the field of production has been so great that it is a relatively simple problem to produce enough for all, whereas the mere distribution of existing wealth could not possibly provide the masses with a very high standard of living.

"But production will stop unless it is followed by distribution; and then, of course, there must be unemployment, which means non-production and poverty, despite our marvelous capacity to produce. *By speeding up the process of distribution, then, we do not take business from existing distributors.* We simply create more employment and more things which can be distri-

buted, and more opportunity therefore for distributors who do employ adequate efficient methods to meet or beat existing competition."

From the foregoing, it would appear that Mr. Filene's group disagrees with the point of view that eventually Co-operative trading, because it is more efficient, less wasteful, and more economical than private trading, will tend to supersede private enterprise. Mr. Filene may be right. There is no substantial proof to be had from the experiences of the Co-operative movement in democratic countries to prove the correctness of either possibility. Although experience to date favours Mr. Filene's opinion. For there is no reason to believe that the British Co-operatives, with their greater than a billion-dollar turnover in a single year, have decreased the business done by other British distributors. To the contrary, it is reasonable to believe that they have increased it—that if the Co-operatives had not been functioning, there would be so much unemployment that private distributors could not have sold goods to the extent that they have sold them. The same can be said for the Scandinavian countries.

It is a fact, as Mr. Filene's group pointed out, that threatening competition from the Co-operatives has compelled the private trade to develop more efficient methods of distribution. But this is all to the good. Surely there can be no quarrel if increased efficiency in the private trade is the price they must pay for active competition from organized Consumer Co-operatives. For such efficiency not only benefits the ultimate consumer, but reflects to the good of the private distributor himself.

Certain it is that we now know the depression created less havoc in those countries where the Co-operative movement was firmly established and widely functioning. And that competent critics have declared that the Co-operative movement, in those countries, must receive large credit for this fact. Which is only logical and to be expected. For no matter how complex the causes of the depression may have been, business recession is but another term for stoppage of distribution, and in the very nature of the Consumer Co-operatives, their business did not stop.

Indeed, an examination of the comparative records of the private trade as against Co-operatives during the past eight years,

reveals a stability within the Co-operative movement almost in reverse ratio to the instability of privately owned merchandising establishments. Reference to the growth in membership, amount of new share-capital, increased volume of sales, expansion of trading ventures, employment figures (including increased wages), as analyzed elsewhere in this study, abundantly confirm this statement.

What effect has the Co-operative Movement on production and employment?

We can afford to be dogmatic at this point and state that the accelerated development of the Co-operative movement leads to greater production and increased employment.

Why?

The reason is simple. The formula is axiomatic.

If, through Co-operative trading, increased purchasing power in the form of rebates on prevailing market prices is returned to members of Co-operative societies, pro-rata to their purchases, it is evident that such dividends, used to satisfy the further wants of the masses, thereby place an effective demand on the additional production of consumer goods, and to that extent provide increased employment. This new employment brings new wages, new purchasing power, which, spent largely over retail counters, means a further effective demand on production, providing still more employment and still more wages—a constantly ascending spiral, which though pyramidal in its effect, growing less in volume as the operation repeats itself, nevertheless in the process providing a continuing and sufficiently effective additional purchasing power to create a greatly increased volume of consumer goods production with its necessary corollary of increased employment.

Let us take a practical example. In the year 1934, there was returned to the members of British Co-operatives approximately £20,000,000 representing purchase dividends. Bearing in mind that the great majority of persons receiving their share of these dividends were people with a vast number of unfilled wants, it is reasonable to assume that within a short time the great bulk of this £20,000,000 was spent in the purchase of additional consumer

goods which otherwise would not have been bought. Thus we see increased production and resulting additional employment taking place as a consequence.

Now, if the foregoing volume of trade had taken place within the framework of privately owned, departmental, independent and chain stores, it is probable that an approximately similar "surplus" in the business for the period would have been shown. But this would be in the nature of "profit", and returned in the form of dividends, not pro-rata to purchases to those who bought the goods, but pro-rata to those who owned the share-capital of these private enterprises.

It should not require any extended elaborations, or labouring of the point, in these days, to show that ownership of capital in private enterprises is not widely diffused among either "widows and orphans" or the great mass of the people. The majority of capital is owned by a relatively small minority of people. This relatively small minority of owners of capital, to whom is returned the profits from private business trading, are already seriously embarrassed by their accumulation of capital, which though itching to go to work is confronted with fewer and fewer "profitable" sources of investment.

Conversely, Co-operative capital operates in the legitimate role that money is intended to play in the economic system. It facilitates and implements the production and exchange of goods and services, instead of frustrating and aborting these functions.

CHAPTER XXI

CO-OPERATION — "THE ULTIMATE DEMOCRACY"

Joy Elmer Morgan, Editor of the Journal of the National Education Association, has recently epitomized^{*1} the case for Co-operation as "the way in which Democracy can best fulfill its ultimate destiny". Written for the American scene, we have adapted his article to Canadian conditions, to which it is equally appropriate. Morgan says in part:

1. Next to the free public schools, the Consumers Co-operative Movement is the greatest social invention of modern times; it is of the people, by the people, and for the people.
2. The Co-operative Movement serves every type of human need, both economic and cultural.
3. The Co-operative Movement thrives in every country where freedom is not entirely destroyed.
4. The Co-operative Movement removes the economic causes of war and of internal strife between classes.
5. To a world disheartened by unemployment and torn by war, the co-operative movement offers a peaceful pathway toward a better civilization.
6. As Chief Justice Louis D. Brandeis points out in his remarkable study: "Other People's Money", the Co-operative Movement overcomes corporation privilege, domination, monopoly, and excessive concentration of wealth by establishing a motive higher than greed and by performing a superior service.
7. The Co-operative Movement asks no special favours; it has faith in enlightenment, free discussion, goodwill, and the power of growth.
8. For the development of the Co-operative Movement, conditions in Canada are especially and increasingly favourable—abundant resources, a democratic tradition, a high level of general education, and a great domestic area free from tariff barriers.
9. When studied and practised in the school, the Co-operative Movement gives young people a new life and a sense of responsibility for their own destinies.
10. The Co-operative Movement is the most powerful form of education for both children and adults; people learn by doing; they develop faith in themselves and in each other.
11. When fostered by the Church, the Co-operative Movement is an instrument of self-help to the impoverished and the desperate.

(*1) Consumers' Co-operation, May 1936.

12. The Co-operative Movement is the practical application of the golden rule: it is the ultimate democracy.

To Morgan's thesis can properly be added the following further merits of the co-operative movement. Taken together, they can be aptly described as: "Co-operation's Twenty-one Points of Jusification." They represent a formidable argument for critics to wrestle with.

13. The practise of co-operation shortens the arc between producer and consumer, thus ironing out a major contributing cause of the present high cost of living. (2*).
15. It turns excess profits back to the consumer, which serves to enlarge and strengthen the market.
16. Specifically, as its chief contribution in removing a major cause for war, is the fact that in a co-operative society, excess capital does not flow towards foreign investment and markets. Its main stream is kept intact for the building up of the home market.
17. It does not need high pressure advertising to maintain its life. Duplication of unnecessary goods and services can be abandoned. Quality is the rule of production, honesty the only policy. A fair deal to all, the maxim which guides and directs its functionings in all its relationships. Labour, capital, and the consumer, in truth, become different names for the same thing.
18. Excess profits become an anachronism under co-operation. Profits resume their legitimate place, being solely and exclusively, the "costs" of doing business.
19. Co-operation grows from local units that prove their soundness by their successful service to the people. They follow an organic pattern of development, growing from the ground up, not as most capitalist ventures, an imposition from the top down.
20. Co-operation does not need to be initiated by political action, although it can be helped by the sympathetic encouragement of government. Nor does it seize power by violence. Being in itself a rational philosophy, it cannot deny its own nature.
21. Co-operation provides the objective base upon which political, social and economic democracy alone can be established. It is the one economic practise which acknowledges the duty that accompanies every right. It provides freedom without license and liberty without fear of intimidation. It respects individual differences —religious, racial, cultural, etc. while at the same time emphasizing the oneness of humankind. It is the only instrument which the mind of man has so far conceived which promises a solution to the problem of distribution. Its technique is equally applicable in the production of goods. As such, it is the common denominator capable of resolving the economic problem.

(*2) See article "We pay too much" (Robert Henry Miller) Christian Century, February 5th, 1936.

Co-operation—no longer a theory.

With over 90 years of successful experience behind it, under every possible variation of national temperament, culture, industrial conditions, etc., it is no longer necessary to theorize about what Co-operation does. Like the works of Sir Christopher Wren, "its monuments are all about us". Only the economically blind and socially indifferent are incapable of seeing them.

By pragmatic test, therefore, it would appear that the simple formulas of the Co-operative idea represent the kind of an economic-social structure necessary to match the present age of automatic power production. Its emphasis on "co-operation for use" as against "competition for profit" reflects an economic-social truism. Its wider development presages an economy of evolving abundance instead of a stalemate of artificial scarcity.

On the question of quality goods and pure foods it offers an effective safeguard. There is no reason for adulteration or shoddy products when consumers own their own business and buy for themselves. Deception has its roots in the attempt to sustain or to make large profits for a few owners. Co-operation eliminates the basis and therefore the opportunity for such practise.

On the question of waste in distribution and production, co-operation would likewise seem to have an answer. For duplicate milk wagons, delivery trucks, and all the wastes of competitive factories, ballyhoo advertising, and duplicate sales staffs, etc., are an unnecessary charge on co-operative production and distribution. These wasted hours of working time can be put to better use in a co-operative economy. The barbarism and anarchy of our present competitive practices can be "civilized" under the co-operative ideal.

Likewise the labour problem. The record of the Co-operative Movement amply testifies to its ability to solve satisfactorily this fundamental problem which confronts any economic system. The experience of the British Movement can be called in evidence. Or the movement in Sweden or elsewhere. Universally, labour, under the co-operative system, gets a fair deal. The recent decision of Consumers' Co-operative Services (New York) to tie top executive salaries to the lowest wages, on the ratio of 5 to 1 between the two, is an example in point.

Moreover, the return of a ten percent patronage refund on regular retail prices means one ninth more food, goods, and services. Thus, does Consumer Co-operation offer an assurance of a higher standard of living by an appreciable increase in the real purchasing power of every consumer.

The practical implications of the patronage dividend have, among other things, a decided social value. To the large family, who of necessity must spend a good portion of their purchasing power on consumer goods, it acts in the form of a social dividend, being larger in proportion to them, because of their greater purchase of such commodities, than to the small family or individual. It is better than any scheme of social credit, for it is of the individuals' own making. Further, it is a just method of distributing profits. Those who produce profits, get them in proportion to the contribution they make towards them by virtue of their own purchases.

The rule of cash instead of credit for consumer goods is an ancient virtue worthy of 20th Century resurrection. Its practice within the Co-operative Movement is all to the good. Credit, described as "The Invention of the Devil," by one of the original Rochdale pioneers, has hitherto been necessary because of the competition for customers and the general inequality in the distribution of wealth. Co-operation makes the need for this kind of credit unnecessary.

Capital, in the co-operative economy, is a servant not a master. It is hired at the lowest cost commensurate with its social value. There are no excessive earnings for investors; so there is no watering of stock to cover them up. Stock cannot be sold at more, or less, than par value. There is no speculation in Co-operative shares; therefore there is no need for governmental blue sky laws, nor stock security regulations.

Moreover, under Co-operation business is the business not of a few, but of all. It belongs to those who are its member-owners and who, by their purchases, make the venture possible. There are no secrets in a Co-operative enterprise. The management procedures of a Co-operative, the ramifications of its financial operations, are an open book. And anyone may turn its pages.

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A business undertaking whose management practices and financial operations cannot survive in the open lends credence to the suspicion that the public's interest is not always the first consideration. In a Co-operative, profit and loss statements, balance sheets, and every other figure and fact are readily available to its member-owners. Only dishonesty and inefficiency need fear their careful scrutiny. When inside business practices come under the intimate review of the ordinary citizen, we may expect that many of the abuses and corrupt practices, so recently in the Canadian public eye, will disappear.

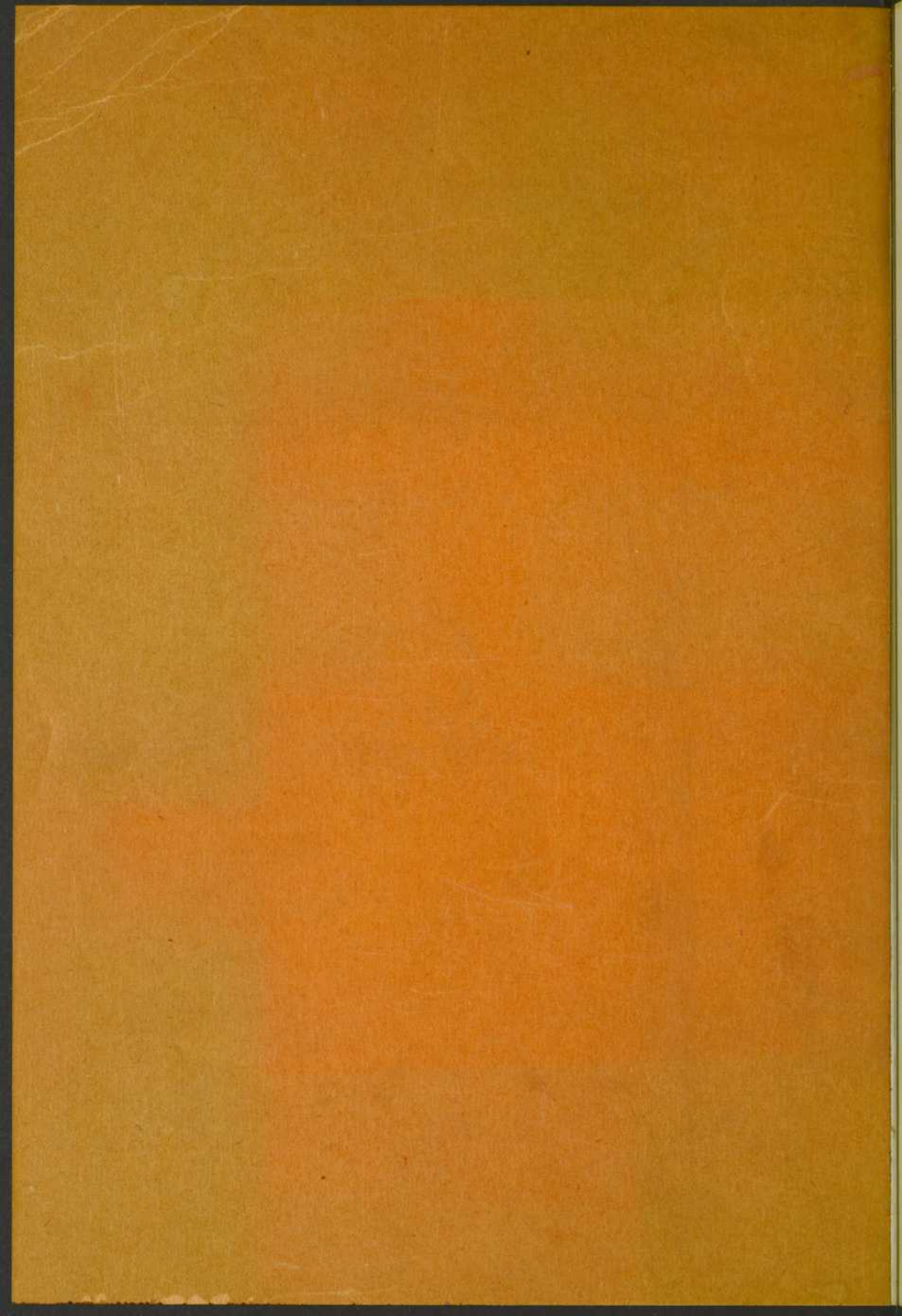
Co-operation promises the end to all that, and much more.

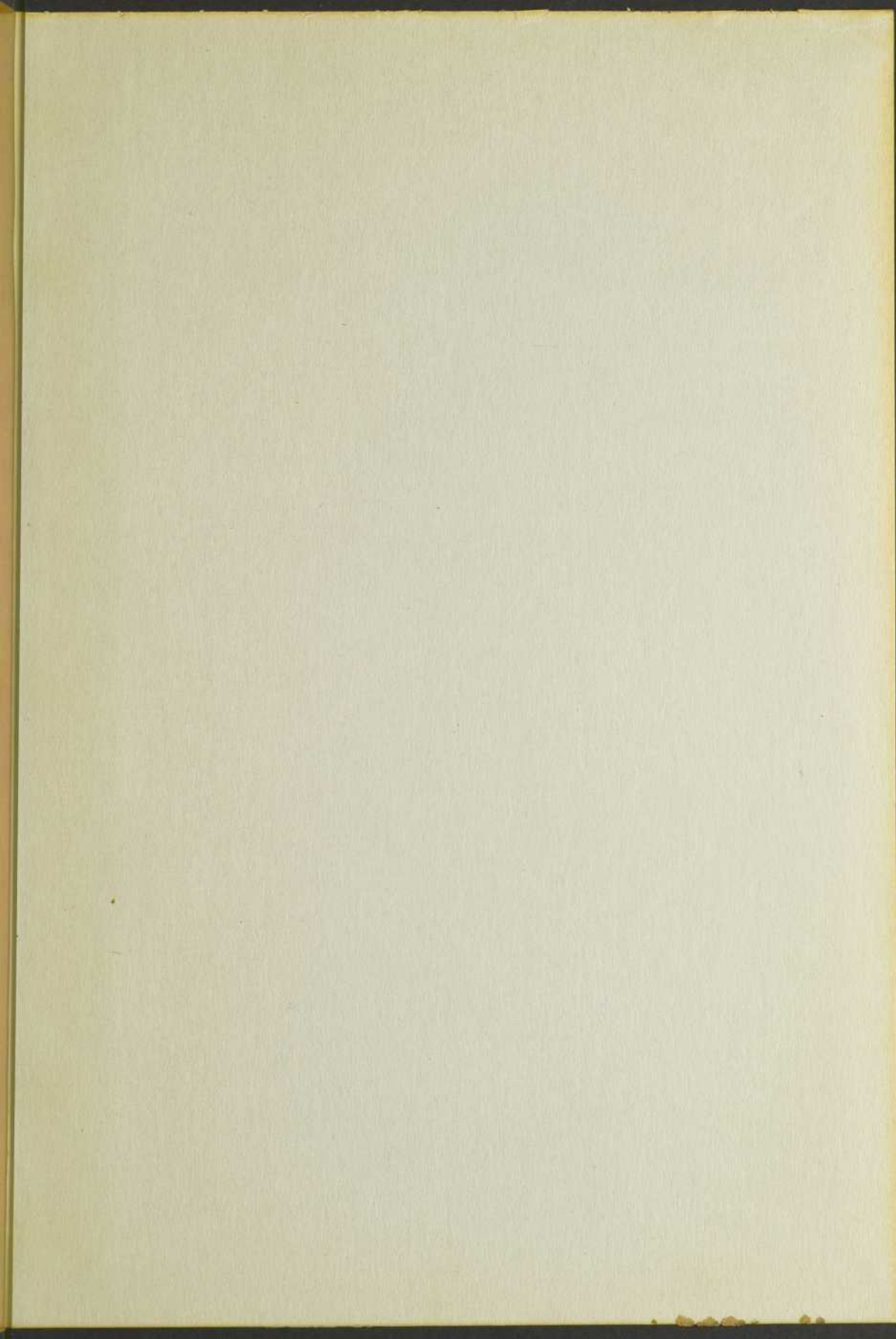
For in a co-operative undertaking, the business of the marketplace resumes its rational function. Capital, labour and the consumer are restored to their joint partnership in the production and distribution of goods, each fortified with the assurance that the partnership guarantees them a just and equitable sharing in the results of their mutual undertaking.

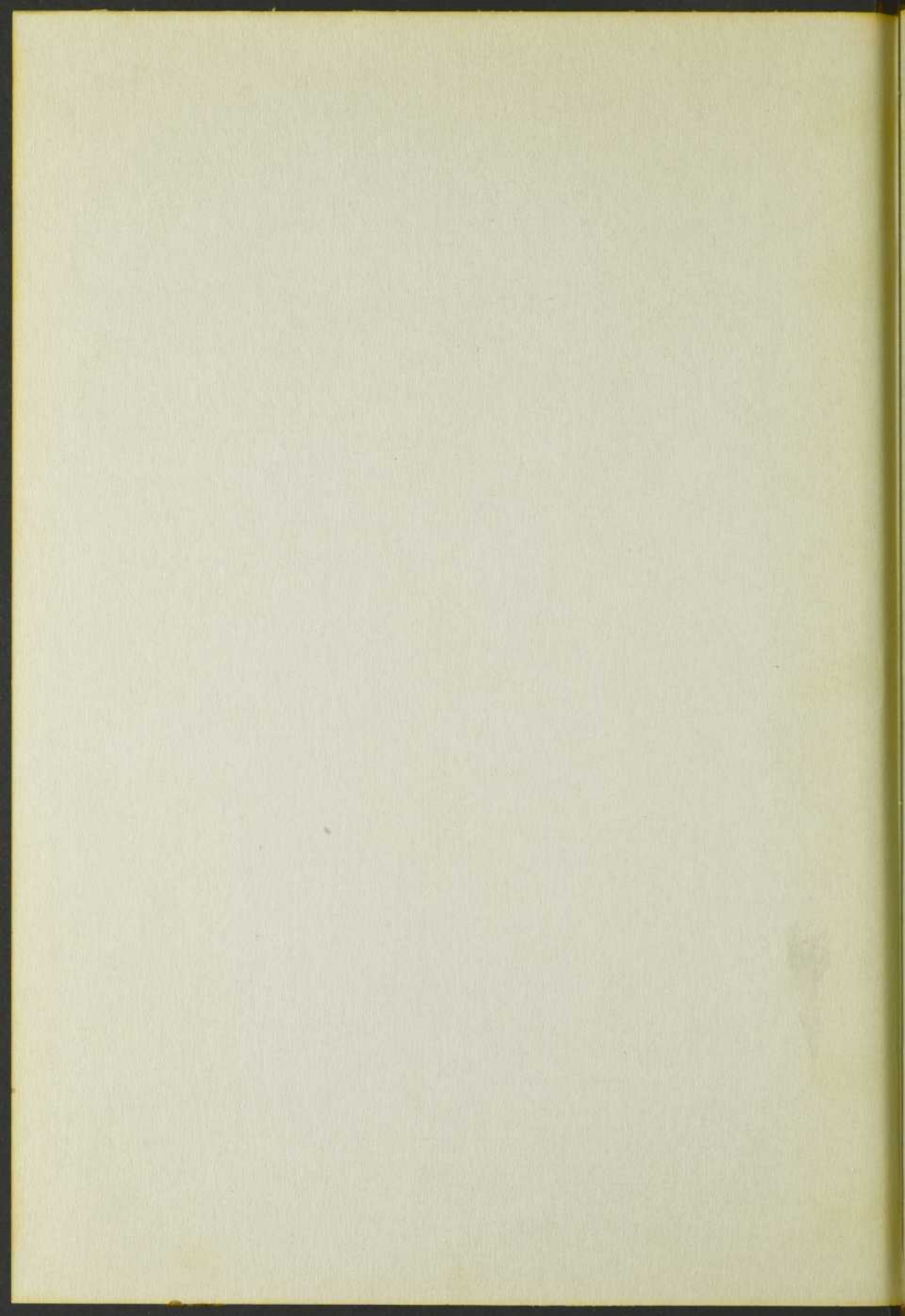
Is it too much to say that the practice of Co-operation provides us with a yardstick by which to measure the quality of our civilization?

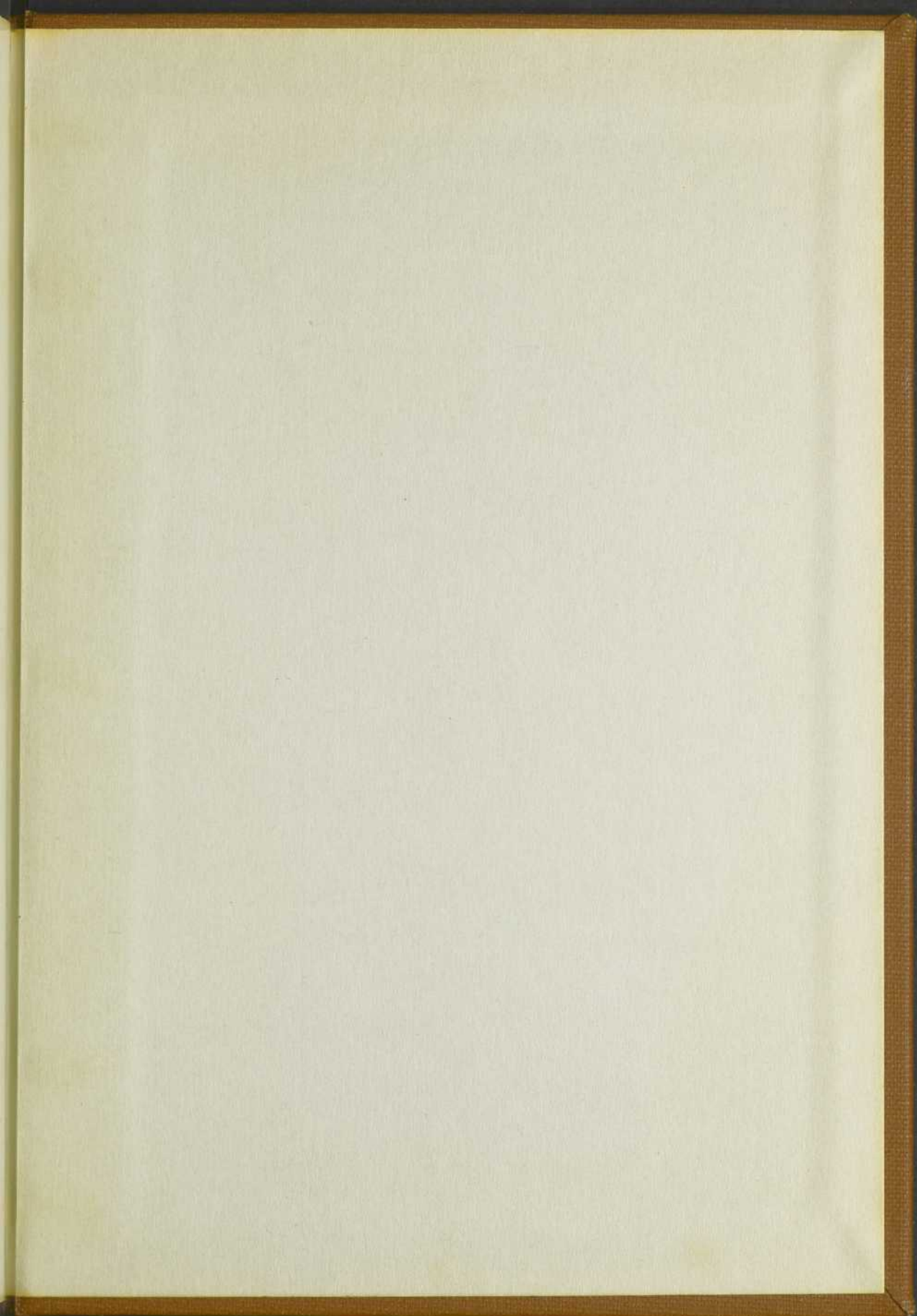
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