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THE NATURE OF COOPERATIVE
SOCIETIES

A Thesis

Presented to

the Faculty of Political Science

The University of Ottawa

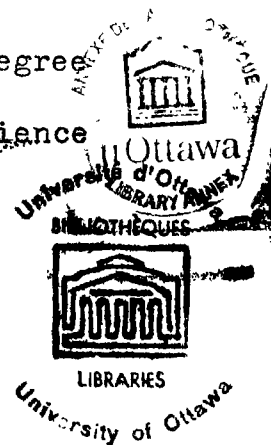
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CHAPTER 1

THE ORIGIN OF THE COOPERATIVE MOVEMENT

History gives testimony of the fact that human society seldom progresses when material wealth and comfort abounds. Then, man is satisfied, he has no worries for the present and in his short sightedness forgets what the future holds in store for him. He lives less than he lets himself live in the midst of a world of plenty. Comes the inevitable period of depression and he finds himself face to face with the gigantic problem of providing, not the luxury that was once his, but the bare necessary for himself and the livelihood of his dependents. It is only in those dark moments of his existence that he forcibly pauses to reflect in order to devise a way to keep distant from his door black misery threatening to destroy that comfort and happiness of his home. It is in the course of one of these periods of general economic distress that the cooperative movement came into existence .

Our present-day co-operative movement traces its origin to a small group of weavers in the town of Rochdale, England, but these poor labourers were really not

the inventors of the plan. They based their organization on already existing institutions, found by Robert Owen, who is, in fact, the father of modern cooperative societies.

1 Robert Owen (1771 - 1858)

This great English social reformer was born in Newtown, in North Wales. His father had a small business in Newtown as a saddle and iron-monger, and there young Owen received all his school education, which terminated at the age of nine. After working in a draper's shop for some years he settled in Manchester. His success was very rapid. When only nineteen, he became manager of a cotton mill in which five hundred people were employed. His brilliant administrative success permitted him to become affiliated with the Chorlton Twist Company of Manchester and later with the New Lanark Mills in Scotland. It is in the capacity of manager of this latter factory that Robert Owen began to devise his social plans for the amelioration of the labourers condition.

The New Lanark Mills had been operating since 1784. It had a working staff of about two thousand employees, five hundred of whom were children, brought, for the most part, from poor houses and other charitable institutions in the vicinity of Edinburgh and Glasgow. The children were well treated, but

the general conditions of the people were far from satisfactory. It is this factory population committed to his care that Owen now set himself to elevate and ameliorate. He greatly improved their houses, and by the unsparing benevolent exertion of his personal influence trained them to habits of order, cleanliness and thrift. He opened a store where they could buy of the soundest quality of food and clothing at only a little more than the cost price. His greatest success was in the educating of the young generation; to this task he devoted special attention. However, opposition from his partners led Robert Owen to open a new firm in which he had a free hand in putting in effect his new reforms. Content with five percent of the profits of the Company he spent the rest in favour of making the factory and the home a better place for his employees. Owen had a philosophy and it is along the principles of this philosophy that he intended to build a new society. He was convinced that for a great deal of the vices and degradation of which his employees were victims, they were not alone responsible, but the surroundings and mental circumstances of their existence were the main cause.

These personal convictions indicated clearly the course of the orientation of his social efforts.

Hitherto Owen's work had been that of a philanthropist, whose great distinction was the originality and the unwearying unselfishness of his methods. He now planned to second the national government in attempting to alleviate the sufferings of the nation. Towards this end he made several plans, but did not meet the favorable approval of the authorities. He himself decided to put into execution a new system of community life whereby he expected to bring relief to pauperism.

In 1825, Abram Combe at Orbiston, near Glasgow, and Owen at New Harmony, Indiana, in America, put his scheme into effect. In both of these places, a community of a few hundred persons were established on a farm of several thousand acres. Here was erected a large community building in which each family had its private apartments. However, there was a common kitchen and mess-room. After a certain age the children were removed from the immediate care of their parents to be trained in common. These organizations met with considerable approval by certain popular publications. There was always the problem of successfully operating these communities. This was the obstacle that proved unsurmountable and was the great contribution towards the utter failure of Owen's efforts.

The only really valuable and permanent result of Owen's agitation, so zealously carried on by public meetings, pam-

-phlets, periodicals and occasional treatises, was the appearance of the cooperative movement which saved the desolate situation of the time and which up to our own modern times seems to be one of the sole efficient factors in bringing relief to the labourers.

11 The Rochdale Pioneers

Robert Owen died in 1858 . He was still living when the first cooperative store which his initiatives had inspired, opened in the town of Rochdale, England . Owen contributed the basic idea of cooperation - concentration of interest. This concentration of interest Owen placed in the home. He provided suitable dwellings and other commodities . His plans collapsed. However, another eminent social worker took up the task, Doctor William King. He also saw in cooperation a solution to the labourers' pitiful conditions of existence. A man of profession , he envisaged the problem from a more scientific point of view. Where Owen had sighed at the labourers' sorrows and had attempted to relieve them by philanthropic organizations, Doctor King saw alleviation in giving the labourer the opportunity to relieve himself, rather than be relieved

by direct contribution. His philosophy is admirably summarized in an extract taken from his publication, "The Co-operator", (1828 -1830) .

Cooperation means, literally, working together. Union is strength in all cases and without exception. What one man cannot do, two can. What is impossible for a few, is easy for many. But before many can work, they must join hand in hand; they must know their object and feel a common tie.....

At present in working for others, we get only a small part for ourselves. If in any way we could work for ourselves, we could get the whole. As we have no capital, we are obliged to find a master to give us employment, and we work for common wages.

It is capital, we want . Union and saving will accumulate it. We must form ourselves into a society for this especial purpose.. This capital may be employed in any way the society may think most advisable.

Thus, Doctor King , as early as 1830, had formulated the principles underlying all modern cooperative enterprise. But, why were his establishments, like those of his predecessor, doomed to failure.? The main cause of the failures was not one intrinsic to the organization, but rather a lack of understanding on the part of the labourers .Union and perseverance in this united effort is of paramount necessity and this the labourers failed to see. The next ten years would teach them the salutary lesson and force them to appreciate the King cooperative at its just social value.

In 1832 the British Parliament had passed a Reform Act giving suffrage to a greater portion of the English population. The labourers, the pauper class, had been excluded from this new privilege. It meant, that all but those whose really were in need, could appeal to the Government for aid. They, the distressed, would more than ever be dependent upon the Industrials for both their meager means of subsistence and their political privileges. With the tremendous increase in the ranks of labour brought about by the Industrial Revolution, they formed more than half of the Population of England. The situation was evidently abnormal. More than half of the population was barred from the comfort and wealth that they themselves produced. Moreover, this miserable part of the population upon which the nation depended for its sustenance was driven to work like slaves by a handful of industrials. These latter disagreed on many things, but they evidently agreed on their attitude towards their employees. This the workmen knew, why should they not unite also in a common front to meet all eventualities and make known their claims and their strength to their bosses and to the government.? Robert Owen and Doctor King had given them an insight on the prosperity that Union could give them. There were two problem that require an immediate solution - the economic aspect of their existence ,it

was more vital, and the political policy of the government which relegated them in the dregs of English society. The Chartist Movement is an attempt on the part of these united labourers to bring about a solution to their grievances.

In the fourth and fifth decades of the nineteenth century, England witnessed a gigantic and spectacular political movement on the part of a new non-proprietor class created by the Industrial Revolution. In unanimous accord they drew up the political demands in a document known as the Chart and presented it to Parliament for consideration. Month after month passed without a word from the government. Finally, the answer, which such a delay had already indicated, revealed itself unfavourable. The Chartists had lamentably failed in their reclamations. The failure, unfortunate as it may have been, taught the Chartists that in union they were powerful and that it was not with considerable hesitation that the government had made known its answer. It is this sentiment that encouraged them to immediately tackle their other agonizing problem - the labour condition under which they struggled. By the solution of this problem, they will have

within their reach the key to all the others. Their economic independence will show them a potent and dangerous instrument against the political and industrial lords. These Aristocrats might have accumulated fabulous fortunes; they might own the largest of treasures of gold imaginable, yet, money and gold, luxury, vast estates with immense castles and not consumable goods. Bread, the common food of all men, is indispensable to all men. In the future the obtaining of this bread will depend in a large measure of the labouring class.

So far the labourer has learned from Robert Owen the absolute necessity of union. Doctor William King has taught him that he must concentrate his united strength, not in his home for the present, but in the factory where he struggles every day. The Chartist Movement has made very clear that political concessions are not within his reach. One thing now stands very clearly before him; he must get his economic independence. The only way is to produce for himself; Doctor King had devised a very effective method of doing this. A small village in an industrial centre was to make the first experiment and make out of it a brilliant success.

Rochdale is a small town in the heart of Lancashire. It was noted for its flourishing cotton industry . Yet, nowhere in all England were the labouring conditions of the weavers more deplorable .The hours of work were as unhumanly long as the wages were shamefully low. Men , women and children worked from six in the morning to eight in the evening, and this for for one or two pen - enies an hour. It was not life , but literally living death that was forced upon them. A parliamentary re - port gives proof that in 1841 some 1500 inhabitants of Rochdale lived on 45 cents per week. . Considering a statement of Saint Thomas of Aquinas to the effect that a minimum of ease and comfort is necessary to favour the practice of virtue, the conclusion regarding the moral condition of the unfortunate labourers is self- imposing. Necessity breeds powerful arms with which to forge one's way through the greatest of difficulties . These abandoned weavers had had previous experience in the ~~EMMA~~ Chartist Movement ; union had been their weapon of defence , why should it not prove even more potent in the present crisis ? They agreed on a strike in order to extort from their patrons better labour concessions . The Strike proved a pitiful failure . The consequences of

their insurrection were those that usually happened in similar circumstances - a considerable number of weavers were dismissed from the mill. Where was the outlet to this new difficulty to be found? Those whose means permitted immigrated into America in quest of more promising economic resources. Others indulged in public manifestations. A few, not less valorous than their fellow-weavers, but certainly much better inspired, assembled peacefully to form some plan of mutual aid. Self-relief was their only assurance of their daily bread. This the Owenite movements had proved more than oneself. Any further attempt to win over the government agents and the industrials, who were for the most part the same individuals, was evidently futile. The difficult mystery to solve was a plausible method of becoming emancipated from the wage-slavery of capitalism and the dark miseries that it brought down upon them. The greatest need of the moment is not an organization of production, but one of consumption. Before they could think of producing they must first cope with the pressing needs of food and clothing. They finally agreed on an objective, but another

major stumbling block obstructed their immediate advance towards the realization of their new plan ; funds were lacking. Poor as these stunched peasants were, they were armed with a courageous incapability of retreat. After a year of severe privations and economy, they were able to invest the modest sum of \$120. One half of this precious capital, they used to pay rent for a room in the cellar of a local abandoned stock house. The balance was invested in merchandise; sugar , flour, candles etc. December 21, 1844 , thus marked the official opening of the first Consumer Cooperative Store in the world.

It is very doubtful whether any one of these twenty-eight Rochdale weavers, even suspected that their initiative would give rise to a world wide movement . A year after opening the Rochdale Society of Equitable Pioneers, as they were called, counted 74 members with a capital of \$900. In 1860, shortly, after the death of Robert Owens, their membership had reached nearly 3500 with a total capital of \$ 188,550. Fifty years after the foundation, in 1894, this Cooperative Society had the support of some 12000 members

with a capital of \$1,500,000 . From the time of its foundation it has continually enjoyed considerable progress, and at no time did its members suffer from the periodic crises that other such organization experience. In 1934, the Rochdale Society could proudly boast of a membership of 44,475 and a paid share capital of \$2,842,520 .

During the course of the tremendous economic depression, 1929 - 1934 , while the other business enterprises lagged and to some extent disappeared the Consumer Cooperatives in England were distributing to their 3 million members the envious sum of \$600,000,000 with which they could provide for their other family needs.

The Consumer Cooperative Movement was just a step towards a more remote goal in the minds of the members of the Society. The Rochdale Pioneers had seen the absolute necessity of becoming the producers of their own necessities of life .The more urgent aspect of their condition had claimed their first attention. It was now time to make one more momentous step of organization . In 1931

there were 130 cooperative consumer stores operated in Northern England and Scotland. Federation was the next logical step forward. This union became an accomplished fact thus permitting the foundation of a cooperative of production which would serve the interests of the consumers' stores. If it is profitable to operate a consumers' cooperative society, it is still more so to possess one's own means of production. However, it was impossible for each individual consumer society to advantageously do that for itself. What one could not do alone, many united did, hence, the federation. This Federation, not only permitted a common source of supplies for all the stores, but provided effective means of intensifying the educational campaign. With more members, there was more capital on hand in order to ameliorate the existing business and cope with the increase of demands. In 1863, a still more extensive federation was formed. The Northern Cooperative Wholesale and Provident Society grouped all the English cooperative stores in one vast National Federation. To-day the British Cooperative Wholesale Society,

B.C.W.S., which does 10% of the distribution of food and supplies in England owes its origin to the First Cooperative Society of Rochdale. From England the idea of cooperation spread and met with no less success. In 1868, five years later, the cooperative stores of Scotland founded their own Cooperative of production society under the name of, "The Scottish Cooperative Wholesale Society", S.C.W.S. The following year saw in England the formation of the British Cooperative Educational Society. In this same year was held the first Cooperative Educational Congress in London. This marked the beginning of the annual congresses held at various places in England. At present this Cooperative Congress unites some two thousand societies from all parts of the Country. To such reunions are due the extraordinary prosperity of cooperation in England; To-day the British Cooperative Wholesale Society is surpassed in annual financial transactions only by the Bank of England. It possesses more than 30,000 acres of land in the country of its origin as well as considerable investment abroad; for example it owns in South Africa some 33,000 acres of farm land on which are cultivated fine tea plants to provide for home consumption. Besides its coal mines,

the Society possesses one of the most efficient fishing fleets of the Empire . Such a gigantic business organization , we, in America, would expect to be in the hands of a Trust Company - the truth is that it belongs, not to the wealthy, but it is the property of about 1200 cooperative societies. The total membership of these cooperative societies climbs to the fabulous number of 6,500,000 English families. They control about 1/6 of the total business of the country.

Robert Owen half a century ago had devised a plan to help the more unfortunate of his country; he had based his social structure upon concentration, union, but union in production. Undoubtedly union was the only remedy, but union in consumption, this more precise note the cooperators owe to Doctor William King. These two forerunners of cooperation aimed immediate relief for the distressed, this meant a local organization . This local organization, however , progressed at enormous speed . Its promoters under the stimulant of prosperity formed new aims and ideals for the cooperative societies of England.

CHAPTER 11

THE AIM OF COOPERATIVE SOCIETIES

The cooperative is wholly a social institution, and as such plays an important role in establishment of a lost equilibrium in the distribution of wealth. There has always been social inequalities and there always will be such inequalities inspite of all social structures that man can invent. It is therefore, useless to devise ways of giving all the people equal share of the material goods of this world. It is not, however, to strive to make more equitable allotments - to give to the maximum number of people the greatest amount of comfort possible. Towards this end many organizations have sprung up in favour of the labouring class. Labour Unions have been formed, Social Insurances founded, Family Allotments and Compensations have occupied the minds of the leaders of the country. The statute books are filled with labour legislation of every imaginable nature. They reflect a noble effort on the part of the government. The question that is of more immediate

interest to us for the moment where in all this labour reform movement to place the Cooperative & Societies .

1 Place in Social Frame

Great stress has been laid on the absolute necessity of organizing the labourers in unions in order to protest his rights and to assure him of much needed and legitimate amelioration in his working conditions. That the labourer whose work is intrinsically more difficult physically, and humanly more disagreeable, should be given labour conditions that will not jeopardize his health, is not certainly questionable. That this labourer be protected from exaggerated exigencies on the part of his employer regarding the length of his day's work and the observance of the Lord's Day, is again beyond all doubt. The Labourer must also demand of his employer moral environments that will shelter him from undue exposure to sin . Wages must be fair.

The wages that the labourer receives should permit him and his family, not only to benefit of what is strictly necessary for life, but also to share a reasonable amount of comfort and at the same times, be able to makes savings for the inevitable emergencies of sickness and old age . All this the employer will be forced to provide for his men . He will be compelled to sign a collective contract to that effect - ~~their~~ his personal honour will be bound as well as the prosperity of his business. In short, the employer is required directly aid his employees financially by the wages he pays , and by providing decent localities.

The labourer has uncontested rights and these rights must be scrupulously guaranteed. But it is no less true that the employer has equally very legitimate claims . He invests his capital no doubt for personal profits, but it is none the less true that by this investment many other people benefit . The service that he renders to the public

cannot and should not be overlooked. Thus, industry should reward in sufficient proportions the Capitalist for his risks, for his genius, for his own work and for the capital he has invested. The sequence necessarily follows, he will legitimately place his products on the market at such a price as to defray all costs of production and, at the same time, assure himself the remuneration to which he is justly entitled. The requirements of the collective contract that he has signed in favour of the employees at his service, necessitate greater cost of production. Naturally, the selling price will proportionately rise.

From all this two facts stand out ; the labourer is not made to help himself, but others are burdened with the task of aiding him. Now, it is a psychological fact that the labourer after some time of this regime loses the taste and the desire to help himself. He becomes helpless and discontent. He is

not satisfied with his due ; he wants more and protests, even threatens, when employers hesitate to accede to his whims . Surely, it would be far more appropriate to give the labourer the opportunity of helping himself rather than make him dependent upon a stranger. This self - support will be found in the cooperative societies, where the consumers' store will not only be a place to procure provisions, but the consumer, the labourer will at the same time be proprietor of this business . The second point that follows from the collective union contract is that the industrial will legitimately be compelled to require a higher price for his goods of the market. The labourer is in some respects not much better off. True, it is, his wages are higher, but the prices of goods are also higher in the same proportion. His dollar has the same purchasing value .The labourers employed suffer no immediate inconveniences. There are ,as a general rule in society, periods of unemployment. When these come the cost of living will continue to be high and money will be scarce .

Here again the cooperative society, by furnishing better and cheaper products, would be an inestimable aid to the employee.

The labour unions and corporative systems, as advocated by the Popes, are not exclusive. They do not pretend to bring a remedy to all evils. The Cooperative Society is a complement of the above mentioned unions. They permit to carry on help to the labour, not from the point of view of producer, but in the capacity of a consumer. The consumer cooperative society, when tried in certain quarters, in the role of complement to labour unions, has not met with great success. The reason is that the cooperative society is not in its very nature exclusive. No such society organized in favour of the labourers only will ever succeed because it is directly contrary to the very essence of the cooperative to close its membership to anyone. The solution lies in the organization of co-operation in a locality most suited to include as many labourers as possible, but permit the general

public to have access to its membership. This far from being detriment will greatly increase the volume of the business and permit a larger enterprise, and all the advantages of such an enterprise. To bring the greatest help possible to the maximum number of people is after all the only end of the cooperative societies. This purpose these societies will fully attain when they occupy their uncontested place in the social organization - side by side with the labour and other such unions.

11 The Cooperative Cow

One of the prime motives which prompts man to unite with his fellow-man is the satisfaction of some desire that he alone could not satisfy at all or, at least, to as high a degree as in union with others. It is in this way that literary, scientific and social associations are formed in order that all the members may share of the cultural aid that each

associate contributes to the common good of the society. Any such society realizes the broad meaning of a cooperative . The unique motive behind the Rochdale Movement was the acquisition of independence in the domain of production and consumption. This any one individual could not ever hope to attain, but severally aiming towards the same goal, the Pioneers were assured success. The Rochdale first established a store where they could buy the necessities of life ; immediate aim of their organization was consumption , because that was the most pressing factor for the moment. Cooperation in production was nevertheless, in the plans to be realized at an ulterior date. In speaking of cooperative societies, it is usual to speak of cooperatives of consumption, it is ,however, understood to include other branches of cooperation.

In the first place the aim of a cooperative society of consumption is to procure for its

members commodities of the very best quality at most reasonable prices .The price of commodities is of major importance in the purchases of the average labourer . There are immense quantities of goods on the market being offered at unusually low prices. However, a low price does not always prove to be the most profitable. It is much more profitable to buy a gallon of good gasoline for your automobile at twenty-five cents per gallon, than two gallons for the same sum of money when the latter purchase proves to be the cause of endless trouble with the car and a possibility of you having to walk .The most advantageous buy for the consumer is then ~~determined~~ determined by both the price and the quality of the goods. The cooperative society aims at selling at a low price, but at the same time assure its customer an excellent quality. This will be realized by a test method - two or three popular brands of baking powder, for example, will be studied, analysed and only the highest of standards will be sold.

to the cooperative members. Contrary to what usually follows the insistence upon the higher grades ~~and~~ of goods, the current price does not necessarily rise. In fact the price is lower, since the surplus paid will be refunded in the form of a dividend at a later date. The story of the cooperative cow related by Mr H.H. Hannam illustrates to perfection the possibility of getting better products at a more advantageous price .

In an anonymous village the price of milk is twelve cents per quart. Twenty villagers agree to form a small company and buy a cow in common. At an assembly they choose a president, a vice-president and a secretary-treasurer. These men enjoying the confidence of their partners proceed to effective work. An excellent cow, giving ten ~~qu~~ gallons of milk each day is purchased at a price of \$100., which means that the contribution of each member is five dollars. A reliable man is ~~h~~ then hired whose duties will be to take very good care of the cow, milk it, bottle the milk and deliver it to the members according to their needs.

Each customer pays the usual price ,that is, 12 cents per quart .

At the end of six months the secretary gives an account of the enterprise. It was found that an average income of \$4.80 per day was recorded, 40 quarts of milk at 12 cents each. The total expenses per day reached \$ 2.90 . It was then agreed to take 4% interest of the capital invested .Likewise, they decided to establish a depreciation reserve of 10 cents a day.Current expenses of officials were defrayed by another tax of 10 cents per day . The total daily expenses amounted to \$3.20 . A net profit of \$1.60 per day was consequently realized. The six months' profit totaled \$ 308.This surplus was returned to the ~~members~~ consumers of the cooperative milk at the rate of 4 cents per quart of milk purchased . Thus, the price of the milk used was apparently twelve cents, but with the dividend it is really lowered to eight cents a quart . This shows how these few cooperators were able to assure themselves the very best quality of a most important item on the table menu at a price

much inferior to that imposed on the general public.

In this parable of the cooperative cow the members are consumers and at the same time producers . This is the ultimate end of cooperation . In fact it is only in this way that a better quality at a better price can be assured. The cooperative consumer grocery store will fully attain its end when it is so organized that it will have its own wholesale plant and even its own manufacturing enterprises . A control of prices and standard of goods can not be acquired with much ~~ix~~ less than 50% of the total national business . The eventual acquisition of the controlling amount of business is the end of all cooperative society , just as it is the ambition of modern trusts. The purpose ~~of~~ this concentration (not a concentration at all in the cooperative) of business are diametrically opposed to each other. The trust aims at control to reap greater profits at the expense of the consumer ; the cooperative society aims at

control for greater profits in favour of the exploited consumer. With only part of the business, even if it is the controlling proportion, the cooperative society will always have to reckon with international competition. The plans to remove the latter obstacle is the creation of international cooperative societies. Much has already been accomplished toward the realization of this plan. In England there exists "The International Cooperative Wholesale Society"; Denmark has the "Nordisk Andelsforbund" (Northern Cooperative Union); in Sweden is also to be found the "Kooperativa Lumaforbundet" (Cooperative of Luma Union).

It is false to think that the cooperative society to-day aims simply at lowering the prices and better the qualities of goods. It is a great deal to its credit, but to-day like in the days of its foundation it is a saving factor in the life of communities. A striking incident of this point is published in *The Windsor Daily Star* of February 22, 1940. It concerns a small town in the State of Massachusetts.

The unconquerable spirit of a town that would not falter in front of desperate obstacles has found work for its idle population and accordingly saved the community from extinction. A thousand persons, housewives, merchant, workmen, all shareholders in a cooperative mill-owning venture, instituted less than three years ago when Ware was threatened to becoming a ghost town, lately greeted the report of their unique, courageous enterprise. " We have between two and a half and three times as many people working to-day as the Otis Company employed in the cotton textile industry during the ten last years it was here," said Monot C. Wood, banker and head of the cooperative. "Our payrolls show an even larger percentage of increase . If no major contingency materializes, we have every right to hope to pay some dividends before our third year is over." The Otis Mills - bread and butter to Ware - were sold in October 1937. The machinery was purchased by a southern industrialist and the town of Ware with 1700 workers out of work was facing a dismal fate. But reaction came very swiftly. Wood negotiated

a deal for the purchase of the mills, water and power rights for \$50,000 . Contributions began pouring in immediately and within a day \$20,000 was raised. In eleven days the full \$50,000 was in the coffers, mostly from individual purchase of stock shares at \$5 .00 each." We could not stop the people from giving", Police Chief B.W. Buckley asserted." They sat on my door-step waiting to give me rolls of dollar bills tied in handkerchieves, and savings pinched out of small wages over a period of years of work in the Otis Mills. Then new industries were attracted to this site and now seventeen different companies occupies the old textile plants . Two years'taxes have been paid , all debts have been wiped out including a \$30,000 loss caused by a hurricane and the floods of 1938. Today the town is busy, there very few idle hands in Ware. Over every town entrance hangs a sign, suggested by Buckley; "Ware , the town that can't be licked."

The ⁹⁸ ~~situation~~ of an entire population is undoubtedly an enormous credit to a cooperative society , The cooperative society goes still farther than this;

it aims at the complete annihilation of all factors that might in any way jeopardize the material welfare of the community and thus lead to eventual decadence .Corrupt practices in business is one of the targets of any cooperative society .

111 Success in Competition

Corrupt practices in business are not to be found in the societies themselves and they are the deadly enemies of the society when found in the community.The cooperative society was found to reestablish the last equilibrium in trade caused by injustices on the part of industrialists. The work of the cooperative is then both constructive, in the administration of its own business , and destructive in its attempt to put out of business those individuals whose profits are the outcome of their preying on the people.

The members of a cooperative society are proprietors of the business , when they buy, they buy in their store, it would then be ridiculous for the management of the store to indulge in unethical practices

because in cheating, by underweight or high prices, the cooperator would be cheating himself. The cooperative's control over such abuses is, however, limited. It is proportional to the extent of its influence. Cooperative societies which are not productive necessarily depend upon other private concerns and thus pressure may be imposed upon them. In the hypothesis that the cooperative society is wholly independent, then it can make its own brand of goods, set its own prices and by competition force the private companies to conform their standards of goods and prices to those of the cooperative society. Adulteration of products becomes, if not totally impossible, at least very difficult.

After a close investigation the Wholesale of Progressive Consumer Cooperative of Finland (O.T.K.) revealed that about 18% of its purchases from private companies were below the standards of goods set by the cooperative society. In competition this scrupulous adherence to principles of justice is the secret of the confidence and loyalty that cooperative members have for their society. This confidence and loyalty is of vital importance to the prosperity and life of the society.

For a cooperative society as for any other line of business, competition is detrimental . It is then the aim of the cooperative society to eliminate competition as much as possible . The task is arduous, not because of external pressure alone, but in a great measure on account of the uncertainty of the loyalty of its own members . If the members were 100% loyal, they would buy exclusively in their own store and thus quickly paralyse business in a competing unit. The strength of this member-loyalty is direct proportion with the cooperative educational movement. .

Possibly the greatest business establishments to paralyse are chain stores. A chain store with several other branches in other parts of the country, can at a given moment, lower their prices, even sell below cost. This the cooperative cannot do. The chain store may sell at below cost in one locality where there is competition and over charge in another store to compensate until the rivalry disappears. In this case the task of the coopera-

-tive will be to convince its members that in this case the lower price is not for them the most advantageous price; it is only an apparent advantage which on the whole is an attempt at the life and prosperity of their society. One of the most prosperous cooperative consumer stores in Ontario owes its present outstanding condition to the staunch conviction of its members in a crisis that lasted six years. In Oshawa a cooperative society found itself in the predicament of having to compete with one of the most powerful chain company of the Dominion. The competition endure for six long years in which time the society faced the verge of bankruptcy several times . It won the race and to-day its business is one of the finest of the Province. The difficulty of keeping in the minds of the members at the end of the cooperative is great in a consumer society, but it tremendous in a productive society. That is the main reason that accounts for so many failures in the history of productive cooperation. In the village of Notre Dame du Laus the farmers

established a cooperative society of production in order to dispose of their products . The creamery functioned marvellously well until a private company opened a creamery in the same locality . This new company offered a few cents more per hundred pounds for the milk . A considerable number of cooperative members immediately abandoned their society to deal with the new company . The cooperative society failed and left without competition the private company lowered its prices below those formerly paid by the cooperative society. This is the story of all productive cooperative societies.

Competition in cooperative movements habitually comes from private companies. It is, however, possible to have competition from other cooperative societies in the same locality . In this case there is no question of aiming at putting one society out of business. Both of these societies are tending toward the same goal - alleviating social evils . The remedy is simple; let the two societies amalgamate. In so

doing, far from proving detrimental to each other , they will be of great mutual help. They will be able to buy in larger quantities and thereby realize savings. If the societies are considerable enough , they could even produce some of their supplies or, at least prepared them as is done in most chain stores

Under the present capitalistic system competition is necessary ,but the regrettable result of competition bears heavily on the shoulders of the consumers,who,as a rule , are the least capable of supporting such burdens. It is ~~not~~ in conformity to facts to maintain that many competitors cause an increase in prices because of the necessity of multiplying the equipment and installation. Again this rise in prices is caused by the fact that the clientele which could support one or two establishments is divide amongst the competitors in such a way that each one gets the bare necessary . In this case the cost of operating the business for each unit is the same and the income is less . The business man has a right to fair remuneration , thus is justified a rise in the market price.

We are under the impression that competition lowers the price; this we have seen is not always the case. It is common to consider absence of competition as a sure sign of a rise in price ; this is not necessarily true any more than the above statment. The main and unique motive behind every business is that of gain. The business man wishes to sell in order to reap the greatest gains possible. Now the most profitable price does not always correspond to the highest selling price. Patrons pay the price they desire. No merchant can force any one of his clients to buy his goods or to pay his price. The client will pay the price he wishes and unless the merchant makes a compromise to adapt himself, he will make no sale and evidently will reap a loss rather than a profit, for capital at a stand-still is loss. The merchant, whether he be a monopolist or not will necessarily have to adapt his price to the demands. Another fact to be considered is that the number of units sold at a lower price can bring a greater net profit than fewer units at a ~~lower price~~ higher

per price. Experience will teach the monopolist that he can sell, for example, twice as many pairs of shoes at \$6. and thereby draw a profit of \$3 per pair, than at \$8 a pair with a profit of \$2 per pair. In this case the merchant will evidently sell his shoes at \$ 6 per pair.. As a rule, however, under the capitalistic system competition is necessary, because there are instances where a monopoly would cause very great suffering. A monopoly is intrinsically dangerous. In the case of articles of prime necessity bread for example, the monopolist can ask any price he desires and he will get his price because man cannot possibly do without bread.

Cooperatives aim at destroying competition because in this case competition is no help; it is an hindrance. Cooperative societies are intrinsically instituted to assure justice and fairness to its members. The cooperative society cannot possibly overcharge its members because even if it should sell a loaf of bread at \$1 , at the end of the term the refund will make up for the surplus charge.

Under the capitalistic system the motive of competition is expansion in order to increase the income. Competition is the means of expansion, α of realizing greater income. The cooperative system aims at doing without competition. How then, will it increase its trade ? Assuredly in a much more practical and efficacious manner. The capitalist spends \times each year fabulous sums of money and energy to advertise his goods through ~~every~~ every possible way, newspaper, signs radio etc.. The cooperator on the other hand, spends no money in this kind of advertisement. He puts aside sums which are used to for canvassing purposes in order to increase its membership. Consider time is spent also in educating the actual members of the cooperative and in this way assure their loyalty to the society. Thus every cooperative society assumes an educational role to increase its own membership and when the number permits to open additional units. This units federated together spread to for a national cooperative society with the ultimate prospect of forming international cooperative societies.

Strange as it may seem, the principles of cooperation such as practiced by the Pioneers of Rochdale in the middle of the last century are the very same as those that have assured tremendous success to cooperative societies in modern times. It is an equally solid historic fact that ever since the foundation of the first cooperative society, any such society which has not observed these principles in their totality have met with failure in their enterprise. The Rochdale Pioneers did not publish their recipe of successful cooperation, but the simplicity of the organization renders it comparatively simple to decipher them in the practical operation of a society. Unlike most such organization, Cooperative societies leave very little openings for improvement with regards to its essential functioning. The principles and methods are clear, simple and necessary in successful cooperative enterprise.

CHAPTER 111

PRINCIPLES AND METHODS OF COOPERATIVE SOCIETIES

I Classification of Principles

Precisely because the Rochdale Weavers did not entrust to writing their methods and principles of business, there exists to-day a considerable variety of classifications. These different classifications are different in appearance only. They all contain the essentials, but are put down in briefer forms or combined in diverse manners.

Mr T.W. Mercer in the "Review of International Cooperation" (Sept-Oct. 1931) analyses the Rochdale principles under five main headings; Universality, Democracy, Equity, Publicity, Liberty. By Universality the commentator understands what he terms as "open membership". No man irrespective of his religious affiliations, his colour, or origin is to be excluded from membership, if he manifests his honest desire to take advantage of the movement. It is upon this principle that Mr Mercer lays more stress and places it at the v~~er~~

society. In Democracy it is understood that the society is to consider centralization of power and interest as its death blow. Accordingly the principles of democratic equality are to be in honours in a cooperative society. All members are on basis of equality regardless of the amount of their investments; "one man , one vote," as opposed to " one share, one vote". Equity assures to all the members a maximum of justice and fairness. The very best merchandise is to be given them. Honest weights and measures are to be special points of attention on the part of the manager . The cooperative pledges itself to give to its employees the same excellent consideration that it extends to its members.. Mr Mercer groups under Publicity the principle of educational expansion and protection of actual members. This principle is called the cement that binds all the members to the cooperative society. It is again the seed that procures new members. It is vital principle of the society .

Liberty in politics brings satisfaction to the citizens ; it is prized above all else. Liberty in politics is a guarantee of efficiency. This same principle of liberty is considered indispensable in Cooperation for efficiency. By cooperative liberty ~~same~~ assures freedom of membership and share in the dividends.

The Rochdale principles are summarily put in the following three statements;

- i) Democractic control.
- ii) Limited interest on share capital.
- iii) Distribution or use of surplus savings on some just and equitable basis.

Professor Colston E. Warne in his book, "The Consumer Cooperative Movement of Illinois," gives the following five cardinal points as including all the Rochdale cooperative principles.

- i) The democratic organization of the society ; each person having the right to vote, but entitled to but one vote regardless of the number of shares possessed.

- ii) The limitation of individual shareholding and the payment of the current rate of interest on the shares.
- iii) The sale of goods at the market price and accruing surpluses to be returned to the members in proportion to their purchases.
- iv) The sale of all goods for cash.
- v) The establishment of an educational fund to place before the people the advantages of cooperation.

A Swedish expert in cooperative societies named Anders Orme, has formulated the Röchdale policy in seven principles.

- i) The necessary capital shall be furnished by the members and shall receive a fixed interest.
- ii) Only goods of the purest quality shall be handled by the cooperative.
- iii) Full weight and measure shall be given at all times.

- iv) Ordinary market price shall be followed and no credit shall be given or asked for.
- v) Surplus-savings (profits) shall be distributed to the members in proportion to their respective purchases.
- vi) The principle, "each member a vote" shall extend to both men and women on the basis of equality of rights.
- vii) A definite percentage of the net earnings shall be set aside for educational purposes.

It would be possible to give many other classifications of the Rochdale Principles of cooperation, but from the above we can deduce that no matter how these principles are ordered, there is one thing evident; the absolute coincidence of ideas. Certain essential ideas stand out as being of major importance, while others seem to have less importance. With this in view we will

proceede in our study of each individual principle by arranging them in a slightly different order.

In general we might say that there are three primary principles and ~~nine~~ secondary principles. The latter are sometimes called cooperative methods.

i) Primary Principles

- a) A Consumers' Cooperative society shall be democratically controlled
- b) Money invested in a cooperative society, if it receive interest, shall receive a fixed percentage which shall not be any more than the prevailing current rate.
- c) If the cooperative society makes a net profit that profit shall be returned to the consumers who patronize the society on the basis of the amount of their purchases.

ii) Secondary Principles

- a) A Cooperative shall be composed of members who voluntarily join.
- b) There shall be unlimited membership. Persons shall not be excluded from membership in the society except for the reason that their purposes are known to be that of doing injury to the society.
- c) Business shall be done for cash.
- d) Non-members may become members by letting their shares of net-profit be applied toward the initial share capital.
- e) A portion of the profits shall be used for educational purposes in the field of cooperation.
- f) Goods and services shall be sold at prevailing market prices.

- g) At each inventory reserves shall be set aside to cover depreciation and unforeseen difficulties arising in the operation of the business .
- h) Labour shall be fairly treated.
- i) Cooperative societies shall cooperate with one another.

The above named principles are the very foundation upon which rests all cooperative society , whether it be in the domain of credit , consumption or production . No cooperative society which has not observed the substance of these principles has as yet been accredited with success . Because of the paramount importance of the cooperative principles as innumeraed we shall now procede to study them in particular .

i) a) primary Principles.

- a) A Consumers' Cooperative Society shall be democratically controlled

A Democracy is generally understood to be a country in which the prevailing government is representative of the people." Rule by the people and for the people," as defined by Abraham Lincoln. The members of the government, representative of the people, are chosen by mode of popular election. Usually the minimum of qualification required is citizenship. Thus, a citizen casts one vote for whomsoever he deems most capable of duly administering the government of his country. In a country all citizens are equal with regards to the exercise of their right to vote. Rich and poor, all have but one vote to cast. The more democratic a country is, the greater is the proportion of the population given the right to vote. To-day, it is universally accepted, with few exception, that women are entitled to vote on the same basis as men. Thus, in thoroughly democratic countries men and women enjoy equal right of suffrage .

There is another elective system in common operation , not in politics, but in the business world . The particular combination of capital in business known as the corporation is from a point of view democratically administered, since the imme-

diate administrative body is chosen by vote .

The qualification necessary for the right to vote in such an organization rests on the amount of interest that the person may have in the business. This interest is measured by the number of shares held by the man or woman who desires to cast a vote at the appointed time. A person having ten shares would be entitled to ten votes , whereas a person with but one share would have but one vote. The obvious inequality of voice in this kind of business organization lends flank to all sorts of injustices . A man with 51% of the shares would have dominant power over all the others taken together . In fact, 51% of the shares are not necessary to enjoy their prerogative . Often as little as 20% of the shares is sufficient to control the vote at the shareholders' meeting . It has happened in the corporation system of business that the controlling posts of the executive were crystallized in the same family . The father and son holding alternatively the posts of Pres-

ident and secretary. Such a form of business organization is not of nature to help the poorer class, but rather subjects them to the pitiless domination of the wealthy. A relief for the labouring class must then be sought in some different business combination, that is the co-operative society.

The co-operative society also is elective as far as the executive is concerned. It is, however, elective on a different basis and this makes it most favourable to all the people in perfect equality. It is based on the principle that each member should work for the welfare of all and all should work for the welfare of each individual member. It is essentially democratic. The executive is elected by the members of the society. The qualification required for the privilege to cast a vote is, like the corporation, the holding of shares. However, here is where the enormous difference appears; a man holding one share may cast one vote and the

man holding ten shares may cast, not ten votes, but only one. In this way no one is able to control the election by merely investing more in the cooperative society. It is an assurance of justice for all the members. Moreover, we shall see that a member may not buy shares indefinitely; in this way he is again barred from the possibility of acquiring excessive influence.

The elective principles of the cooperative society are based on universal suffrage in its very broadest acceptation. Here woman is given the privilege of voting as well as the man. (It is to the credit of the cooperative society to have extended suffrage to women from the very beginning.) The woman is the purchaser of the household and it is but just and advantageous that she should have a direct say in the administration of the society which is to serve her more immediately. All men and women are given equal voice and all indiscriminately receive due consideration in services and profits.

- b) Money invested in a cooperative society, if it receive interest, shall receive a fixed percentage which shall not be more than the prevailing current rate.

People may invest their money in various ways. It is possible to lend one's savings to a borrower or to the bank and receive from them a fixed rate of interest, let us say 2%. In this case, if I have \$ 100. loan, then, at the end of the year, I shall receive \$2 interest. It is, however, possible to invest one's savings in more profitable enterprises. You may buy shares in a corporation engaged in some profitable industry. If at the end of the year the company has made profits, you will share the profits in proportion to your investments in the company. A corporation with a capital stock of \$10,000, reaping a net profit of \$ 2000 will pay 20% on invested stock. The following year should the profits

be less - \$1000 - in this case the company will pay at only half the rate of the preceding year 10% on the invested capital. The rate of payment is determined by the assets and changes every year with the variation of the income. It may even happen that no dividends whatsoever are paid to the shareholders .

The cooperative member is an investor. He buys shares in a company at a fixed rate - usually this rate is very low .This investment resembles in some respect that in a bank and at the same time has something common with the share investment of the corporation . It is a combination of both. A share in a cooperative society may receive interest at a fixed rate similar to an investment in a bank and at the same time it is entitled to a dividend .A cooperative share , if it does receive interest, will not receive interest at a higher rate than that of current business .When interest can be paid the holder of the share is less reluctant to leave

his money in the society which really needs it .
 He will in this way accept more readily adversity
 in business which at a given moment will not per-
 mit payment of dividends. The money is always ~~sure~~
 sure of bring a minimum revenue. The Rochdale Pio-
 neers pay 5% . This rate is even to-day the cur-
 rent rate of interest paid by most cooperative
 societies.

It is of prime importance that the coop-
 erative members require no more than the fixed
 rate which has been determined beforehand . Even
 in the hypothesis that business is extrordinarily
 prosperous, this should not be a reason that would
 justify a rise in the rate of interest. The incre-
 ase could cause much damage. Once it has been
 raised it is always more difficult to lower it
 again should business necessity require it On the
 other hand , even if the rate of interest is low
 when business is prosperous the shareholder will
 benefit. Whether this income comes in the form of
 interest for invested capital or in the form of
 dividends, it^{is} nevertheless, ready money in the p-
 ocket of the cooperative member.

- c) If a cooperative society makes a net profit, that profit will be distributed to the consumers who patronize the society on the basis of their purchases.

A merchant on fixing the selling price of his goods must take several factors into consideration. The first element is, of course, the cost price of the merchandise. He cannot by any means sell at a lower price than the cost price, nor can he afford to sell at the bare cost price. He must make allowances for all his other expenses and a fair profit for himself. Taxes, rent, heating, lighting, water and depreciation costs will all come into play. Salaries to employees, this includes himself if he is working in the enterprise, as well as a profit will also come in consideration. It is only after weighing the role of each of the above items that the price of his goods can be definitely set. Each sale is then calculated to bring to the merchant, over and above his legitimate salary, a fair profit. This profit goes to him in its

entirety.

The cooperative society behaves somewhat differently in the case of this net profit. It considers it as an over charge and therefore as belonging to the purchaser. Accordingly, at the end of the term it will be returned to the customers on the basis of their purchases. If the net profit permit paying 10%, then the person having purchased for a value of \$100. during the season will receive in refund \$10, while the person having bought for twice that amount will get \$20. This sum represents the customers dividend for the shares that he holds in the society.

In 1934 the Cooperative Trading Company of Waukegan, Illinois, held its annual meeting. The books revealed that the volume business done in 1933 amounted to \$500,000. After the cost of the goods were deducted, the wages of the employees taken off, interest paid on share capital, taxes paid, proper amount set aside to replace the equipment used and all other such expenses met,

it was found that there was more than \$10,000 left over. On the recommendation of the Board of Directors, the members present voted to give ~~the~~ this \$10,000 back to the members of the organization - 2% on every dollar of purchases. The customer whose purchases amounted to \$100 receive \$2, while another person who bought for a total of only \$10. received but 20 cts .

Now, if the Trading Cooperative had been ~~a~~ an ordinary corporation, the mode of procedure would have been somewhat different. The capital stock of the organization is \$70,000 . The members receive 4% on their invested capital. If the company has reaped any profit, those who had invested the \$70,000 would have received 4% on their capital and would have likewise shared in the net profits. In this way the customers ~~who~~ who were really responsible for this surplus ~~was~~ would have been completely ignored . Thus, the ~~rich~~ wealthy would be ~~increasing~~ increasing their wealth at ~~the~~ the expence of the less well to do.

In some cooperative societies the whole of the net profits is not returned to the members in the form of patronage funds. With the consent of the members a certain amount is set aside to defray the expenses of social services. These might take the form of hospital care, recreation grounds or buildings, educational centres, such as schools and libraries. This method of appropriating sums for social services is especially popular in the cooperative societies of Belgium.

ii) Secondary Cooperative Principles

- a) A cooperative society shall be composed of members who join voluntarily.

The cooperative society is not a company that forces its shares upon the public by "power salesmanship." The Rochdale Pioneers founded their cooperative society precisely to relieve themselves from this form of oppression, a cooperative society is not primarily a profit making organization.

The Pioneers found their society only after a period of intense study. After the foundation they experienced that it was good, fair and honest. The assurances that they required for themselves, they intended to give to future members. Accordingly before a person becomes a member of a cooperative society he is given an opportunity to study in order to become familiar with the organization and experience of the actual members. Only after these preliminaries is one admitted to a cooperative membership. In this manner at no time can the cooperative society be blamed for having forced upon anyone a disadvantageous adventure. When recruiting for new members is carried on, it is understood that no compulsion is to be exercised, but the people are to be accorded the very fullest of liberty and time required for investigation.

- b) There shall be unlimited membership. Person shall not be excluded from membership in a society except for the reason that his purpose is known to be that of doing injury to the

The cooperative society like other institutions of the kind aspires to expand, progress and bloom in prosperity for the benefit of all its members. In order to realize this accomplishment all the members are expected to cooperate, lend a united front. It naturally follows that all these aspirations and efforts become vain if within the ranks of the society are members whose not only refuse to do their share but positively work to the detriment of the organization.. This regrettable circumstance must be all means be eliminated and for this reason no dangerous element is to be given access to the society. This is positively the only instance that will justify the refusal of admittance to a desirous person. All people regardless of race or creed are the welcome aspirants to membership in a cooperative society.

The incorporation method of doing business a charter is granted the company and the number of shares to be sold are therein indicated

ated . These shares do not necessarily mean an equal number of purchasers. In fact one man might buy all of them. Thus, at the most there can only be as many members as there are shares. Prosperity in the business will mean prosperity for only a few individuals. Should the corporation desire to put more shares on the market, an amendment to the charter will be required. In the cooperative society, however, no specific number of shares is placed on the market. In fact, shares are made when they are required and can be so made indefinitely. The membership of the cooperative society is not limited .

The cooperative society is open to all consumers at all times. Man from a few hours after his birth is a consumer and remains a consumer until the embalming fluid is injected into his veins after death, The state of consumer is the most common denominator of all men. They may differ in color, size and nationality, but all are consumers, therefore prospective cooperative members.

c) Business shall be done for ~~cash~~.

Cash business in buying or selling is one of the golden rules in cooperative enterprises. Just as to this cash business policy can be accredited the success of many a cooperative society so to credit business is accounted the failure of a great many such societies. The cash policy is as old as cooperative societies themselves. Years of experience have added reason in favour of the Rochdale policy, difficult as it may seem.

Members before registering must be well convinced of the absolute impossibility of giving them credit without jeopardizing the interests of the whole society.. They must be taught never to ask for credit and never to expect it. The temptation to request the merchant to be kind enough to give credit is indeed great at times. members feel that they own the society and that they are entitled to trust in their own enterprise. After all

the cooperative is to accomodate its members and credit would indeed be a great accomodation in certain cases. This reasoning is utterly false and the cooperative member must not consider it. If credit appears to accomodate a few individuals, it is everything but advantageous to the society and the society is established for the benefit of all and not for only a few. Individual welfare here as elsewhere must be sacrificed for the common good. The cooperative manager, even though he is going business with friends and relatives, must gather enough courage to cast aside all sentiment and carry on on purely business lines. The prosperity of the business requires this at all cost.

An enterprise doing business on credit basis must necessarily have a good stock on hand in order to satisfy the needs of all the customers. The latter carry out the merchandise by arm full without leaving money behind

to renew the stock. The merchant is then unable to continue business on the same level as previously; his customers leave him. The inevitable consequence is failure.

Another major problem in credit business is the collection of debts. The future is uncertain for a great many people regardless of their unquestionable honesty. The best of people will buy on credit with genuine intentions of paying when required. The collecting time arrives and misfortune or the like places them in the utter impossibility of meeting with their obligations. It is indeed unfortunate for them ; it is more so for the business man whose business is endangered by such happenings. Facts are that there exists also a class of people who are not honest . All these facts in business life strengthen the numerous arguments in favour of cash commercial transactions .

It may happen that an occasional very deserving case might call for more consideration regarding the refusal or granting of credit. But even in these rare, isolated cases an exception in the cash policy is never recommendable. Credit to one deserving customer calls for credit to another deserving customer and still to another and thus indefinitely until it is too late for a return to the original policy without causing ill-feeling somewhere.

- d) Non-members may become members by letting their share of the net-profit be applied toward the payment of their initial capital.

A cooperative society, whether credit, producing or consumer, deals with its members only. However, the membership is open to all and to facilitate admission to less fortunate aspirants, this principle permits their using

their first net-profit in order to defray the cost of their initial share in the society.. After this debt has been cleared by the dividend, such members receive the cash refund just as the very first members of the cooperative society, This policy is altogether in line with the general aim of a cooperative society - aid the poor whenever and wherever possible. The history of cooperation abounds with examples of excellent members thus recruited.

- e) a portion of the profits shall
 b
 be used for educational purposes in the domain of cooperation.

The secret of business and prosperity in the commercial world rests undeniably in advertisement. Every business man knows this and very often his greatest investment is not in stock but in advertisement .The results are

tremendous. With little stock on hand and ~~g~~ ~~great~~ facility to replenish it, the business man can cope with all the demands of his clientele, ever increasing thanks to extensive advertisement. Radio programs, signs, news papers, fairs and other similar demonstrations are so many means at his disposal for the forwarding of his business enterprise. These elaborate means of advertising are very costly and it would be ridiculous to think that the promoter pays for it himself; it is the general public which is charged a surplus in order to compensate for this surplus of expence. Thus we account for the high cost of certain articles of necessity. It is the problem of competition.

In a cooperative society there is no competition and consequently advertizing is not necessary. The problem of increasing the clientele in a cooperative society is met with in an altogether different way. Each year a some is set aside for the purpose of educating the actual

members of the society and also, to gain new members. It is a method of personal recruiting such as we find in other social organizations. Just as under the competitive system of business progress is in direct proportion to the advertising agencies, so in the cooperative it varies directly with the energy and funds expended for educational purposes. In the former case the increase in number may be more considerable, but assuredly there is no comparison in the soundness and quality of the increase in patronage.

f) Goods and services shall be sold
at the prevailing market price.

" Prices at a cooperative store are just as high as at any other store, I do not see any advantage in dealing there." Statements are frequently made without other preliminary notions. The above statement might well be heard on the lips of one not familiar with cooperative methods, but never in the mouth of a good cooperative member whose educa-

tion in cooperation has taught more exact facts, It is true that products in the cooperative store are paid by the customer the same price as elsewhere where .A consideration of all the facts, however, will give these facts a different colour. Let us suppose that you buy a loaf of bread at your local store and you are required to pay ten cents . The loaf of bread has definitely set you back of ten cents no part of which you will ever see again . Now, let us suppose that you are a cooperative member and that you buy your loaf at you society store. You pay ten cents. There is a difference, however. You have not definitely parted with the whole of your ten cents. When the term is ended you will as all other members receive a refund of all surplus that you have been asked to pay during the preceding months. Your position is exactly that of a store keeper. He only pays the cost price for the goods that he takes in his own store .

There are good reasons why the cooperative society insists on sell^{ing} at the current market price.

In the first place sound business rests on the assurance that the income will at least meet all the expenses. Now, it is practically impossible to foretell with certainty the cost of operation. It is then logical that the society executive should first assure itself of sufficient income and this is positively certain when the sale price is that of the current market. Emergencies will come in the cooperative store as in any similar business. Meats, fruits and other fragile items are liable to loss and this also must be covered. Through the educational campaign the cooperative member is told all these facts, he is convinced that the society is a profit enterprise, but with this difference; the profits reaped are not in favour of any one individual in particular, but in favour of each one and all the members of the cooperative. The cooperative member knows full well that if he is required to pay the current price, if there is a surplus charge, it will be refunded to him in the

form of a dividend.

Price wars are invariably caused by some competitor's attempt to sell his goods at an inferior price . Competition is an enemy to cooperative progress, so that it is of no interest to the existence of a cooperative society to accentuate the bitterness of this competition by openly breaking the market price, especially , since its charging the current price is of absolutely no disadvantage . In daily occurrence small business enterprises are compelled to cease operation on account of price wars. Now, it might well happen that such a rivalry by a more powerful company could force a cooperative society out of existence to the detriment of all . A monopoly will then have been established in its stead.

- g) At each inventory, reserves shall be set aside to cover depreciation and unforeseen emergencies.

The Rochdale cooperative society showed itself above all very prudent in all its enterprises. It insisted on cash business, it adopted an educational system in order to ever strengthen its foundations and increase its membership with only the best elements, now this principle stipulates for protection against emergencies. The term depreciation is well known to all businessmen; it means a reserve to defray the expenses entailed by the wearing out of existing capital as well as providing for the replacement of the capital at a given time. Some business rest on the modern means of carrying on. It is evident that even though business appliances might still be of service, if they are incapable of keeping step with other more modern appliances, they must be replaced. The cost of the replacement is covered by the depreciation fund. The rate of calculation in setting a depreciation fund is usually such that it permits a complete renewal in ten years.

The capital of any enterprise needs to be replaced periodical, this the promoter knows very well and he makes provision for this by the item of depreciation. However, there are other emergencies to be foreseen. These are not so sure and regular as the wear of the machinery in a factory. There are fires, explosions accidents to employees, sickness and other like incidents must all be reckoned with by the cooperative manager. In the very first years of business the Rochdale cooperators experienced a deficit that would assuredly brought them ruin had it not been for their ample emergency reserves. In 1850 they bought a flour mill with the best of intentions but it proved a drain upon their profits rather than realize the aspirations dreamed of at first. A truly safe cooperative society must undergo periodic inventories - sometimes these are done three times a year. On the appointed dates business registers are revised and a reckoning of stock on hand is made. In this manner not more than two

or three months can elapse without the manager's knowledge of the exact condition of his business. In case of leakage appropriate remedy can immediately be brought before any considerable loss has been suffered. It is after such accurate checking of books and stock that a financial statement is made and sent to each member along with a notice of a meeting. At this meeting each member has his word to say with regards to the disposal of the net profits. When all necessary reserves have been made the members are allotted their dividends on the basis of their purchases.

h) Labour shall be fairly treated

It is universally acknowledged that wherever business is prosperous, there reigns a spirit of contentment amongst the employees. This is easily understood. Content and happy with their labour conditions, they endeavour to treat their employer as they themselves are treated by him.

On the other hand discontent removes the employees' minds from their work and not being interested their work is done accordingly with the inevitable losses to the enterprise. Now, the cooperative movement is a rational movement organized to relieve the distressed labouring class. And since this class is also by far the most numerous in society it follows that if they are made happy by fair treatment, happiness and contentment will reign. The community will be a better place to live in and that is the sole aim of the Rochdale Society. It intended to make an organization to assure themselves of this happiness in the community. If they were to expect fair treatment from employers, they engaged themselves to give the example. This policy has been faithfully followed from the first days of establishment down the years of development until to-day. The cooperative societies have so gained the confidence of experts that much of the business and legislature is framed along cooperative procedures. In 1934 the

British Parliament passed a law making compulsory in all of English industry the working conditions which the Cooperative Wholesale Society of England had established in its warehouses and factories .

- 1) Cooperative societies shall cooperate with one another

"United we stand and divided we fall" thus runs a well known proverb which experience has confirmed in all the walks of life. We have pointed out the enormous difficulties that a cooperative society has to encounter at its origin as well as in the course of its development. A cooperative society is an effective factor in a locality, but it is only one unit and has consequently a limited reach. The cooperative society is for the welfare of a whole class of people ; it is a national institution and must , therefore , be established throughout the country. Now, these national units will be

more powerful if they are united and form a strong front against competing enemies.

A union of cooperative cooperatives not only provides for mutual protection , but permits the carrying on of business on a larger scale and at better conditions . Apart from the fact that goods can be procured in greater quantities and consequently at cheaper prices, there is another advantage not to be despised . A number of consumer cooperative societies can group to establish their own wholesale houses and even their own industrial productive plants. This is available only in the hypothesis of union. This unity can be extended to the domain of cooperative education - greater and more effective means are possible. When an extraordinarily good and effective educational plan has been devised , it may be circulated around the country so as to benefit all the cooperative societies. Common action in cooperation is more effective than in most enterprises; it is always a source of progress .

CHAPTER 1V

CONCLUSION

1 Nature of Profit

Production is the effect of the coordination of three agents ; nature , capital and labour . All three are essentially necessary and any one of them failing production becomes impossible . Now, the selling price of the product resulting from the union of these three factors will naturally be based on the cost of production , Before the market price can be set labour will have to be allotted its remuneration in the form of wages and salaries ; capital will be remunerated by interest and the remainder which is the remuneration of nature is said to be rent . Now, if after rewarding labour by a salary, capital by interest and nature by rent, there is anything left it

is called profit .Profit is thus defined the surplus that remains after deducting the whole cost of production. This profit may vary in amount by reason of the nature , extent and circumstances in which the business is carried on. It is , however, safe to say that in normal conditions profits depend principally on two agents, exceptional abilities and exceptional advantages. The former is by all means the most important , since exceptional advantages are not lacking in the majority of cases, yet failures are recorded in too many instances . It is only justice to say that in general good business must be accredited to the competency of the management of an establishment. It is for that reason that we can very legitimately justify enormous profits going into the coffers of individuals. These exceptionally talented promoters are rather rare in this world and still, a great many business men apparently attract seemingly undue profits from their

business without any obvious title to them . This phenomenon , so frequent in our industrial countries, has lead students of social science to see a grave injustice done to the labouring class .

Karl Marx (1818 - 1883) has very forcibly emphasized what he termed a a fraud of the labours in favour of the capitalist .He advocated that this surplus should not return to the proprietor, but to the labourer who was really responsible for it . In is affirmations Marx was only repeating what Robert Owen (1771-1858) had enunciated ; "profits are the fundamental cause of all economic ills." These extremists sounded a key which created extensive studies on the subjected of profits with the result of an elaboration of deveral methods intended to distribute profits in a more equitable manner.

Karl Marx was definitely a Socialist and pretended that ~~thaxsnlyx~~justice to the labouring class was possible only when the State will have nationalized all meams of production . That is nd

acceptable to economists of sound doctrine for reasons that are discussed at length in all books of Political Economy. The most common existing method of profit distribution is found in our Stock Companies. Here again profits go to those holding the shares, not necessarily to the class more in need and to a certain extent entitled to it. Undoubtedly cooperative societies have a very definite advantage over all systems of profit sharing. It is not without its disadvantages, but in view of the tremendous good that accompanies this system of cooperation, it is towards it that we should henceforth turn all our efforts to study, understand and spread the movement in all spheres of our industrial activities. Other systems have not given the desired satisfaction, it is but just that we should turn to an organization which is absolutely sane and solid in its principles - a system which has given results far beyond expectation in other countries. There is no reason why we would not prove as able to develop cooperation in our midst and thereby

share in a greater prosperity .In all our difficulties , industrial or other, we have too readily followed the instructions of doctors who professed to know much more than the Sovereign Pontiffs. Without calling it "Cooperative Societies" Pope Pius XI in his encyclical on Social Order advocated this sharing in the profits by the labouring class.

" We deem it advisable that the wage - contract should, when possible, be modified somewhat by a contract of partnership, as is already being tried in various ways to no small gain both of the wage-earners and the employees. In this way wage-earners and other employees participate in the ownership or the management , or in some way share in the profits."

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