

T H E C O - O P E R A T I V E
M O V E M E N T

A THESIS PRESENTED

BY

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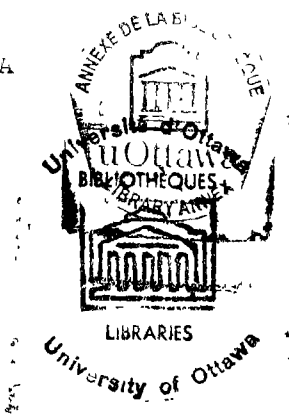
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T H E C O - O P E R A T I V E

M O V E M E N T

A dissertation on the movement, particularly from a Canadian point of view, showing the necessity for co-operation in our Canadian economy and way of life in order to check the present trend toward stateism and socialistic bureaucracies developing in Canada. It also aims to show that the co-operative movement, leading to co-operative democracy as the ideal social state, is not merely an ideology but is extremely practical and will solve our social problem of distribution, as no other system could solve it.

I N T R O D U C T I O N

1. The Nature of the co-operative Movement.

After many centuries of scarcity, man has finally learned how to produce great quantities of goods and commodities. Since the earliest times, it seems that things could not be produced quick enough to supply human needs. Today humanity has at its disposal an over-abundance of goods. Man has finally solved the age-old problem of production, but, in doing so he has created a new social problem of distribution, which latter problem threatens to become more serious than the former. In the year 1764, James Hargreaves invented his spinning machine. Then in 1774, James Watt invented the steam engine. These two events ushered in the Machine Age and the Industrial Revolution, which eventually solved the social problem of production. But the machines and the factory system brought great misery to a lot of people from the very beginning. Low wages, long hours and unemployment became prevalent. The resulting decline in consumer purchasing power led to the inequitable distribution of manufactured commodities. Abundance and poverty existed side by side and still do to this day. A solution for this problem of equitable distribution is the crying need of our time. The only social and economic system which has proven itself capable of solving that problem, without destroying our democratic way of life and system of government, is the co-operative movement. This movement works in an

evolutionary manner, without tearing down or crushing either institutions or governments. It is the democratic solution to the world's greatest problem.

It is difficult to describe the movement in a short definition. Probably the most concise and accurate one yet given was that of a recent Commission, which was appointed by President Roosevelt to investigate European co-operatives. It defined a co-operative in these words: "A co-operative enterprise is one which belongs to the people who use its services, the control of which rests equally with all the members, and the gains of which are distributed to the members in proportion to the use they make of its services."

There are two general classes of co-operative organizations which may be termed consumer co-operatives and producer co-operatives. One bears a necessary relationship to the other, just as the problems concerning the consumer are so co-related with those of the producer, that it is difficult at times to separate them. The Co-operative Movement, as such, embraces both producer and consumer co-operatives. It will be shown in this thesis that history has proven that the most successful societies have a tendency to originate from consumer initiative, as did the famous Rochdale Society itself. It seems that the logical development should be first from the consumer origin and then on to the producer field. Strangely enough, in Canada up to the present, producer co-operatives have played a more important role in the development of the movement than have the consumer societies.

Co-operation, wherever you find it, under whatever flag and however spoken on the tongue, rises out of need - not the need

of dollars to accumulate more dollars lifeless like themselves, but the warm living world-wide human need of men and women and their children for a better and a larger freedom - the Freedom from want and insecurity. In "Co-operative Plenty", J. Elliott Ross writes: "Because competitive private profit capitalism does not distribute a widely enough diffused purchasing power to buy its own products, it cannot balance production and consumption; depressions occur, unemployment is ineradicable, 3% of the population receive 33% of the national income, some few are immensely wealthy, while one third of the people are below the borderline of poverty." When one speaks of co-operation as an economic and social movement, one ordinarily thinks of the Scandinavian countries - Sweden, Denmark, Norway, Finland, those countries which have developed into shining examples of the "Middle Way", or one thinks of consumers' co-operation and Great Britain, the birth-place of the modern movement, with its huge Co-operative Wholesale Societies and hundreds of retail stores doing a big business in the interests of the millions of common people who make up the membership of British "co-ops". One does not usually associate co-operation with Canadian life, although co-operation in one form or another has long formed an integral part of community life, particularly in the rural districts of this Dominion. With the exception of our Western Wheat Pools, the Canadian Movement has not been considered a big movement.

The changed conditions in the last two decades have resulted in a changed outlook and there has been an amazing increase of interest and activity in co-operation. At the time of Canadian Confederation

Federation in 1867, about eighty-one per cent of the population was rural. The remaining nineteen per cent lived in cities, having a population of five thousand or more. To-day that picture has changed considerably. According to the latest statistics supplied by the Dominion Government only forty to fifty per cent are now rural dwellers, while the remaining fifty-five to sixty per cent have flocked to our industrial centres. These figures show how our Canadian economy has become more industrialized. With this highly industrialized economy have come serious social problems. In fact Canada to-day bears a striking similarity to England following the Industrial Revolution and that period which saw the beginning and the development of the modern co-operative movement.

2. Outline of Thesis.

The purpose of this thesis is to show the nature, the history and the development of the modern co-operative movement, which originated in England and which has become an important social and economic force throughout the civilized world. It will be shown that the movement developed from the deplorable conditions resulting from the Industrial Revolution and that the modern Movement traces its origin to the society of Rochdale Pioneers, which established the fundamental principles upon which all genuine co-operative societies are founded. It is the purpose of this thesis, as well, to emphasize the importance of an adult educational program in order to insure a strong and successful co-operative movement. Particular stress will be placed

on the study club as the practical unit of educational organization. It will be shown that the Co-operative Banking Society or the Credit Union is usually the first co-operative venture resulting from a properly organized educational programme and that, from the credit union, common people can proceed to the organization of a co-operative store. From the knowledge acquired in the operation of these societies, it will be proven that the ordinary masses are quite capable of undertaking more important co-operative ventures leading to wholesaling, manufacturing, production and ultimately to a co-operative democracy which, in the contention of this thesis, is the ideal social state, guaranteeing against national and international wars and providing for the establishment of social justice. It is the contention of this thesis to show that the Co-operative Movement can solve the great social problem of inequitable distribution, which has been so complicated by the ruthless capitalistic system.

Particular reference will be made, where possible, to the movement as it has or may have effect in Canada. One chapter will be devoted to the origin, history and development of the Canadian Movement, showing its phenomenal growth in the short space of a few decades. To give a better appreciation of the Canadian movement, the subject will be treated from the viewpoint of three regions, as it developed in Quebec, Western Canada and more recently in the Maritime Provinces. Experience has shown that Co-Operation advances more rapidly in rural communities, where it also accomplishes the most good in a shorter time. Since Canada is primarily an agricultural country and since agriculture is still our basic industry, the development of a much stronger co-operative movement is all the more urgent in this country.

One of the driving forces in the development of the co-operative movement in Great Britain was the inability of the ordinary man to buy decent food stuffs. Adulterated foods and an entire different class of goods for the working class than for other classes was the crying evil. As is to be observed, moreover, that the co-operative movement in England and Scotland has been and still is to a great extent a labour movement. It is only within recent years that a farmer, in England, would consider purchasing in a co-operative store. He considered those stores were simply working men's establishments. Furthermore until the chain stores came into Britain after 1929 and proceeded to modernize the shops, the co-operative stores and shops were a disgrace, so far as appearance, set-up and general handling of merchandise was concerned. They have now vastly improved as a result of this competition. On the other hand, the Danish Co-operatives are almost exclusively a farmers' movement. In that country the urban centres have not developed the Movement to any great extent. It is claimed that in no place in the world are farmers' co-operatives so thoroughly organized and on such a sound basis as in Denmark. In Sweden the Consumer Co-operatives are supposed to be the most soundly organized in the world. In that country the Movement is not a class movement at all, in the sense that it is in Great Britain or in the sense that it is a farmers' movement in Denmark. It is more in the nature of a universal movement with the idea not of replacing private enterprise, as is the hope in Great Britain, but the idea of so regulating it as to have it work for the good of all. In Sweden one hundred per cent co-operation means to the Swedish a monopoly. In Great Britain it means an ideal state. Next to Denmark, if not in advance of Denmark,

Sweden has the best system of adult education of any co-operative country anywhere. It also adopts the rather startling attitude that in manufacture it does not wish to manufacture one article more than the co-operatives associated with it can sell, while the English Co-operatives are prepared to manufacture for the entire world if it would buy from it.

3. Co-operation and Socialism Compared.

Co-operation, in its special and modern sense, refers to an organization of people as consumers for the purpose of producing and distributing commodities for their own use, on a collectivist basis. The movement resembles to a certain extent, the economic aspect of Socialism, both having their origin in the conditions created by the introduction of steam-driven machinery in industry. Numerous and varied experiments in co-operative effort were attempted during the first three decades of the nineteenth century, but it was not until 1844 that the Equitable Society of Pioneers of Rochdale, England, established in practice the form which is the basis of the recent success of the movement.

During the early days of the movement, up until very recent times, it may be said that it was purely utilitarian in character, the co-operative societies being formed solely for the mutual benefits derived from the enterprises conducted in their behalf. The stupendous growth of these enterprises, however, which in some countries are now serious rivals of private industry and trade, has of recent years developed a distinct co-operative social philosophy,

having nothing in common with Socialism except the general principle of collectivism. Briefly, it may be said that it is a purely economic movement, in contrast to the political aspects of Socialism, based on the fundamental principle of voluntarism , or free will, as distinguished from the coercion of majority rule contemplated by Socialism.

The process by which co-operative enterprise progresses is purely evolutionary, another contrast to Socialism, whose program may only be put into effect by means of a revolution, whether by force of arms or through a political upheaval at the polls. In common with Socialism, co-operation has as its ultimate object, the co-operative commonwealth of all humanity, but the ideal contemplated by the one differs markedly from that of the other. Under Socialism, industry and trade would be carried on, either entirely by the State, or by the State in partnership with the people as workers organized on broad industrial lines.

Co-operation contemplates a system of industry carried on by a national organization of the people as consumers, to be controlled by them democratically, quite aside from the politically organized state, the workers serving in the enterprises on the present wage basis, with the possible addition of some system of regulating wage questions and working conditions through joint boards. Socialism involves a more or less centralized control of the national industry. Co-operation emphasizes the local organization. While retaining full local autonomy, local societies federate for the purpose of carrying on enterprises involving large-scale operations, as in manufacturing, agricultural production, insurance, banking, etc., yet the big federations remain subject to the control of their local constituents, through periodic meetings of delegates.

4. Co-operative Development.

Historically speaking, the first local societies usually began business with groceries in England, and with bakeries in Belgium, France and Switzerland. With growing success other distributive enterprises were initiated, such as clothing, dry goods, shoes, etc., until now the larger societies supply all their members with all the necessities of life and many of the minor luxuries. Federation was first effected for the purpose of manufacturing, but later these federations acquired land and engaged in agriculture, as in the case of the British societies, which through their two national federations, the Scottish and the English Wholesale Societies, grow tea on several thousands of acres of tea plantations in Ceylon and India, grow wheat on vast tracts in Canada and raise dairy products on farms at home.

The movement has made comparatively little progress in this country, up to the period of the first World War, but since then there has been considerable development. Within the last decade the growth of the co-operative Movement in Canada compares favorably with its growth in some of the European co-operative countries. It has made phenomenal strides in Eastern Canada, where it is frequently termed the "Antigonish Movement". Eastern Canada now leads the Dominion in Consumer Co-operation.

In Great Britain the greatest development has been achieved, the enterprises of the movement including the largest flour mills, boot factories, bakeries in the country, the membership of the local societies including over five million heads of families in 1933.

In Switzerland approximately half the population is affiliated, while in Russia until recently, a great amount of the distribution was carried on through co-operative stores. Before the first World War the membership of all co-operative societies in Europe, including Asiatic Russia, was about eight million. In 1933, the total membership was estimated at about forty million.

The history of co-operation down through the ages to the present time will now be dealt with in the succeeding chapter.

C H A P T E R I

THE HISTORY OF CO-OPERATION

1. Human Slavery.

It is very difficult and practically impossible to learn the full story of co-operation, even that of our own time. What is possible to be learned is merely the visible effects, as recorded in the pages of history. History does show that since the earliest times and all down through the ages, the idea of slavery prevailed in some form or other in human relationships. The worker was to be considered a machine to be kept as long as he was useful and then to be discarded when his labour was of no more value. This social state of human degradation reached its zenith in the eighteenth century, about the time of the Industrial Revolution.

For at least five thousand years of recorded history human slaves competed with animal power. In Egypt, human draft animals were used to build the pyramids. Human man-power, which was chained to oars, propelled the great Roman cargo and grain ships across the Mediterranean Sea. It was these same human engines that drove the ships of the great Spanish Armada in its naval engagement with the battleships of the British fleet as late as the sixteenth century. As far back as 1500 B.C. human power was used to turn the millstones of that era.

In the early Christian Era there developed mutual aid societies, such as burial societies, which were formed even in the time of Jesus Christ to console and comfort desolate humans and to teach them that even though their bodies would be thrown to the dogs or burned after death, yet they had a better world to look forward to. Even before the Christian Era, history records the banding together of men into small societies for the purpose of protecting themselves against individuals and a world that was too strong for them. These were usually religious groups, who held their goods in common to be shared by all the members when the need arose. Down through the Middle Ages there existed Guilds which were forerunners of the labour unions of the present day. These guilds were instituted for the benefit of a privileged few in order to protect the secrets of their craft, which were handed down from master to apprentice.

Notwithstanding the existence of these scattered societies, the general structure of society from the dawn of history down to the early nineteenth century was that of master and slave. It is interesting to observe that even in the time when Athens was supposed to have reached her greatest glory, there were over a half a million slaves and only ten thousand freemen. Likewise in the heyday of Roman culture, slavery had reached its most advanced form. This is what one Roman farmer writes to another at that time:

"Treat your slave as is his value. Feed him well, give him a good bed, work him hard but not beyond his limit, and sell him before his teeth wear out."

This is the manner in which we might speak of a horse today, but it was quite a common reference in those days and even in the Middle Ages

in England. Gradually through the long, slow process of civilization, men realized the injustice of human slavery and shifted the burden to animals. As far back as the time of Abraham, we read in the Old Testament that oxen and donkeys were put to work. Sheep were trained and domesticated at an early date, but it must be remembered that horses were not used generally to alleviate human labour until less than two hundred years ago. In modern times steam and power-driven machinery are alleviating animal and human labour more and more. The important thing to remember is that labour was not taken off the back of the human slave until a fairly recent date and that down through history human labour in the most degrading forms was the lot of the underprivileged and the socially weaker element of human society.

2. Early Reform Movements.

Different forms of human society exist today and have existed from the very beginning of human history. Man has always lived in a society. In fact man is not unique in this regard because no living being is entirely solitary. We even find communal life practiced among the animals. This is a God-given instinct implanted in the animal world to perpetuate the species. Especially is it necessary in the care and preservation of the young. We cannot find a record anytime showing that social relationships did not exist among men. We have the family, the tribe, the clan, the village, the community and the nation which represent different stages of social relationship.

It is also to be noted that the history of humanity is a history of social struggles, of one community endeavouring to conquer another community and thereby widening the power and increasing the wealth of the economically strong. It is a history of the struggles of masters against slaves, of the under-privileged class against the privileged class within the communities themselves and among the nations.

In Palestine among the ancient Hebrews, we find probably the first reference to an outward condemnation of exploitation of the masses. Among this ancient people there was also evidence of community life and co-operative action. The ancient Hebrew prophets, such as Isaiah, Ezekiel and many others vehemently attacked violations of social justice. They denounced selfishness as a motive in human action. These prophets did not separate the ethical principles of religion from economics and politics, but in their zeal maintained that moral principles should be carried over to the economic and political fields. There was also a sect among the Hebrews known as the Essenes, who were perhaps the first in history to live in a community life and to practice co-operation in a genuine way. The members of this sect cultivated the land in common. They held their goods in common and they ate at a common table. This sect is here mentioned to illustrate that community life and group-action were practiced in human society a long while before the time of Christ. History also proves that there were mutual aid societies in ancient Greece, in Italy and the old Roman Empire.

Some historians claim that there was a time in history when all men were considered equal, when everything was held in common,

and poverty was unknown. Ancient philosophers and moralists refer to this period as "The Golden Age", but there is no definite historical or anthropological proof that this age did exist. In this regard this is what the famous Roman philosopher, Seneca had to write:

"The social virtues had remained pure and inviolate before covetousness distracted society and introduced poverty, for men ceased to possess all things when they began to call anything their own. The first men and their immediate descendants followed nature, pure and uncorrupt. How happy was the primitive age when the bounties of nature lay in common and were used promiscuously; nor had avarice and luxury disunited mortals and made them prey upon one another. They enjoyed all nature in common, which thus gave them secure possession of the public wealth. Why should I not think them the richest of all people, among whom there was not to be found one poor man."

These same views were shared by the early Christians, many of whom practiced the ideal of community life and did not foster the principle of private property. Ernest Renan writes in The Apostles that:

"all then lived in common, having but one heart and one soul. No one possessed aught that was his own. In becoming a disciple of Jesus a man sold all he had and gave the proceeds to the society. The chiefs of the society then distributed the common goods to each according to his needs. The concord was perfect; there was no quarrel over dogma, no dispute over precedence, The tender memory of Jesus effaced all dissensions. The recollection of these first two or three years lingered as that of an earthly paradise, which Christianity was thenceforth to pursue in all its dreams and was vainly to seek to recover."

The village community is the oldest form of communal life which was not of a purely voluntary nature as the one described above. This type of community was established in various parts of the world and particularly in Russia until the time of the first Great War.

It still exists in many parts of India to this day. Custom was the chief factor regulating life in these communities. The community generally was self-sustaining and the economy was definitely co-operative.

In reviewing the history of the development of the co-operative movement, it is important to mention three classes of people who represent our middlemen today and to show how they were regarded by the common masses of the people even during the Middle Ages. These were: a)- Foretallers who were people, who bought or contracted to buy goods or commodities on their way to a market or a port for the purpose of increasing the price or preventing the supply of these goods. b) Regrators who were people who bought commodities and resold them in the same market for a higher price. c) Engrossers who were people who bought food supplies such as corn, grain, fish, cheese, butter or other food with the intention of selling it again. Even down to the year 1800, the English have in both the Common Law and Statute Law made such practices a legal offence, confirming the ancient and traditional customs of the people. From this it can be deduced that this practice of middlemen, or those standing between the producer and the consumer, endeavouring to make money from both, was not only frowned on by the masses of the people, but was also illegal.

3. The Guilds.

The efforts of the common people to gain the ownership of the land from the privileged group of landowners in England and other countries throughout the world comprise one of the most dramatic

and difficult tasks in history. The untiring efforts of men to lift themselves from servitude to freedom and to recover the use of the land for co-operative agriculture is even more outstanding. Along with this effort to regain the land for co-operative agriculture, the workers in the towns were striving likewise to secure freedom and decent conditions for living. This latter group set out to accomplish their purpose by means of associate effort through, what came to be known as, guilds. These guilds represented a continuation of the old voluntary co-operative associations that were known in Rome and Greece. They were better organized than the workers' associations, which existed in the earlier days. The exact origin of these guilds is a matter of historical controversy. Suffice it to say here, they did exist and represented a definite form of co-operative effort.

These guilds took the form of friendly and benevolent societies and very frequently were organized as trade unions to protect the interests of merchants and businessmen. In a surprisingly short time these guilds formed the back-bone of the struggle which the labouring classes waged to regain some of their liberties, which were unjustly taken from them in the course of time by the land-owning and aristocratic, ruling classes. The history of the world especially during the Middle Ages is a history of strife and miseries endured by the masses of the people in their desperate efforts, oftentimes manifesting itself in blood and sacrifice, to secure social and economic justice for themselves and for generations to come.

4. In the Seventeenth Century.

In the seventeenth century there was a radical party, which originated in England and became known as the "Levellers" party. This name was applied to this group because their principles stood for the abolition of all social inequalities among the different classes and the general trend of their doctrines was a social levelling. The outstanding leader of the movement was John Lilburne. Their program was incorporated into a charter known as "The Agreement of the People". It is to be observed that the ideals and doctrines which were preached by the members of this group and for which they were imprisoned are the very democratic principles, which we cherish and deem so necessary today. Some of their tenets were: that all men are to be equal before the law, and that no man was to be imprisoned for debt. They advocated our current concepts concerning the constitution of Parliament and Parliamentary procedure on a democratic basis.

From the seventeenth century onwards there have been volumes written on social and economic questions. It was this period in history which witnessed the dawn of the new capitalistic order which produced such men as Bernard Maudeville who certainly had no use for social justice or co-operation. This individual representing so many of his time preached that it was sort of a natural law that some people were predestined to live in luxury while others were born to labour and to want. There was no such thing as the rights of the people and economic justice. In Fable of the Bees, he writes:

"In a free nation where slaves are not allowed, the purest wealth consists in a multitude of laboring poor".

Some patrons of the new order endeavoured to compromise the religious thought of the day with the ruthless and greedy capitalistic individualism. On the other hand we find zealous champions of the labouring class, such as Peter Chamberlin in 1649, stating that the source of all wealth was labour and that since the workers produced the wealth, they were the back-bone of the nation and as such should receive all national benefits. In 1659, Peter Cornelius Van Zurik-Zee wrote a book entitled: A Way to Make the Poor in These and Other Nations Happy. In this book, the author urges the formation of small commonwealths or voluntary co-operative societies for the purpose of carrying on trade and commerce. He even goes farther and states that the profit from these societies should help to build schools, where the principles of co-operation could be learned by rich and poor alike. He strongly urges that free medical care should be given to the poorer classes, thereby enabling them to appreciate the advantages of co-operation. John Bellers, who was a Quaker at this same time, sponsored a co-operative agricultural plan which would operate in colonies of a definitely fixed size. Both of these men were the forerunners of co-operation as we have it today.

5. In The Eighteenth Century.

The eighteenth century generally saw the further transfer of ownership from the people to the governing classes, especially that body who sat in Parliament and made the laws mostly to serve their own ends. The different workers' associations and the guilds were gradually suppressed by Parliament which passed legislation

making it unlawful for societies to be formed for the purpose of sponsoring programs that would foster the economic or political betterment of the masses. During this century the farmers gradually lost all control over the ownership of land, so that the worker on the land, at the beginning of the nineteenth century, had no property of his own and could not legally belong to an organization which might defend his rights.

Reference is here made particularly to England, but what is said about England applies almost to every other European country at this period of history. In France for instance there were outstanding writers, who prepared the people for co-operative ideals not only in France but in other parts of the world. Such a one was Morelly who said the problem of social reform was "to find that state of things in which it should be impossible for any one to be deprived or poor." There were other famous French social writers such as Babeuf, Robespierre and Charles Fourier. Many authorities credit Robert Owen, as the founder of co-operation. It is known that Owen received many of his ideas from the writings of Morelly and was greatly influenced by him.

In order to take the ownership of the land away from the common labourers there were a series of acts passed by the privileged Parliamentary class, enclosing the land. The first of these was passed in 1606. By the beginning of the nineteenth century, seventeen hundred such acts were passed. Between the years 1800 and 1844, two thousand more were passed. By 1760 over four thousand acres had been enclosed and by 1810 over five million acres of the common land of England had been grasped from the poor landowners. Thorald Rogers wri-

tes about this as follows:

"From 1663 to 1824 a conspiracy, concocted by the law and carried out by parties interested in its success, was entered into to cheat the English workman of his wages, to tie him to the soil, to deprive him of hope and to degrade him into irremediable poverty."

The great Industrial Revolution in the last half of the eighteenth century added further to the sad plight of the working classes. A great exodus from the country places to urban centres was caused by mechanical inventions in weaving and spinning and in many other industries. The chief characteristics of the Industrial Revolution might be classified as follows: a) the great displacement of labour, b) the congestion of the population in industrial communities, c) the speed up of work accompanied by low wages, long hours and despicable working conditions. Under this new system female and child labour became an increasingly difficult problem.

6. In The Nineteenth Century.

In the early part of the nineteenth century there were a number of Commissions appointed to investigate these industrial problems. It was discovered that children as young as four years of age were employed to tend these machines. In some instances women were found to be working by crawling on their hands and knees with a chain about their waist and passing between their legs. Children at times, were forced to work for sixteen hours a day. In 1817, a bill to alleviate these deplorable conditions was passed by the House of Commons in England, but was defeated in the House of Lords. When speaking on

the bill this is what the Earl of Lauderdale had to say:

"If machinery were to be employed, boys would still be exposed to as much danger as they were hitherto. He objected to this bill because it was not fit for the legislature to lay down rules of humanity to individuals; because, by doing so, the very principles of humanity would be rooted up; far greater cruelties would then be practiced than any which the bill meant to provide against. It was impossible, without great injustice and public inconvenience for their lordships to legislate on subjects of this kind. It was somewhat of the same nature with the bill for regulating the labor of children in cotton factories; and with the poor laws. These latter originated in a mistaken spirit of humanity, the attempt to enforce which, by law, had produced effects the very opposite of those which were intended."

This reflects the mentality of the English ruling class towards the lower labouring class at this period in history. It was not until 1864 that female and child exploitation in industry was abolished in that country.

In other parts of the world these pent-up resentments to such unjust social conditions, finally manifested themselves in the American Revolution which broke out in 1776 and the French Revolution which began in 1789. The popular sentiments in both these revolutions were the same as those entertained by the labouring classes in England, but in England such a revolution was frustrated by severe and brutal means on the part of the ruling class, before it could make sufficient headway. The Declaration of Independence which culminated the American Revolution has this very significant clause:

"We hold these truths to be self-evident that all men are created equal, that they are endowed by their Creator with certain unalienable rights; that among these are Life, Liberty and the Pursuit of Happiness. That to secure these rights governments are instituted among men, deriving their just powers from the consent of the governed."

The French Declaration reads:

"Men are born and always continue free and equal in respect of their rights. Civil distinctions therefore can be founded only on public utility. The end of all political associations is the preservation of the natural and imprescriptible rights of man; and these rights are Liberty, Property, Security and Resistance to oppression."

7. The Chartist Movement and Beginnings of Modern Co-operation.

In England, in the year 1837, a carpenter named William Lovett drafted what became known as "The People's Charter" for the London Working Men's Association. The aim of this charter was to instigate a political movement which would agitate for the political liberation of the labouring classes, which would eventually lead them to economic security and independence. The charter outlined the following six salient points: a) universal adult suffrage, b) annual parliaments, c) equal electoral districts, d) abolition of the property qualification for members of Parliament, e) the secret ballot, f) the annual remuneration for parliamentary members. The petition for this charter received wide circulation throughout England and when it was finally presented in the form of a bill to Parliament in 1839, it contained 1,283,000 signatures. The Bill was defeated and Lovett was imprisoned for his radical views. As a consequence, the Chartist Movement after a period of about ten years agitation finally petered out, but before doing so it did help to keep alive the popular feeling for the necessity of social and economic reform and also paved the way for the advent of the Co-operative Movement. It was in this atmosphere that Co-operation arose in order to improve

man's condition in life by offering a practical programme to make capital serve labour instead of labour serving capital, as it had done in the preceding centuries.

Many staunch Scotsmen claim that the first co-operative supply organization was formed in Scotland in the year 1761 and was known as the Weavers' Society of Fenwick. At least this seems to be the first modern co-operative of which there is any documentary evidence. The Scotch had other early co-operative societies such as the Govan Victualling Society which was established in 1777; The Lennox Town Victualling Society which was formed in 1812; and the Larkhall Victualling Society which was established in 1821. In England a co-operative friendly society was established at Castle Eden in the County of Durham in the year 1793, in order to provide sick and funeral benefits as well as loans to its members. There were other co-operatives established in England taking the form of corn mills at Hull and Barham. These different efforts for mutual aid are sometimes collectively referred to as the philanthropic period of modern co-operation. It was a time when there was much suffering and hardships in England due to the Napoleonic Wars. It was a time in English history when many able and well-meaning men were working on the reform ideas and social panaceas. Among such men were William Cobbett (1763-1835), Thomas Spence (1750-1814), Thomas Paine (1737-1809), William Ogilvie and the outstanding men who popularized a labour system of economics such as William Thompson (1824), Thomas Hodgkin (1825), and John Gray (1825).

8. Robert Owen.

There were many reformers and reform movements, which endeavoured to remedy the social ills following the Industrial Revolution. Many well-meaning individuals initiated movements to solve the serious problem. All these movements, although praiseworthy, ended in failure. To sum up the causes of their failure, it may be briefly stated that the majority of these reformers were not men of the labouring class, but sincere philanthropists, who advocated schemes which lacked essential democratic control. In other words, these people were working from the top down. They were anxious to change the existing social system in too short a time. Most of these reformers were striving towards the co-operative ideal, but they were approaching this goal from the wrong angle. An outstanding man in this regard was Robert Owen, often referred to as "the greatest and the most unsuccessful man in the Co-operative Movement". He was probably a little too theoretical and impractical in his endeavour to remedy the existing social injustice. He was a co-partner in a big factory at New Lanark and decided to operate his factory in such a way that it would serve as a model to England and the rest of the world. Many authorities credit him with being the real father of Modern Co-operation. He was born in England in 1771, Owen was a business genius and at the early age of twenty he was manager of a cotton-mill, employing over five hundred persons. When he was twenty-eight years of age, he entered into a partnership for the purchase of the New Lanark twist mill. It was in connection with this mill that Owen carried out some of his most practical and successful experiments. When the Lanark mill was

taken over, Owen found that, of the two thousand employees, there were over five hundred children employed. The homes of these employees were hovels. The men, women, and children were working under the most degrading circumstances in unsanitary and badly-lighted shops. As soon as children reached the age of seven they were sent to work, often under a cruel manager. In New Lanark itself the public houses were infamous. The habits of the people were crude and very primitive. Within the short space of fifteen years, Owen so transformed New Lanark and the mill that a future Tsar of Russia went to England to study the cause of the transformation; and the father of Queen Victoria took the greatest interest in it. New Lanark became the happiest, healthiest, and most virtuous village in the civilized world.

Owen set himself the job of improving the working conditions of the labouring classes. He had better houses built for the workers. He initiated and sponsored campaigns for cleanliness and thrift. He established a number of retail stores where goods could be supplied to these workers at fair prices. These stores were operated on a profit-sharing basis. He shortened the hours of work and established the first kindergarten ever known in England. He even went so far as to organize another company in which the profits on invested capital were limited to five percent, the balance being distributed to improve working conditions in every way. This is now a fundamental principle of co-operative enterprise. Owen kept insisting all through his life, that Parliament enact legislation to do away with child labour. In 1820, he saw his efforts partly rewarded in this regard. The fundamental philosophy guiding the social reforms

of Owen was, that the only way to abolish poverty was for the workers themselves to own the machines and the shops.

Owen was not enthusiastic about the consumer co-operative store as it exists to-day. He claimed that joint stock retailing was not the ideal economic system. He did advocate the industrial village community. He was probably the first man to initiate effectively a programme of education as a necessary step to improve the economic and social conditions of the lower classes. He claimed that education was essential to human progress; that the avenues of knowledge should be made available to all humans regardless of class or station in life, because a man's character was the product of his social environment and that only through education would the environment be so changed so as to enable men to achieve happiness and social justice. He far surpassed any prophet of his time in the range of his reform ideas. He sponsored a system of schools for old and young; the establishment of a department of state to publish the condition of labour, unemployment and wages in each district in a quarterly publication; laws restricting hours of labour and the employment of children; drastic revisions of the poor laws; and co-operative enterprises of a certain type only.

Robert Owen was a great idealist, probably too much so. Among his different social ventures was the purchase of a huge tract of land in Indiana, U.S.A. Here, on about thirty thousand acres of land, he endeavoured to set up his model workers' community at New Harmony. Owen was realistic enough to know that in his time machinery had come to stay. His ideal was to have a good location around the factory on which would be erected good and sanitary living

quarters for the workers. These workers would have their own family apartments, but would nevertheless own in common, work in common and eat in common. Unfortunately the families which were chosen for this venture were not of the right type to get along together. After three years of fruitless endeavour and quarreling about religion and politics among the workers, Owen's experiment ended in failure. It is estimated that Owen lost \$200,000.00 of his own money in this venture. He returned to England in 1828. After his return he took an active part in the labour union movement; and shops, which were organized and operated according to the Owen plan, sprang up all over central England. Marketing organizations and co-operative stores were also established. Owen died in 1858. One by one his stores and his other co-operative ventures died. Eventually, the three hundred co-operative societies which had sprung up in that land, went out of existence, but Owen's ideas lived among the people. In his autobiography he sums up his life's endeavour as follows:

"We did without the necessity for magistrates or lawyers; without a single legal punishment; without any known poor's rate; without intemperance or religious animosity. We reduced the hours of labour, well educated the children from infancy, daily improved the condition of adults, diminished their daily labour, paid interest on capital and cleared upwards of 300,000 pounds profits."

9. Doctor William King.

Some claim that the real father of co-operation was Dr. William King and not Robert Owen. Dr. William King was born at Ipswich in 1786. Unlike Owen he was from a wealthy family and had an

excellent university education. Owen had come up from the ranks of the workingmen and was a firm believer in the power of money to force results. Dr. King, unlike Owen, from the very beginning realized the great truth that co-operation cannot come from without - that it is born within the co-operator and that whatever success any co-operative group may attain is theirs to be worked for and won. Doctor King became aware of the unhappy plight of the lower classes when he was assigned to St. Bartholomew's hospital, which was one of London's large hospitals serving the poor. With the able help of Elizabeth Fry of "the Congregation of the Friends", Dr. King organized his first co-operative venture known as a "District Visiting Society", the object of which was to encourage frugality, to relieve distress from sickness or other causes and to prevent petty graft. King tackled this work with the greatest enthusiasm. Within a year, the workers of Brighton, under his supervision had put about five thousand dollars into a "provident fund".

From the outset King's work differed from Owen's. Robert Owen worked from the top down and poured his money into the betterment of factory conditions, in order to help the underprivileged. Owen threw his wealth into one venture after another and used his influence against the capitalistic system of his day and he charged each failure to the lack of capital or the lack of numbers. King, on the other hand, believed in the tremendous power of little savings on the part of the people themselves, until the little things should become great. King believed that the initiative should come from the people, no matter how hopeless that initiative may seem. Like the great doctor that he was, he knew that for the patient's cure much depended upon

the patient himself, in the social world, as in the medical world. Dr. King's great prescription for social and economic ills was co-operation. He took great interest in popular education, both for old and young. He assisted in establishing an infants' school and a mechanics' institute. In 1827, with his aid, the Brighton Co-operative Benevolent Fund Association and the Co-operative Trading Association were both established.

In 1828, Dr. King began the publication of "The Co-operator", a small paper, for the purpose of diffusing the knowledge of the principles of co-operation and group action among the uneducated masses in England. His paper explained these fundamentals in clear and simple language so that all the common people of the land would understand. Dr. King stressed that the two great enemies of human happiness are ignorance and capitalism, which produce crime and poverty. In "The Co-operator" issued in August 1828, Dr. King writes about the weavers as follows:

They might have a shop of their own, where they might deal for everything that they wanted. Their shop would enter into co-operation with other shops serving the public. - The working classes should begin by having shops of their own. These shops should belong to a small number who should form themselves into a Society for that purpose. They should deal as much as possible with their own shops - by which, each society would receive the profit upon the run of the shops, which now goes to shops in general, and by which profit, and by which alone, all the rich shopkeepers in the world grow rich and make their fortunes. We say it is this profit alone that maintains the splendor of all the merchants and companies of the world. The London merchants, the Liverpool merchants, the Bank of England, all make their fortunes out of this profit.- If this be so, the working classes have the strongest possible motives for opening shops for themselves."

After a co-operative society was organized at Greenwich, King attempted to lay down certain principles upon which the co-operative store plan should be based. His views, as taken from his articles in "The Co-operator", may be summarized as follows:

1.Objects: Mutual protection against poverty; a greater share of the comforts of life and independence by means of common capital.

2.Method: A weekly subscription of not less than twelve cents to the common capital, which was to be used in trade rather than in investment, then in manufacturing and ultimately, after sufficient capital had accumulated, into the purchasing of land. The manager of the store should be a member of the society. The weekly subscriptions should be given to three other members who act as trustees. Profits were to be added to the accumulating capital. All the members should be of the producing class. They should have good health, be of good character and be from eighteen to thirty-five years at the time of joining. The society should meet regularly. There should be regular educational programmes. These were the co-operative principles and doctrines, as they appealed to Dr. King and which he kept bringing before the eyes and minds of his readers in "The Co-operator".

His writings did bear fruit and societies did form throughout central England, along with those which sprung up on the Owen plan. The common people were slowly beginning to realize that the essentials of co-operation were labour, capital, and knowledge. In the April issue of "The Co-operator", 1829, Dr. King writes: "Fifty-six societies upon the principle of co-operation have been established." The next month he writes: "There are sixty-three".

In the last number of "The Co-operator", in 1830, Dr. King states, that the purpose of his paper has been fulfilled.

"The principles of co-operation have been disseminated among the working classes and made intelligible to them. The certainty of success, if those principles be acted upon has been demonstrated and three hundred societies have started up to put these principles to the test."

Dr. King was disillusioned as the next few years had proven; nevertheless it can be truly said that his life's work toward social reform was not wasted. Although most of the societies set up on the King plan ended in failure, he surely sowed some seeds of the real Co-operative Movement in the hearts of men and women. Like Robert Owen, history gives Dr. King credit for his share in encouraging the co-operative ideal. It is unfortunate that all through the years when the great Rochdale movement was gathering momentum, there was little or no mention made of this great man. Many authorities think that Dr. King may have enkindled the flame which glowed so gloriously at Toad Lane.

10. The Philosophies of Owen and King Compared.

About half way through the second decade of the nineteenth century, Robert Owen submitted his plan of social reform and co-operation for the relief of unemployment by the establishment of co-operative communities or villages. Owen's co-operative village was intended to be a certain defined area settled by a community, which would cultivate the land and carry on industrial operations in common. Owen originally intended that the capital necessary to finance these ventures was to be supplied by the government, but later he recommended

that this money be provided by humane and charitable institutions. He realized that an educational programme was necessary if these people were to administer properly the affairs of these communities. Owen realized that this education should be primarily concerned with character building and that men had to be trained not only to think but to act. He did not think that a special system of training would radically change an individual human being, but that collectively men would respond to a system of moral training and character formation. Owen's aim was a new and better order based on social justice, which would be attained by giving special training to the individual in a different environment, which would be specially created for that purpose.

Dr. King, on the other hand, advocated much the same social philosophy as did Robert Owen, but he would attain his objective in a different way; by organizing the purchasing power of the masses through societies, which would sell the necessities of life that were needed by all and then from the profits of these societies, furnish the capital necessary for the establishment of these local communities. King was firmly convinced that in this way the masses of the people, even the under-privileged classes would be able to abolish poverty and crime and eventually attain comfort and financial independence. King realized that the only obstacle to such a programme was ignorance, and so he, like Owen, advocated a system of character training and moral education so that the people would be better equipped to have access to useful knowledge.

11. Labour Exchanges.

It is estimated that by 1832 there were about four hundred co-operative stores in England, the majority of which died a natural death after an average existence of about three years. As a result of these early co-operative endeavours, there arose a system of Labour Exchanges. The first of these was said to be organized by Josiah Warren at Cincinnati, Ohio, in 1828. Warren was associated with Owen in "The New Harmony" venture. These exchanges were zealously supported by both Owen and King. Their purpose was to enable the workmen to exchange among themselves different articles which they had made. For instance a shoemaker would exchange a pair of shoes, which he had made for labour notes, which showed the value of shoes in labour and material. The labour computed arbitrarily at six cents an hour. The shoemaker then made purchases with these notes or left them on deposit for his credit. In time, these notes were exchanged at the stores of outside merchants for various commodities. It has been estimated that these exchanges, at one time, had an annual turnover of \$250,000.00. Eventually they got into the hands of crafty and deceitful business men, who ran them for profit and this caused them to deteriorate and finally go out of existence.

Palgrave's Dictionary of Political Economy refers to Labour Exchanges as follows:

"It must be said that these notes cannot fairly be compared with ordinary bank notes. They were not issued for profit or on a calculation of probable demands for payment, but simply to effect the exchange of two supposed equivalents, both actually existing at the time of the exchange. Over issue

was impossible, for the goods might be said to go with the notes, as with bills of lading. In theory they were always convertible. If depreciation occurred it was because of the spread of disbelief in the possibility of carrying out the conditions of the scheme and not, from the nature of the case, owing to an issue beyond the needs of the public."

12. Early Co-operative Ventures In England.

In England there was a considerable amount of co-operative activity from 1820 onward. A number of periodicals and papers were established to support the movement, but after a short life, all disappeared from circulation. In 1827, the first Co-operative Congress was held in Manchester. To show the aims of this earlier movement, the following is an excerpt from a resolution passed at one of these congresses in 1832 at London:

"Let it be universally understood that the grand ultimate object of all co-operative societies, whether engaged in trading, manufacturing or agricultural pursuits, is community in land. - To effect this important purpose a weekly subscription either in money, goods or labour, from a penny to any other amount agreed upon, is indispensably necessary, to be continued from year to year until a capital sufficient to accomplish the object of the society be accumulated."

Both economic and political agitation continued in England after the passing of the Reform Bill in 1832 to the time of the development of the Chartist Movement.

In the year 1840, the suffering and hardships of the English lower classes had reached a new high. Strikers were becoming prevalent, scores of people were actually starving to death and there was a great deal of talk about revolution. The world-wide depression that followed the Napoleonic Wars had especially hit England. The Co-

operative stores of the 1820's had disappeared and the voice of Dr. King was no longer heard and probably forgotten. Robert Owen was lavishing his wealth on humanitarian ventures, but apparently all to no effect. He was not accomplishing what he wished to accomplish. He was often misunderstood because he did not get to the roots of the social problems of the day. He was working, as before from the top down.

It was at this seemingly hopeless time in history that a small band of common workingmen and one woman assembled together and decided upon a co-operative project that was eventually destined to shake the world. These were men in middle life who had known something of the earlier co-operative movement. They realized the tremendous advantages of co-operation, but what is most important they saw the reasons for its failure in the past. They had seen the King stores crumble and the Owen ventures disappear. They studied the reasons why co-operation was a failure in previous years and they found the answer. This little group of common ordinary weavers did not start out in a small way as far as ambitious aims were concerned, but they laid before themselves one of the biggest social programs in history. Here are the objects laid down in their constitution:

"1. The objects of this society are to form arrangements for the pecuniary benefit and improvement of the social and domestic conditions of its members, by raising a sufficient amount of capital, in shares of one pound each, to bring into operation the following plan and arrangements:

...

2. The establishment of a store for the sale of provisions, clothing, etc. The building, purchasing or erecting of a number of houses in which those members desiring to assist each other in improving their domestic and social condition may reside. To commence the manufacture of such articles

as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages. As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment or whose labour may be badly remunerated. That, as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education, and government: or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies. That for the promotion of sobriety a temperance hotel be opened in one of the society's houses as soon as convenient."

13. The Rochdale Idea Grows.

Little did these simple pioneers realize that their venture would one day grow into the biggest business in England and from England would spread around the globe. In the brief span of one hundred years, Co-operation has grown into a business giant that has hundreds of millions of dollars invested in warehouses, goods, ships, farms and plantations, which represent the earnings of the faith and loyalty of common people who possess very little money. The Co-operative Movement now has its magazines, its papers, its schools, its music, its banks and credit societies, its sales and distributive associations. It now embraces services as varied as the needs of the people who constitute its membership. No capitalists supplied the money that built the ships, which plow through the Indian Ocean, carrying tea, nor through the North Sea bringing the bacon, nor through the Atlantic loaded with wheat, nor coming from all over the world with cargoes of fresh butter or cargoes of wool; all bringing co-operative products from millions in other lands to feed and clothe the co-operative millions in England, Scotland and Ireland.

It was not the private bankers, but the little people of England who built the great co-operative warehouses, from their often meagre earnings, on the banks of the Mersey. It was from the earnings of these simple people that were built the great flour mills, where the grain is ground into flour, where the tea is made ready for distribution to the consumer, where the wool is turned into thread and the thread into cloth.

Little did the Rochdale pioneers visualize that in such a short time, the great business centre of the English Co-operative Wholesale Society would rise in the modern city of Manchester, which would serve over six million members in England and Wales alone. Likewise in the city of Glasgow in Scotland stands the great Scottish Co-operative Wholesale Society building. In Ireland, the Irish Agricultural Wholesale Society was established later, in the year 1918. These are tremendous businesses today, having a combined paid-up share capital amounting to \$600,000,000.00 and the different co-operative stores carrying a stock-in-trade amounting to over \$150,000,000.00, with total investments exceeding \$750,000,000.00. Then in Europe, we will find today millions of co-operators scattered through the Low Countries, France, Germany, Denmark, Norway, Sweden, Finland, and Russia. Likewise in South America, Canada, Australia, the United States, Southern and Middle Europe, Egypt, India and Japan.

Following the example and adopting the system of the Rochdale pioneers, co-operative stores sprang up all over England in a relatively short time, because the patronage dividend, instituted by this group, proved to be a much stronger persuasive influence than ideals of community on land.

In Europe and the continental countries there were co-operative societies in existence, which were similar to those prevailing in England about the beginning of the nineteenth century. There were in Germany, the two forms of co-operative credit agencies one of which was started by Schulze-Delitzsch and designed primarily to serve industrial workers, the other was started by Frederick Raiffeisen and was designed primarily to serve the small farmers. These men were responsible for the origin of the co-operative bank or modern credit union, which will be explained fully in another chapter of this thesis. Shortly after the opening of the Rochdale Store in England, this new type of co-operative store was introduced into almost every country of Europe, where it fitted in with other co-operative organizations which had sprung up in those countries, independently of any contact with England.

14. In North America and In Canada.

On the North American Continent, co-operation began in much the same way as it did in England and other European countries. In this country, the early pioneers found that mutual aid was necessary to blaze trails and open up the vast new expanse of territory. Crude co-operative or mutual aid societies were formed from the first days of colonization. There were many isolated enterprises long before there was a unified movement. As far back as 1794, a co-operative boot and shoe factory was organized by workmen in Baltimore, Maryland, and a similar co-operative was established in Philadelphia by unemployed workers in the year 1806. In the early part of the nineteenth century

history records that farmers and mechanics set up warehouses for goods which were purchased at wholesale prices and then retailed at cost price to those who had contributed to the purchasing fund. There were also mutual insurance companies established in Philadelphia even before the nineteenth century. In 1810, a co-operative dairy was organized in Connecticut and later on "The Association of Farmers and Mechanics" opened co-operative stores throughout New England.

There were two important organizations which sprang up on American soil and which greatly aided in the development of the Co-operative Movement on this continent. The first was "The Patrons of Husbandry" later known as "The Grange", which was established in the year 1868. In the constitution of this society, the following clause appears:

"We propose meeting together, talking together, working together, buying together, selling together and in general, acting together for our mutual protection and advancement, as occasion may require."

This society established a large number of branch stores, which were organized on the Rochdale pattern. By the year 1874, the society claimed that it was saving its farmer members at least \$12,000,000.00 annually. This organization proved to be so successful that the industrial workers decided to found a similar organization for their mutual benefit and set up "The Sovereigns of Industry" in 1874. In the constitution of this second organization we find the following clause:

"Our order is for the purpose of elevating the character, improving the condition and as far as possible perfecting

the happiness of the labouring classes of every calling. Our order will aim to cultivate a generous sympathy among its members and a supreme respect for the rights of others. We propose to have purchasing agencies through which the consumers reach the producers direct, without so many needless middle-men, who do nothing to merchandise but add to its cost... In short, the order is for the hard-hand workers, the real producers of wealth, and its purpose is to enable them to control the whole of what they produce, and exchange it, as near as may be even, with other hand workers, thus saving to themselves the fortunes which those who are devoted to manipulating other people's labour and getting rich thereby, have theretofore taken by extortion."

The members of these two societies worked together and in some cases they sponsored joint co-operative stores. At times the members of a "Sovereign Store" were admitted to memberships in a "Patron" store and vice versa. Unfortunately these two enterprises were practically ruined by incompetent management, severe private competition and hard times. The Sovereigns went out of business in 1878. The Grange is still in existence, but the range of its activities has diminished considerably.

Co-operation began in Canada, in much the same way that it did in the United States. In the early nineteenth century farming was the dominant occupation and it is among farmers that co-operation is first evidenced. We find one of the first agricultural clubs at Windsor, Nova Scotia, in the year 1765. Another was organized in Quebec city in 1789, under the patronage of the Governor-General, Lord Dorchester. We find that branches of "The Patrons of Husbandry" were introduced from the United States into Quebec in the year 1872 and into Ontario in the year 1874. Due to international feeling these societies did not survive, but instead a purely Canadian organization known as "The Dominion Grange" was incorporated under a federal charter in 1877. Branches of this organization were then set

up throughout the country especially in Western Canada. The development of co-operation in Canada will be treated at length in another chapter of this thesis.

For the purposes of this thesis, certain salient aspects only concerning the development and history of the co-operative movement have been referred to in this chapter. To give a complete history of co-operation from the time of its origin down to the present and to trace its history in different countries would involve a task which is not the purpose of this thesis and would moreover require volumes of writing. It has been shown that the modern Movement had its origin in England and from there spread to the rest of the world.

The co-operation that bloomed and bore fruit in England and Scotland, the consumers' co-operation of the Rochdale Pioneers, led and still leads, that of the rest of the world. This is in part because the Industrial Revolution came in Great Britain sooner than it did on the Continent and in America. The changes that were transforming England from a land of small villages into factory cities preceded similar changes on the Continent by at least a generation. The Industrial Revolution reached America in full force only after the Civil War, a full century or more after it had begun disrupting the lives of Britain's millions.

But by the Eighteen-Forties that Revolution was in full swing in France and Germany and the Low Countries. It was sweeping through northern Italy. It was disturbing the ancient life of Denmark, Sweden and Norway. Mutterings of its thunders reached into the valley of the Danube and over the land of the Tsars, where Finland and Poland

and the lesser lands of the eastern shore of the Baltic lay struggling under the paw of the Bear.

1848 was a year of hunger and revolution. It was a year when Germany's revolutionists met disaster in their attempt to found a republic. It was the year that gave Karl Schurz to America as one of her greatest adopted sons. While Schurz was escaping the hangman's noose to become a soldier and a statesman of freedom in America, Frederick Raiffeisen of Weyerbusch in Westerwald, a poverty swept valley of Germany, was shaping his plans for the little banks that bear his name and girdle the world today. The essence of his plan, like that of the Rochdale Pioneers, was "self-help". Like those Pioneers, he struck at the problem nearest to human beings. At this time in history there were poor peasants living in famine-swept villages. In America, as well as in European countries, their crops, their cattle, their houses and their household goods were mortgaged to "loan sharks", who were demanding their pound of flesh.

In order to better illustrate the social evils which were one of the outstanding causes leading up to the establishment of modern Co-operation, the nature and the effect of the Industrial Revolution on society will be explained in the following chapter.

C H A P T E R I I

THE NEED FOR THE CO-OPERATIVE MOVEMENT

1. The Effect of the Industrial Revolution.

In English history the Industrial Revolution is referred to as the period from 1760 to 1830. It marks out a very distinct era in the history of England. The Industrial Revolution developed from the invention of machinery, mostly in the cotton and mining industries. This period has sometimes been referred to as the "machine age". As a result of the discovery of machinery, men quickly realized that they could amass huge fortunes by the operation of these machines. This development naturally reacted upon the employers of labour, because it opened up new avenues of wealth and power to them. The philosophy of the age was: the cheaper the labour, the greater the profits; the more profits, the greater the wealth; the greater the wealth, the more power. Strange as it may seem, this philosophy prevails today. The old idiom "money talks" is a different mode of expressing that wealth is power. The wealthy individual or class of individuals dominate governments in every quarter of the globe and really constitute the power behind the throne.

Most authorities on the Co-operative Movement agree that the Industrial Revolution and its immediate aftermath was one of the main causes if not the principle one leading to the development of the co-operative idea and the necessity for group action. The most

outstanding authorities also agree that Capitalism developed tremendously in this era. This capitalistic system which grew after the introduction of the machine age, shows the far-reaching effects such a system was to exert, even up to the present time, on the lives of every individual man, woman and child.

In his book "Dynamite", Louise Adamic writes concerning the Industrial Revolution as follows:

"Before this, the worker with a pair of able hands and a set of good tools had stood on fairly even terms with the master; he had produced directly for purposes of consumption and, indeed, had consumed much of his own actual product. Now, however, the factory system was becoming general. Tools yielded to machinery, immense factories appeared employing thousands of men, women and children. Suddenly machines were of greater importance than hands. Labour depended upon conditions created by machinery. Skilled mechanics, once proud of their crafts, were now reduced to common labourers, mere appendages, servants to the machines. Labour became a commodity on the markets no different from raw materials, or coal. Its object was no longer to produce, but to keep the machines going for the enrichment of their owners. All human considerations in industry became secondary to the accumulation of great fortunes by those who owned the machines and the raw materials."

It soon became evident that the men employed to operate the machines were placed in the same category as the machines themselves. They received a very meagre wage, which was not enough at times to provide a decent livelihood and to maintain the physical strength necessary for their work. When they became exhausted, they were displaced like other worn-out machinery. Other hands were quickly obtained in the open labour markets which came into existence.

Describing these deplorable conditions, in the year 1860, Thomas Hughes wrote:

"Employers treated the labour of their men, which was in fact the lives of their men, on the same principles as those on which they treated a dead commodity. They most vigorously applied to it the same law of supply and demand as they applied to any other commodity, thereby putting the living man and inanimate things on the same footing."

There developed a new "laissez faire" doctrine during this industrial epoch. Social legislation would not interfere on the grounds that such action was contrary to true democratic principles. Suddenly a new class of manufacturer and industrialist emerged controlling great wealth and consequently power, which extended over the lives of individuals. In his book, The History of the Rochdale Pioneers, G.J. Holyoake writes:

"These fortunes were made with unexpected suddenness, and their size was often as unexpected as their rapidity. There was little time for the growth of those stable traditions which are the foundation of most enduring social habits. The unbalanced effect of sudden rises in social and economic position is notorious in human experience; it does not need elaborate historical evidence. So it is not surprising that there was a callous selfishness in the new industry. The story of the evils of the factories and the mines is one of the best known and the most ghastly in all history."

The Industrial Revolution caused many evils in the social environment especially of the working classes. Not only was the effect noted in England, but as the machine complex spread to other European countries, it brought along with it the same serious problem of unemployment. Millions of men, the world over, were thrown out of work. These poor individuals could not earn a livelihood for themselves or their families. This same problem was not only peculiar to the time following the Industrial Revolution, but has prevailed down to the present day, especially in highly industrialized coun-

tries. In Canada the problem has at different times in our history reached serious proportions. This unemployment problem reached its peak during the famous or infamous depression which struck this country in the years from 1930 to 1934. It then became so serious that it verged on the catastrophe of an internal war, not only in Canada, but in countless other countries throughout the civilized world.

Unemployment has been one of the direct results of the Industrial Revolution and has developed into a problem which up to the present time, not a single so-called civilized country in the world has solved. At various times in our history the problem seems to be solved when the nation finds itself at war or engaged in the preparation for war. Manpower is always at a premium in such a national crisis. This is surely a poor democratic solution and one very unworthy of our loftiest democratic ideals.

Referring to the evil days leading up to the introduction of Co-operation and to show the depths to which social standards had fallen, following the introduction of the "machine age", the following extract is taken from a Statute of Edward VI. It refers to the necessity of dealing with the poor and unemployed who were becoming very troublesome at that time. The preamble reads:

"that partly by the foolish pity and mercy of them which should have seen godly laws executed"

in order to safeguard society, it was enacted that

"If any person shall bring to two justices of the peace any runagate servant, or any other which liveth idly or loiteringly by the space of three days, they shall cause that idle and loitering servant or vagabond to be marked with a hot iron on the breast with the mark of "V", and adjudge him to

be slave to the same person that brought him for two years after, who shall take the said slave and give him bread, water, or small drink, and refuse him meat, and cause him to work, by beating, chaining, or otherwise, in such work as he shall put him unto, be it never so vile; and if he shall absent himself from his said master, by the space of fourteen days, then he shall be adjudged by two Justices of the peace to be marked on the forehead, or the ball of the cheek, with a hot iron, with the sign of an "S", and further shall be adjudged to be a slave to his said master for ever."

This Statute depicts the mentality of an age which, we living in the twentieth century find it hard to understand; but in the light of those times it was nothing out of the ordinary. Following the Industrial Revolution it was soon discovered that female labour could be bought more cheaply than male. Women were employed in the mines, where oftentimes they worked, half-clothed in the bowels of the earth under extremely poor conditions. Later young children were also employed. There was a series of attempted reform movements to abolish female and child labour; but the owners of big industry, due to their wealth and power, were strong enough to defeat such humanitarian endeavours. The story of these reform movements and their leaders is one of the most interesting and dramatic in the annals of English history. Suffice it to say, at this point, that some were temporarily successful and did accomplish some good, but most of them were ultimately defeated.

Within a short time the industrial workers, as a group, became extremely poor, physically weak, wretched and often immoral. Probably the most pathetic of all the consequences was the fact that these people were not being educated. Most of them became very depraved and extremely illiterate. This class of people did not have the

necessary money to send their children to school and moreover they were frequently discouraged in many ways from furthering the intellectual advancement of themselves and their children. As a further result of all this, this class of people became so illiterate and consequently helpless that eventually they could do very little to better their unhappy condition.

England is being here referred to specifically, but what was peculiar to England in this regard existed also, in practically every other European country, especially France and Germany. The great need for education in furthering the co-operative movement, will be stressed in other chapters of this thesis. The Rochdale Pioneers knew from their own experience the hardships caused by illiteracy and the great need for education. This important factor was particularly stressed by them and it was incorporated as one of their fundamental co-operative principles that the society should set aside from the profits annually, a reserve fund which could be drawn on to educate both the members and the non-members of the organization, not only in co-operative fundamentals, but also in general knowledge.

The Industrial Revolution was detrimental not only to workers in industry, but also to rural farmers throughout England and other countries. New profits which accompanied farming made English land owners eager for more land. The wealthy landlord, alone, had the money to buy the new machinery coming into existence. These wealthy farmers soon crushed the competition of the small farmer and they were influential enough to have legislation passed which safeguarded their interests and neglected the small farmers. The invention of labour saving machinery also effected the rural farmer in another

way. Such machinery could be used only in large factories. These were generally situated in urban localities. This brought a tremendous change in the previously self-sufficing rural community. The different craftsmen, tradesmen and other specialized workers, all of whom previously played an important part in the life of the rural community, began to desert these isolated districts and congregated in the growing urban centres, where the newly discovered machinery greatly aided them to produce their product with more efficiency.

This is one of the outstanding consequences of the Industrial Revolution, which is seldomly stressed by authorities on the Co-operative Movement. This exodus from farm to city created a very serious social problem in the past and is still one which has not yet been given a proper solution. Rural communities, then, ceased to be self-sufficing. This condition prevails today especially in Canada. As a result the farmer, instead of producing all that he required, began to buy from urban centres. The farmer today still has to buy his clothing, his farm implements and practically everything he consumes from the industrial centres. The important point to observe is that in the aggregate the produce that the farmer has to sell does not bring in enough money to cover the cost of his necessary imports from the urban communities. This is what is taking place in the agricultural industry. In other words, to explain it briefly, the farmer's cash output is increasing faster than his cash intake.

The Industrial Revolution was a definite milestone marking a very important change in the history of mankind. It marked the introduction of an era of mass production. While the owners of great factories and machines became rich and powerful, wealth gradual-

ly concentrated to an astounding degree. Workers throughout England and the rest of the world began to mobilize and in a collective voice demanded the destruction of machinery and a return to the old modes of production. This demand often manifested itself in physical violence and public rioting which had little or no effect. Eventually underground and secret societies began to make their appearance. The ordinary labourers became desperate but all to no avail, because the owners of big industry became powerful enough to have legislation passed which made unions and labour societies unlawful organizations.

Such were the conditions which existed in society on the eve of the establishment of the Rochdale stores. The Rochdale Pioneers had lived in this environment of frustration and had witnessed the failure of countless organizations, attempting to better the plight of so many poor people. They realized that co-operatives following the Owenite plan were not sufficient. These fearless people started out on a new venture of their own. Their experiment was successful beyond their most optimistic expectations and it developed into the famous Co-operative Movement which has done so much to alleviate suffering humanity in practically every quarter of the globe.

2. The Modern Need for a Change and a New Social Philosophy.

This present world conflict, in which we now find ourselves engaged, is merely one phase of a great world-wide revolution, which is enveloping practically every quarter of the globe. It is not merely a war of tanks, guns, ships and aeroplanes, but it is primarily a war of ideologies. It is a war of one social system versus another

social system. It is a war of ideas. Generally speaking, it is the totalitarian ideal of government, representing the socialistic extreme of centralized power, endeavouring to enforce its principles upon countries which have learned to know and appreciate the democratic ideal that fosters the growth of freely established institutions and social principles. It is a war of democracies versus dictatorships. If our way of life is to survive, it is important that we win this war. It is equally important that we have a new social order in our democratic countries following this conflict.

Through a long and stady process the system of free enterprise, which has grown up in our democratic countries, has developed into a capitalistic state, which in many respects threatens to undermine democracies and frustrate the very aims of our democratic ideals. The capitalistic tendency has reached a point where it is seriously curtailing the freedom of individuals in the state. If this tendency is allowed to proceed unchecked, it will eventually lead to a socialistic state where all power, both in industry and government, will become vested in a small group at the top.

One of the principal clauses recently written into the famous "Atlantic Charter", was "Freedom from fear." Freedom from fear is necessarily a negative aim. The positive aim would be to give men the conviction that they have a worthwhile part to play in the social and economic life of their respective communities and in the world at large; that they are wanted and needed; that they have a definite place and a particular role to play in society. This was true at one time in our history, before the advent of large scale industry; before the advent of the railway and internal combustion engine which now

enable people to travel from one point to another with alarming speed. Men were then part of their community. They performed a definite function and were known to the other members of their community.

To-day, everything in industry and social relationships is on a much larger scale. Human beings, in their economic and social activities, are becoming "hands" or "black-coated workers". In his political activities, each individual is just one of several million voters. During the terrible depression of 1930-1934, millions of citizens were thrown out of employment and were actually starving to death. We had bread lines, hunger marches and relief, which, in many countries, including our own Canada, bordered on the verge of internal revolution and chaos. The irony of this situation was that at the very same time there were individuals in the country, who had more food and money than they knew what to do with. Except in war, these people could not feel that they mattered; that they were useful and necessary members of society and that they had a very important role to play in furthering the common good of humanity.

In our social order, the tendency has been and still is towards increasing centralization and organization into ever larger units. This tendency inevitably leads to a bureaucratic social order and ultimately to a totalitarian state in which all control is vested in a very small group at the top, or in one individual. If our democratic way of life is to survive, even though we win this conflict, it will be necessary to reverse this process of centralization and to start now laying the ground-work for a decentralization and a devolution of responsibility. It will be necessary to rescue the small man from the rising tide of large, impersonal, inhu-

man organizations and institutions. If the ordinary every day citizen, is once more to feel that he is a human being, who is called upon to play a part, however insignificant, and to take an intelligent interest in the management of the affairs of his community and through that community, in world affairs, we must simplify our present highly complex industrial and social system.

In North America, the record of the past century, and particularly of the last fifty years, has been one of the most extravagantly wasteful exploitation in the history of the world. Under the competitive capitalistic system the immense resources of this continent have been gutted and the net result has been that a few hundred families have become wealthy to a degree unknown in history, a few thousand families have reached the millionaire class, and a number of great monopolistic corporations have been set up. Yet in spite of the lavish wealth produced, some fifty million people in the United States, Canada and Mexico have no real investment in the country. Even in a partially co-operative economy, that is, in a capitalistic society with a strong co-operative movement, such as Sweden or Denmark, the wealth produced in this country would have been distributed more evenly among the people.

3. What the Popes Have to Say.

That things cannot long go on as they are, is admitted on all sides to-day. The average citizen realizes that we have come to a major turning point in our society. We must, so many people declare, do things differently than we have in the past if we are to

enjoy security and peace in the future. The world to-day is moving in the direction of group action. We should not delay until we find ourselves being herded into group action by a bureaucracy which will enforce its particular programme with military power. We should, as intelligent citizens, choose a desirable type of group action - one that is sane, constructive, democratic,- the beginning of a new order which we can erect within the framework of the old without upsetting or tearing down. In order to do this, it is submitted that we should give more serious thought and attention to the possibilities of the Co-operative Movement.

In the early days when our communities were served largely by one-man enterprises, capitalism was a democratic practice. Men were then economically free. No one man controlled or could control the lives of thousands of his fellow men. It is vastly different to-day. The result is that in our democratic countries to-day, we have a virtual dictatorship in our economic life.

Pope Leo XIII, in his famous encyclical letter, Rerum Novarum writes:

*But all agree, and there can be no question whatever, that some remedy must be found for the misery and wretchedness which press heavily at this moment on the large majority of the very poor. The ancient workmen's Guilds were destroyed in the last century, and no other organization took their place. Public institutions and the laws have repudiated the ancient religion. Hence by degrees it has come to pass that working men have been given over, isolated and defenceless, to the callousness of employers and the greed of unrestrained competition. The evil has been increased by rapacious usury, which, although more than once condemned by the Church, is nevertheless, under a different form but with the same guilt, still practiced by avaricious and grasping men. And to this must be added the custom of working by contract, and the concentration of so many branches

of trade in the hands of a few individuals, so that a small number of very rich men have been able to lay upon the masses of the poor a yoke little better than slavery itself."

Pope Pius XI says:

"This concentration of power...is a natural result of limitless free competition which permits the survival of those only who are the strongest, which often means those who fight most relentlessly, who pay the least heed to the dictates of conscience... The sacred law is violated by an irresponsible wealthy class, who, in the excess of their good fortune, deem it a just state of things that they should receive everything and the labouring class nothing... This concentration of power has led to a threefold struggle for domination. First, there is the struggle for dictatorship in the economic world itself; then there is the fierce battle to acquire control of the government so that its resources and authority may be abused in the economic struggle; and finally there is the clash between states themselves."

Again in Quadragesimo Anno that great social reformer

Pius XI, wrote:

"It is patent in our days, that not alone is wealth accumulated but immense power and despotic economic domination are concentrated in the hands of the few and that those few are frequently not the owners but only the trustees and directors of invested funds, who administer them at their own good pleasure... Free competition is dead; economic dictatorship has taken its place... The whole economic life has become hard, cruel, relentless in ghastly measure."

Once more in Quadragesimo Anno, Pius XI outlines the Catholic doctrine concerning this so-called economic liberalism. He writes:

"Just as the unity of human society cannot be built upon class warfare, so the proper ordering of economic affairs cannot be left to free competition alone. From this source have proceeded in the past all the errors of the Individualistic School. This school, ignorant or forgetful of the

social and moral aspects of economic matters, teaches that the state should refrain in theory and practice from interfering therein; because these possess in free competition and open markets a principle of self-direction better able to control them than any created intellect. Free competition, however, though within certain limits just and productive of good results, cannot be the ruling principle of the economic world. This has been abundantly proved by the consequences that have followed from the free rein given to these dangerous individualistic ideals."

4. Co-operation is an Answer.

The majority of our people have been taught to believe that money and goods are synonymous. If they have the money they can easily acquire the goods. Most people believe that money is a sort of magic wand which, when waved, will get the goods. These people should be taught that the ownership of money does not mean automatically that goods can be obtained; that goods are the important thing and that we cannot have more than there actually are; that money is only a medium of exchange. Instead of educating the masses of people to think and act for themselves on their own initiative and to plan their own economic development in their respective communities, everything is, on the contrary, being done to maintain old illusions. People are shouting for more personal freedom, and at the same time, a planned world. The stage has been reached where choices must be made. For example, they can have a certain amount of muddle and a considerable degree of liberty, or they can organize themselves like a beehive or an ant-heap so as to get maximum efficiency, but necessarily under a restrictive discipline. An unlimited free competition is, by its very nature, bound to cause hardship to a large number.

Fear must necessarily be abolished from a sound social order. Both the fear which a man has that he may suddenly find himself thrown out of his job and in consequence deprived of an income, and the fear which his community has in its struggle to obtain the necessary imports.

The great question now confronting the democracies, is whether we have the courage and vision to reconstruct our civilization, or whether we, too, must first go through a period of utter collapse and then start again from the beginning. It is my contention, in this thesis, to show that the present framework of a democratic society can be readjusted and reconstructed by the adoption of true Co-operative principles. The principles of Co-operation will demand great willingness to make sacrifices, to accept changes which inevitably will bear hardly on some people and most difficult of all, to get rid of preconceived, long-cherished notions, more particularly about money, and the convictions which have flowed from them. People will have to be taught to recognize that the object of making things is not to get money. The object of production is consumption. We must produce things because people wish to consume them. The system is wrong, absolutely wrong, which requires us to produce things and then use high pressure salesmanship to persuade people to buy them against their better judgment. Under our present capitalistic system the largest amount of money goes to the people who manipulate money, who produce nothing, and whose activities are frequently against the public interest. Our economic thinking must be re-orientated and consequently a great deal of our social and political thinking as well.

There is a great need for our rural population, especially our Canadian farmers and fishermen, to learn the secret of successful co-operative marketing and the basic principles of merchandizing. Our small community dwellers have to learn how to hold a fair share of the new wealth that they produce in their rural community to build up their schools, churches and homes, and to maintain a standard of living equivalent to that found in the urban districts. When the country and the city are both prosperous the nation has a sound permanent foundation, but if either one is inefficient and backward, the commercial structure of the nation is, on the whole, unsteady. The general commercial trend in democratic countries, especially ours, is individualistic rather than co-operative. The average individual does not control enough of any important commodity, nor has he sufficient funds to begin effective merchandizing in the highly organized, competitive field which is to-day, dominated by monopolistic interests and huge combines, working in national and international fields.

One of the principal aims of the Co-operative Movement is to teach people to think and act on their own initiative, not to act as individuals, but to act together as a well organized group, which will work towards a certain end. Every individual will contribute his share toward the attainment of that end and will derive the benefit of group action in proportion to his contribution. The human mind has unlimited possibilities. If this reservoir of human intelligence was properly tapped, and the flood therefrom properly directed, this world would be transformed to a happier state in a very short time. Rugged and ruthless individualism, which is prevalent in small communities to-day, has developed into a national individualism, which,

has become our greatest international problem and one of the main causes of strife and hardship in the world at large.

The primary purpose of the Co-operative Movement is to work towards the realization of the fourth freedom as it is outlined in the Atlantic Charter,- "The Freedom from Want."

From our forefathers, we in the democracies, have inherited religious, educational and political freedom. It is our task to achieve for ourselves and then to pass on to future generations the benefits of economic freedom. It is obviously our big problem to abolish poverty, to liberate the poor people, and to break the chains of monopoly. In the new economic order the organization of consumption must take precedence over the planning of production. In the world to-day that order is reversed, the general mass of consumers is at the mercy of the producers. As consumers we purchase the commodities, and only the commodities, that the producers wish to give us. Not only that, but we pay the price for these commodities, which the producers demand. In the new order, which Consumer Co-operation would foster, the producer must produce what the consumer wants to consume, rather than the consumer being required to consume what the producer wants to produce.

The capitalistic system was useful and did serve its purpose when the problem of humanity was one of production. It is not serving its purpose when the problem of humanity, is now one of distribution. Capitalism has outgrown its usefulness. Abundance for all can only be gained by consumer co-operatives being developed to become the common denominator of producer groups, and to release farm, labour, business and banking groups from their natural tendency

toward monopoly restrictions. When the ordinary individual awakes to his power as a consumer, and when consumers arise from their lethargy and begin to organize themselves, then we will be well on our way towards that freedom which we all desire. Justice Louise D. Brandeis, a distinguished American economist, once truly said:

"Emancipation can come only through the utilization by the people not only of their power of production (as producers), but of their own purchasing power (as consumers)."

It is interesting to note that one of the most influential conservative papers, the London Times, has said that we cannot achieve freedom from want and freedom from fear unless and until we

"make the consumer, not the producer, the starting point of policy. The organization of consumption takes precedence over the planning of production."

Mr. Neil S. Beaton, president of the Co-operative League of the United States, in a recent address to the British Co-operative Congress very timely stated:

"...by education and practical example our Movement has sought to prove that the poverty of the many can only be supplanted by "plenty for all" when competition makes way for co-operation as our rule of life. What is true of national affairs is also true of international affairs."

The Co-operative Movement sponsors democratic control by all, through the principle of voting on the basis of persons rather than property. Its principle of patronage returns on purchases results in the internal control of a co-operative economy on the basis of cost without profit, rather than price including profit. When business is done on the basis of price, including profit, it must be done in part on credit - which eventually results in the transfer of

ownership of nearly all productive property, as well as the distribution of an excess amount of consumption goods into the hands of a few. To illustrate more clearly, we assume for the sake of example that the total production of any nation was, in its early days, \$1,000,000.00 at retail prices. We also assume that the total productive costs, as well as the distribution expense, amounted to \$900,000.00. There would remain in the hands of the owners \$100,000.00 of goods, after they had consumed all that they could, for which there would be no market, since the producers and distributors could only buy back the amount represented by the pay they received. The only way to dispose of the excess \$100,000.00 worth of goods, which represented the profit of the owners, would be to sell them on credit and take "debt tokens" in some form. It is very interesting to observe, according to the most recent and reliable statistics, that this process which has been gradually augmenting in American commercial history has now resulted in the startling reality that two per cent of the American people own eighty per cent of the American wealth. A similar process in England has developed to a less extreme degree, six per cent of the English people owning eighty per cent of the wealth. This is the culmination of the principle of a price-profit economy under which we have been living.

After this war, the world and every nation in it, will be in a state of turmoil. There will be two huge and gigantic problems facing people, one will be the problem of reconstruction and the other will be the problem of reorganization. For the world will have to be both reconstructed and reorganized if we are to achieve the democratic ideal in our social and economic institutions. The

great national and international problems confronting peoples in the pre-war period might be summarized in the one problem of distribution. Even in the midst of our greatest so-called depression period, which reached its zenith in 1933, there was an over-abundance of produce and supplies. There was plenty of food, clothing and the other necessities of life along with a superabundance of luxuries, yet people were starving and dying from want. The world's goods were not properly distributed among the peoples within any one nation or among the nations themselves.

There is nothing to guarantee that such a condition will not return in the post war years. The ordinary people must construct a social system now, which will safeguard against this evil. The Consumers's Co-operative Movement, which has been in existence for over a century, has already proven to the world that it not only is an ideal social system, but that it also is a workable social system. It has solved many perennial social problems both in communities and nations. It has accomplished much good and solved problems which no other social system could solve by using democratic methods. One has only to point to a nation like Sweden or Denmark to illustrate the greatness of the Consumer Co-operative Movement. In Canada, where the movement is really in its infancy, we point to the Maritime Provinces to illustrate what Co-operation can accomplish in a very short time.

This emphasizes a very important fact, namely that Co-operation has proven itself to be a solid, democratic, workable social system which fails to solve the very important problem of distribution. The Movement organizes the economic life of the consumer

and then proceeds to the producer. In our post-war reconstruction and reorganization, the Consumer Co-operative Movement should be encouraged as a national system and eventually as an international system. If the ordinary citizen of a country is given the proper incentive and encouragement by the government to take an intelligent and active part in the social and economic life of his community and if the people as a whole shared in the economic structure of society, Canada, and other countries would soon become happier places in which to live. When consumer co-operatives reach the point in their growth where they can demand a certain national course of action and ultimately an international policy, we will have gone a long way in destroying the causes of national and international strife which is leading us to wars every twenty or twenty-five years.

Co-operative distribution is the keystone of production for use. In our present economic structure there is no systematic co-ordination between producer and consumer. In the co-operative scheme production would be adjusted to demand, and this demand could easily be estimated from the known membership in the society. In this way the dangers which arise from an uneven balance between consumption and production could be entirely avoided, as they have been avoided in localities where co-operatives flourish.

There are many systems of social reconstruction which are offered as a remedy for an economically distorted world. We have Communism, Fascism, Nazism, and Socialism, under which the government regiments the nation. Facism and Nazism, by exaggerating the power of the State, would tolerate the right of private property but destroy human liberty. Communism and Socialism would prohibit the natural

right of man to private property. Liberalism and Communism represent the two extreme social reconstruction systems. Liberalism would practically destroy the function of the State, while Communism would destroy the identity, the personality and the natural rights of individuals by assimilating them into the State, as cells lose their identity in an organism. The Co-operative Movement represents "the Middle Way" to social reconstruction by retaining individual initiative and at the same time relying on a certain amount of State control. It is also the Christian way, because it is based on brotherly love and respects the natural right of private property. To understand the nature of the Movement, the basic principles will now be outlined.

C H A P T E R I I I

THE ROCHDALE PRINCIPLES

AS THE BASIS OF TRUE CO-OPERATION

1. What Are the Rochdale Principles?

Generally speaking, there are many people, who hold a widely diversified range of ideas on the nature and principles of co-operative associations. A definition of a co-operative enterprise has already been given. Etymologically speaking, the word "co-operate" comes from the Latin prefix "co", meaning with or together, and "operari", meaning to work. Hence the English meaning of co-operation is working together. This is the general meaning of the word, but in modern times it has taken on a more specific meaning identifying a co-operative as an enterprise, democratically controlled, i.e. one member one vote regardless of his investment, paying a fixed rate of interest which is not to exceed the current rate and distributing the net profit to its members in proportion to their patronage to the enterprise. To-day, a "co-operative" is an organization operated according to the Rochdale methods and principles.

It should be stated at this point, that it is generally accepted that a co-operative enterprise of any kind, in order to flourish and be successful, must be based on the famous Rochdale Principles. There have been co-operatives established, both in European

countries and in the Americas, which set up their own individual basic principles. Some of these flourished successfully, others existed for a certain period and then failed. Some critics of the Movement point to these co-operative failures to show that Consumer Co-operative enterprises in general cannot function and that sooner or later, the fallacy upon which the Movement is based becomes apparent. It cannot be stressed too strongly that, upon investigation, it has always been proven that co-operative enterprises which failed, were not following the Rochdale Principles. History and experience have shown that where the Rochdale Principles were strictly adhered to in the establishment and operation of a co-operative, its chances for survival are very great and those for its failure very small.

In order to understand properly the Co-operative Movement, we might summarize the basic and cardinal Rochdale principles as follows:

1. Democratic control.
2. Fixed interest on capital.
3. Patronage refunds to members.
4. Open membership.
5. Quality goods at market prices.
6. Cash trading.
7. Fair treatment of labour.
8. Adequate reserves.
9. Frequent and careful auditing.
10. Co-operation among co-operative societies.
11. Fund for education of members and non-members.

The first three principles cited above are sometimes referred to as the primary Rochdale principles of co-operation. They are indispensable. The remaining ones are often referred to as the secondary principles and under certain circumstances one or more of them may be dispensed with, but only with great peril to the proper functioning of a co-operative society. The first three fundamental principles guarantee that all the members will share in the ownership of the organization, by each member making a capital contribution. There is no opportunity for speculation in shares in co-operative financing and no watering of stock. Under this plan, money is always the servant of man as it should be. All the members share in the control of the society by electing directors from amongst themselves on a democratic basis, each person having but one vote, irrespective of the number of shares he holds. When the earnings are distributed, they are divided among the members in proportion to the business each does with the enterprise.

It is evident that some of these principles are simply good business practices. Cash trading, selling at market prices, adequate reserves, and careful auditing, are practices that are sometimes followed by certain successful capitalistic concerns, but others of the above principles, by their very nature, have no place in capitalistic business. No capitalistic business owner ever gives refunds to his customers in the form of patronage dividends. No capitalistic organization is run on the principle of democratic control, or, one member, one vote. The paying of a fixed rate of interest, is another principle that is peculiar to co-operatives. We recognize that some of these basic co-operative principles are a radical deviation from

the recognized standards followed in capitalistic shareholding enterprises, which are so prevalent throughout the world at the present time.

Although there are many organizations existing to-day, which call themselves "co-operative", they should not properly do so unless they are founded on the Rochdale Principles. Moreover, they cannot hope to be successful. Many causes for co-operative failure exist. The principles alone do not establish any guarantee for success, but experience has proved that when co-operative societies are organized on the Rochdale Principles then chances of growth and development are great; when they are organized on any other basis they usually fail.

It has already been observed that the Consumer Co-operative Movement directs its effort toward the solution of the problem of equitable distribution. Capitalism, as an economic system, has failed and is failing more drastically, as monopolistic interests keep on pyramiding, to solve the problem of distribution. The old capitalistic order was a good one at one time in our history. As a social system it did serve its purpose and accomplished much, when the problem of humanity was one of production, when people wanted goods and abundances of goods. Now in many respects this world is overstocked with goods and commodities, yet some people, and even some nations, have not the necessities of life available to them. We have the goods but we have not the proper universal system which will provide for their equitable distribution. Co-operation has proven itself to be an excellent solution to this universal problem.

The development of the Co-operative Movement, as we have it to-day, has been traced back to England, although other countries

had co-operatives in different forms before they were adopted in England. For the purposes of this thesis, the English origin and development of co-operatives has been stressed. The present day co-operative, as we have it on this continent, and in the majority of European countries, began with the organization of the Rochdale Society of Equitable Pioneers in 1844. Before this period, certain organizations and societies such as the Owenites, the Chartists, the Christian Socialists, and Trade Unionists had conceived the idea of a co-operative society. Such organizations had studied its possibilities and had actually established hundreds of co-operatives throughout the country, but the vast majority of all these early co-operatives, as has already been pointed out, either ended in failure or died a natural death.

The English movement to-day does not demonstrate the high development that the Movement has reached in other European countries, such as Sweden and Denmark. The Co-operative Movement in England, although it has reached a high degree of efficiency and embraces a large portion of the population, unfortunately, has been and still is influenced to a great extent by monopolistic and capitalistic organizations in that country, which exist side by side with the co-operative organization. For instance, recent delegations from Canada and the United States, representing co-operative organizations in America, have reported that there is the tendency in the English co-operative to have it dominated and operated by a small group of directors who seldom mix and associate with the ordinary shareholders; moreover, it has been pointed out that when a meeting of a co-operative organization is held in England, only a very small proportion of

the shareholders take part, notwithstanding the fact that each shareholder has a vote; On the other hand, in Sweden and Denmark, a meeting of a co-operative usually witnesses the presence of about ninety or ninety-five per cent of the shareholders.

Although the Co-operative Movement existed in different forms and in different countries before the time of the Rochdale Weavers, the "Toad Lane" organization perfected the co-operative idea and laid down certain fundamental principles which formed the basis of their organization. These ideas proved to be so solid and practical that they have now been adopted by numerous countries throughout the world, wherever the Movement operates and is in a healthy condition.

2. Democratic Control.

This fundamental principle in a co-operative implies that each member of the organization shall have one vote irrespective of the amount of his investment. In capitalistic enterprises, each shareholder has a number of votes equivalent to the number of shares he holds. To illustrate - if a corporation's stock is made up of shares having a par value of \$100.00 each, then each shareholder has one vote for each \$100 share that he purchases. If a shareholder has an investment of \$1000, he will be entitled to ten votes. Similarly, if the par value of shares was \$10, and the shareholder invested \$80, he would have eight votes. In a co-operative this person would have one vote only regardless of his investment. In A Short Introduction to Consumers Co-operation, Ellis Cawling writes in this regard that:

"Co-operatives believe that men should control money and not money control men. For that reason they insist on one man one vote."

The danger of exploitation is greatly lessened in a co-operative organization since this democratic control would require that the majority of the shareholders be guilty of dishonest or unjust practices. In the private stock-holding business, it is possible in many cases for one individual or a small group to exploit the majority of the shareholders, since it is possible for this individual or small group to control the affairs and policies of the business. Too frequently, a small group of shareholders in a private corporation manage the business to suit their own interest which is to the detriment of the majority of the small shareholders.

This democratic control also embraces another Rochdale rule, which stipulates that no member may vote by proxy. This "one vote per member" is a very radical deviation from the recognized universal practice carried on in a private business, which allows one vote for every share held in that particular business.

It is obvious that the co-operative practice is the more democratic one. Voting power in any organization is the power of control. In a capitalistic enterprise "money talks" and not individuals, because the group or individual who purchases the most shares is in a position to dictate the policies of that particular enterprise. In such businesses it is not necessarily the majority of the members who exert their will. This practice is certainly not in conformity with our highest democratic ideals. Such a practice does not follow the method of voting which is practiced in our civil government

elections in our democratic countries. The very nature of democracy implies rule by the majority of human beings, not by a minority. The co-operative system, by allowing only one vote for each member regardless of his investment in the organization, adheres strictly to our loftiest democratic standards. Unlike capitalism, co-operation does not exalt property rights above human rights.

3. Fixed Interest on Capital.

Money invested in a co-operative society, if it receives interest, shall not be more than the prevailing current rate. This principle applies particularly to consumer co-operatives. Producers' co-operatives and marketing agencies very frequently do not pay interest on invested capital. When such societies require new capital and they cannot get it from their membership, they often borrow from other sources. The capital for a consumer co-operative society is usually obtained from the poorer class of society and it frequently requires considerable self-sacrifice on the part of the members to be able to buy even one share. Should they make added sacrifices to further the aims of the society, it is only right that they receive a fair and reasonable return on their investment. On the other hand, there are obvious dangers in paying interest above the current rate, especially for a co-operative.

Co-operative organizations are established to satisfy the needs and wants of its members. They are not organized for the sake of making profit. The characteristic feature of this principle, distinguishing it from the ordinary commercial enterprise, is that the

rate of interest paid on the invested capital is fixed and is not to be higher than the prevailing rate. The Rochdale store paid five per cent per annum, This was the current rate at that time. English co-ops still pay five per cent. This second principle has a direct bearing on the principle of patronage dividends. If co-operatives paid interest higher than the current rate, the patronage returns to members would possibly be unreasonably small.

In private business throughout the world there is no such thing as a fixed rate of interest on invested capital. There is a continual fluctuation depending on the profit accumulated by the business during the fiscal year. The shareholder may receive a large return on his investment at the end of a very successful business year, or he may receive a small sum if the business fails to make a large profit. In the co-operative enterprise this changing rate of return on share capital is done away with. This eliminates all possibilities for speculation. There are no socially justifiable grounds why an investor should receive a larger reward in one year than in another for the use of his capital, provided the element of risk is not present. Money, as a medium of exchange, should not be worth more in one year than in another. Under the capitalistic system, capital hires labour. Under the consumer economy, labour hires capital and pays it a fair remuneration, but no more.

Co-operative shares do not change in value as the earnings increase. To appreciate truly the nature of the Consumer Co-operative Movement, it is most important to understand this fundamental Rochdale rule. When an individual invests money in a co-operative organization, he realizes that the investment is not for the purpose of

making a huge fortune quickly, but rather that it is a means whereby he is taking part in a movement which will help to make his economic future more secure and stable and at the same time will guarantee an equitable return for the use of his money. He realizes that being a member of such an organization he will participate in the advantages of group action in a co-operative manner.

4. Patronage Refund to Members.

If a co-operative society makes a net profit that profit shall be returned to the consumers who patronize the society on the basis of the amount of purchases. After reserves and the educational fund are set aside and all the necessary expenses incurred in the operation of the organization are paid for, the remainder of the profits or earnings are then returned to the members of the organization according to the amount of their purchases over a given period of time. According to this Rochdale principle, the more a member buys from his consumers' co-operative society the greater shall his patronage refund be, the more a producer sells to his producer co-operative society, the greater shall his patronage dividend be. In co-operative societies where neither goods are bought nor sold, but services are rendered, the members patronage return will be in proportion to the services rendered to him by the society.

For the sake of illustration, it is assumed that at the end of a fiscal year, it is found that the society can afford to pay a five per cent patronage dividend. This means that if Mrs. Jones has purchased goods worth \$100.00 during the year, she will receive \$5.00 as a rebate. If she had bought goods worth \$500.00 she would

receive \$25.00 as a rebate at the end of that year. If Mrs. Jones had made the same purchases at the ordinary non-co-operative store, she would receive nothing back, the profit in this case going to the owner or owners of the store. In this manner the member, who buys most at the store is contributing most to the success of the business. The co-operative philosophy in this regard, is therefore, that such a member deserves the greatest reward for his loyalty. The man who owns a great number of shares but who has failed to patronize the co-operative enterprise to any great extent, in not really aiding the society and therefore receives consideration in the matter of patronage refunds only in proportion to his purchases.

The co-operative patronage refund counter-balances the excessive greed motive which is now dominating private capitalistic enterprise. In private enterprise men go into business solely for the purpose of making money for themselves at the expense of others whereas in the co-operative business there is no huge accumulation of profit going to any one individual or group of individuals, but the profits are equitably distributed among all the members, not according to their respective investments, but according to the amount of business they give the co-operative.

It is the practice in some countries not to return a cash rebate to co-operative members or to return part of it only. This practice is particularly prevalent in Belgium. In such cases the practice is to pay these dividends in the form of educational and social services, e.g. recreation facilities, public libraries or hospital services. This custom is now manifesting itself in certain sec-

tions of America, where the patronage refund is remitted partly in cash and partly by means of some cultural service. In Co-operatives in America, Ellis Cawling writes:

"Capitalism tends to concentrate wealth; co-operation makes for widely distributed ownership of property. The reasons are simplicity itself. By its technique of giving the largest share of the earnings of industry to those who have the largest investments, capitalism makes a rich man constantly richer in comparison with his less fortunate neighbours. Two men may start out in the same corporation, one making an investment of \$100,000 and the other of \$1,000,000. If an average dividend of one hundred per cent is received and all of it is saved, at the end of ten years, the difference between the wealth of one and the other will double. When they start, the richer will have \$900,000 more than his fellow. At the end of the period he will have \$1,800,000 more. Under capitalism nothing can prevent a growing gap between rich and poor, between those who have little and those who have much. This tendency is inherent in the technique...
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The co-operative technique, in contrast to capitalism, makes for wide distribution of both wealth and control of business enterprises. Again the reason is simple. A co-operative pays its earnings to its patrons, the largest simple group of persons in direct economic relationship to it."

5. Open Membership.

There shall be unlimited membership. Persons shall not be excluded from membership in a co-operative society unless their purpose are known to be that of doing injury to the society. This secondary principle is sometimes referred to as the "political, racial and religious neutrality" principle or "the open door policy". It supplements the "democratic control" principle. Membership is open to all on a purely voluntary basis. Compulsion and co-operation exclude one another. Any one, in good faith, who wishes to join a co-operative, may do so, regardless of sex, class or nationality. Since

all human beings, from the cradle to the grave, are consumers, they are welcome to membership. It has already been pointed out that this principle is modified in the case of certain specialized producer co-operatives, where only those members who produce for sale are eligible for membership such as a fishermen's or a farmer's co-operative in which only fishermen or farmers would be admitted.

There is another important feature of the Co-operative Movement, which is often misunderstood or mis-interpreted, and that is the non-political nature of the movement. Some people, especially in Canada, have the erroneous impression that the Co-operative Movement is sponsored and even financed by the Canadian Commonwealth Federation political party. This is an absolutely groundless statement and is not the truth. There is no connection between the Co-operative Movement in this or in any other country, with any political party, which happens to exist in the country. There is no instance on record of a genuine co-operative organization, which has received financial assistance from the funds of a political party either in this country or any other country where the Movement is flourishing.

It follows from this open membership principle, that at least potentially, the Co-operative Movement is the most democratic social system in the world. It welcomes the rich and the poor; the white, black, or yellow races; the Protestant, the Catholic, the Jew or the Pagan; the Englishmen, Frenchmen, German, or a person of any other nationality. The Movement is democratic in every sense of that word; action of all the people, by all the people and for all the people.

An apparently puzzling feature concerning the operation of a co-operative, often presents itself to interested people. The question is often asked: Can people, who are not members of a co-operative, do business with the society, and if so, do such persons receive any recognition in the form of patronage refunds? The Rochdale Pioneers were faced with this problem of "outside patronage". They felt that it was not a wise policy to pay to a member something that the member had not earned. On the other hand, it did not seem just to the Pioneers to shower the benefits of co-operation on people who were not interested in the Movement and who knew nothing of its nature and purpose. Their final decision was a compromise. They decided that patrons who are not members, but who wish to join, should receive their portion of the patronage refund in terms of credit towards their initial shares. As soon as the refund equals the value of a share the patron automatically becomes a member with full voting privileges. The European and Canadian practice is now that earnings, on sales to non-members, who do not wish to become members, are to go either to the reserve funds or to the educational work of the society.

6. Cash Trading or "Cash Down".

All true co-operatives, since the time of the Rochdale Weavers have adhered strictly to this most important principle. The disregard for this rule, probably more than any other reason, has caused many so-called Co-operative enterprises to end in failure. The early co-operatives of Dr. King eventually ended in failure, while those which were organized by the Rochdale Pioneers succeeded. It has now been universally agreed upon that the principal cause for the failure

of the King stores was the fact that they did not do business on a cash basis, but extended credit to their customers, which they really could not afford to do. Ever since the time of the "Toad Lane" experiment, the great majority of successful co-operative societies have been operating on a strictly cash basis. It is now agreed and recognized by the most outstanding authorities on Co-operation that this cash basis is the only satisfactory method and should be adhered to religiously in the operation of a society.

In Fundamentals of Consumer Co-operation, Allane submits the following logical argument against co-operative organization following a credit policy in the operation of its business:

"When the co-operative grants credit, there is likely to be discrimination and favoritism. This is likely to cause discontent and discord among the members. It is not fair to ask cash customers, who are very often the best customers, to bear the burden of credit extended to other members. Every new society should start with a strict cash policy, since it is extremely difficult to discontinue a credit practice once it has begun."

Credit should be avoided in a co-operative business for various reasons. Such a practice is unfair and places an unwarranted burden on customers, who are willing and who actually pay cash. Credit transactions should also be avoided for purely good business reasons as well. It has been the cause of a countless number of non-co-operative enterprises ending in failure and bankruptcy. The adoption of a cash policy benefits a co-operative business in many ways. It reduces the operational costs, thereby increasing the net profit and the patronage dividends. Moreover, it reduces bookkeeping work and costs. It does away with the necessity of setting up a reserve for bad debts and the problem as well as the expense involved in collecting bad debts.

If a co-operative member finds that he has not the necessary cash funds to meet his requirements he may belong to a Credit Union. This credit union or "Caisse populaire", as it is called in France and in French Canada, is a co-operative banking society. It has been the experience of co-operators in this country that credit unions should be established in conjunction with a co-operative enterprise. The two are both forms of the Co-operative Movement and it may be said that in many respects the latter is a necessary complement to the former. The credit union, and its connection with the Co-operative Movement, will be dealt with in detail in a later chapter of this thesis. Suffice it to say here, that if members of a co-operative store are also members of a credit union, they need never be lacking in the necessary cash funds required to do business with their Co-operative Society.

In order to prove the extreme danger entailed in the practice of doing business on a credit basis in a co-operative enterprise, the following excerpt is taken from a recent article in the publication called The Saskatchewan Co-operative Consumer. This article deals at length with this topic of credit and co-operation and in part reads as follows:

"The credit position of approximately one-half of the co-operative stores in Saskatchewan cannot be regarded as satisfactory. Unless some improvement in the control of credit and collection of accounts is speedily attained, a number of the societies are likely to encounter serious operating difficulties. In some cases, the co-operative is so heavily encumbered with old accounts and current liabilities, that the association is of doubtful value to the community. It is estimated that the cost of credit to thirty-eight co-operative general stores in 1938 amounted to \$38,806.00 or an average of four cents on each dollar of credit sales." The investigators suggest that every co-

operative give serious consideration to the shifting of this credit burden to credit unions. The primary business of the credit union is the extension of credit. It remains for the directors of local co-operative organizations to seize this opportunity to provide a sound credit service and re-establish a sound merchandising system."

This survey pertains to Western Canada, where all so-called co-operatives are not based strictly on the Rochdale principles. These stores are not genuinely co-operative in the strict sense of that word. Over a period of years they have been disregarding this very important "cash basis" principle established by the "Toad Lane" store. This statement proves very emphatically the soundness and necessity, as well as the practicability of the elimination of credit in consumer co-operative business.

7. Goods Must be Sold at Prevailing Market Prices.

It has been the tendency in different countries, in the past, for the co-operative store to sell its merchandise below the prevalent market price. This tendency seemed to display itself most frequently when the co-operative store was newly established in order to attract customers and generally to make a good impression. The erroneous practice, too often, has been to charge customers only the cost of goods plus a very small additional amount, which was to provide for operating and general overhead expenses. In other words, the merchandise was marked up and determined solely on a "cost plus" basis. History and experience have shown most clearly that this is a very bad policy and that this practice, almost invariably, ended in

disaster. The great majority of authorities on Co-operation stress that operating on a "cost plus" basis only, is not a sound co-operative policy.

For purely business reasons, a young co-operative enterprise cannot afford to operate by under-selling private businesses and monopolies. Generally a co-operative association will not have the necessary capital to wage a price war. It is a much sounder policy for a co-operative to adopt the current price system. The small business which tries to break the larger one usually ends in failure. In A Short Introduction to Consumers' Co-operation, Ellis Cowling believes that a co-operative cannot sell goods at cost plus expenses, because it would be acting without foresight. He writes:

"No one can tell accurately in advance what it is going to cost to do business. If a co-operative society attempts to sell goods at cost plus the cost of handling, it will soon find itself in financial difficulties due to the impossibility of determining in advance what the handling costs will be. In the marketing of meat, for instance; a sudden rise in temperature will greatly increase the cost of refrigeration."

There can be no serious objections to a co-operative selling at current market prices, because ultimately all the profits will be returned to the members in the form of their patronage rebates.

In all circumstances and at all times, it may not be advisable to adhere strictly to the literal interpretation of this Rochdale principle. In fact in some instances scrupulous adherence to the rule might prove detrimental to the cause of the society. In some regions it may so happen that some commodities have sky-rocketed

to unreasonably high prices due to the control of some monopolistic interest. In this case, most authorities agree that the co-operative could well afford to sell below the market price, providing a safe margin was retained in order to cover the necessary overhead and operating costs. It is in this regard that co-operative societies may perform the most important social and economic function and that is to act as "yardsticks of price regulation."

The importance of this social function cannot be stressed too emphatically. If co-operatives were universal and were strong enough in any one country, they could quickly bring down the cost of living and provide an assurance for the common man and the ordinary consumer that he would pay a just and reasonable price for his goods and services. This would eliminate the disastrous exploitation of the poorer class, which is now so prevalent in countries where monopolies and combines operate. Probably no other country in the world has advanced so much in this regard as has Sweden. In that country the Co-operative Movement has greatly influenced the national economy. In Sweden, the price of flour and the cost of electricity have been drastically reduced through the competition given the Co-operative Movement.

As a matter of interest there are instances recorded, especially in Canada, where monopolies, especially in the form of chain stores, have deliberately sold below the market prices in order to discourage the young co-operative store. These monopolies have even gone so far at times, as to operate at a loss in some regions, hoping thereby to eliminate co-operative competition, realizing the potential power inherent in the Co-operative Movement, and

the purging effect the Movement will have eventually on their private enterprises and their hitherto unchallenged control.

8. Fair Treatment of Labour.

Labour must be treated justly and fairly. In A Short Introduction to Consumers' Co-operation, Ellis Cawling writes:

"The Consumers' Co-operative Movement was born out of the suffering of the laborers of England. It was not long until it found itself an employer of labor. When it became that, it did not forget the sufferings out of which it had come, but sought in every way to make life as pleasant as possible for its employees. That spirit has been characteristic of the movement through all the decades of its development."

Undoubtedly this principle was a very personal one with the Rochdale Weavers. From their bitter experience and unjust treatment, they were anxious to protect the laborer of future generations from the same ordeals which they had gone through. They resolved that every co-operative society should lead the way in this humanitarian practice of treating their employees fairly. This secondary principle is a very natural one based on common sense. Any corporation will learn that the just treatment of labour soon pays dividends. Co-operation must be internal as well as external. A discontented body of employees will never co-operate. Co-operatives are founded in order to raise the economic and social standards of humanity. It is only logical that they begin within their own organization.

On the other hand labour must be fair and reasonable. In this regard, George W. Jacobson states in Consumers' Co-operatives

Face the Labour Problem that:

"Labour may bleed co-ops. It is of cardinal importance that labour leaders recognize and act on this principle. Right now labour is on the march. But because the membership and management of many co-operatives are friendly towards labour, there are indications of grave danger that the present labour union development will go too far in taking advantage of this friendship and turn it into bitter misunderstanding and antagonism. Too often the leaders of labour unions are inclined to look on co-operatives just as they do on any capitalistic enterprise. Even more serious, they may demand more of co-operatives than they demand from private competitors because the members of the co-operative are sympathetic toward the union... This then, is one aspect of the danger in the present situation, the danger that organized labour, by a short sighted policy of immediate wage increases, may destroy its own opportunity of securing a lower living cost through consumers' co-operative effort."

The Rochdale principle, as well, calls for the payment of fair wages and implies that workers should toil under decent working conditions. By their very nature and purpose, co-operative organizations should be beneficial to labour. Moreover, it is now a recognized fact that co-operation has not suffered from labour disputes to nearly the same extent that private business has. Some have the impression that co-operatives prevent their employees from joining different labour unions. This is not the case. Perold has written very extensively on the position of labour in the Co-operative Movement in England. In the pamphlet, The Rochdale Plan of Consumer Co-operation, he writes:

"In Britain the employees of a society are not only obliged to join their respective trade unions but their demand for a new status has been granted. The proper machinery has been set up to give the worker, as a producer, a voice in the control of the industries of the consumers. These achievements have disproved the contention that the working classes are incapable of becoming employers and running the country's business."

9. Adequate Reserves.

In order to secure the future of their co-operative enterprise, the Rochdale constitution provided that adequate funds be set aside periodically to provide the necessary reserves for emergencies, also reserves for depreciation and possible expansion. This is a sound business practice, which is employed not only in genuine co-operatives, but in practically all successful private business institutions. It is interesting to observe that the first flour mill owned and operated by the Rochdale Pioneers, was saved because of the fact that adequate reserves had been set aside and drawn upon when the emergency presented itself. This "reserve" rule has now been firmly imbedded in the Rochdale constitution and should be adhered to by every co-operative.

Through a process of education, it was found that members would voluntarily forego receiving their share of the dividends for a time, until enough money was accumulated into reserves which made their society safe and strong. No matter how carefully a course of action is planned for an enterprise, there will always be unforeseen contingencies, and eventualities will develop, which will require a reserve fund. The Rochdale Pioneers checked their stock and the books of their society every three months, so that they would have an accurate knowledge of the true state of their business affairs. It is essential to the proper management of a co-operative society, that an inventory be made periodically and that accurate knowledge be had concerning the true state of the business at all times.

In the matter of reserves, Ellis Cowling again writes in A Short Introduction to Consumers' Co-operation:

"Sometimes the desire to pay a large patronage return tempts members and managers of co-operatives to neglect this matter. But the first concern of the membership of a co-operative society should be the preservation of the business. Especially in the beginning, a new society is often wise to sacrifice the patronage return entirely in order that reserves may be built up as rapidly as possible."

10. Bookkeeping and Frequent Auditing.

Frequent and careful auditing is another important rule which is necessary to insure the success of a co-operative enterprise. In Fundamentals of Consumer Co-operation, Allane gives the following reason for its necessity:

"The average member feels much more kindly, is likely to be much more interested in the co-operative's affairs and is sure to have greater confidence in the board of directors and manager, if he is kept posted about the progress of the society."

The practice of co-operatives not only of auditing their books and records each year, but also of auditing their membership and business as well, is now rapidly spreading in Canada. A survey is made of the number of members, their share holdings, their purchases and their length of time as active members. In some localities this regular check even includes the occupation of the individual member. These membership audits are practically a universal practice in most co-operative associations in Europe.

11. Education of Members and Non-Members.

A very important decision was made by the "Toad Lane" organization to set up funds for the education of members and non-members. History and experience have proven that this very necessary dogma should never be overlooked in the operation of any co-operative enterprise. It is a principle which has been adopted primarily for the promotion of the co-operative ideal. Ellis Cowling, in his writings, tells us that commercial advertising is concerned primarily and solely with the sale of some particular commodity or product. Co-operative education, on the other hand, concerns itself with the sale of ideas. Advertising, which is conducted by private businesses to-day, involves the expenditure of huge sums of money, which, of course, go back into the cost of the product. The ordinary consumer often seems to overlook this pertinent fact. If consumer education was properly stressed, all this high-pressure advertising could eventually be done away with and this, in turn, would lower production costs and reduce the cost of living especially in America.

Co-operative education is confined to spreading knowledge of the history, philosophy and techniques of co-operation. The successful operation of any co-operative enterprise, since it is fundamentally the functioning of a democratic group, must rely on an intelligent membership. If people are going to act for themselves, they must understand what they are doing and why they are doing it. Ellis Cowling, referring to the Rochdale Weavers in A short Introduction to Consumers' Co-operation, writes:

"Although most of them were illiterate they had no boorish disrespect for knowledge. Rather they were determined to equip themselves intellectually for the role they hoped to play in improving their social status. They determined from the very beginning that their co-operative society should be an educational institution as well. They used some of the earnings of the business for the establishment of a library and a reading room. They strove to make themselves and other intelligent about their business, general economics, and the social order in which they lived."

It was declared by John Bright, as far back as the year 1862 that:

"the selection of periodicals to be found in the Pioneers' Co-operative Library was better and more extensive than that provided by the Athenaeum Club itself."

In Education Preliminary to Co-operative Organization,

A.B. MacDonald writes:

"In starting our progress of co-operative organization for the people of Nova Scotia, we had the experience of other provinces and other countries to guide us in avoiding the dangers and finding the most direct way to proceed. One of the warnings we read in the failures of some who had gone before us was that it is futile to attempt to develop a program of co-operative activity for the people unless it is built upon the foundation of adult education. Co-operatives that had been started without their way being paved by the enlightenment of the prospective members as to co-operative principles and methods had not known success."

The matter of a systematic programme of adult education, in connection with the development of a well organized co-operative and the necessity for such a programme will be dealt with in detail in a later chapter of this thesis. Adult education has been the "foundation stone" and the "key note", which has accounted for the great success of the movement, especially in Eastern Canada.

It is now usually the practice among co-operatives to set aside not less than two per cent of their net surplus for educational work. The Rochdale constitution calls for five per cent.

12. Co-operation Among Co-operative Societies.

The "Toad Lane" organization operated only a very short time when their co-operative experiment was quickly imitated by other societies throughout the country. In a comparatively short period of time, a large number of similarly constituted co-operative societies came into existence throughout the length and breadth of the land. The Rochdale Pioneers soon realized the fundamental principle that "in union there is strength" and that by working together, a number of these societies could provide services for their members more easily than they could by operating on an isolationist policy. The prospect of wholesaling and manufacturing loomed on the co-operative horizon. It was at this point that these intrepid and far-sighted pioneers visualized the great importance of one co-operative society co-operating with other co-operative societies for the greater good and advancement of the Movement.

Forthwith they established for posterity their final fundamental co-operative principle that each co-operative society must co-operate with other co-operative societies. This rule discourages the narrow or local aspect of an isolated society and provides for the national and international expansion of co-operatives into a unified world movement, which is intended to benefit not merely one particular race or nation, but mankind in general, all over the world.

It is in the systematic co-ordination and amalgamation of individual co-operative societies into larger groups, having a national and international scope, that the real strength and power of the Movement lies. This is what Cowling writes in A Short Introduction to Consumers' Co-operation:

"Co-operation has grown by the increasing sense of unity and common purpose which has come to characterize the movement the world over. In union there is strength. Individual local societies fighting the battle against the profit system individually can do something; but when local societies combine their strength in wholesale organizations, in central educational organizations giving help and counsel to all, co-operation becomes a mighty power for bringing economic security and justice to humanity."

This implies that wherever possible, co-operative societies shall combine their strength in democratic organizations for the purpose of combined group action such as wholesaling, manufacturing, and the providing of services, which by their very nature, are too large to be undertaken by individual local organizations. These activities usually call for the establishment of a central organization which will provide a systematic co-ordination for the activity of local societies. The original one-roomed store of Rochdale, which was located in the basement of an old ware-house, paved the way for the British Wholesale Society which to-day, is the largest business in England, making and handling almost every conceivable type of commodity from the making of bread to the manufacturing of automobiles.

The first co-operative wholesale set up by the Rochdale Pioneers operated for four years only and then ended in failure, due to the fact that it suffered a loss of some fifteen hundred pounds. This however did not discourage these courageous individuals, but ra-

ther it spurred them on with increased vigor. They searched for the cause of the failure and soon discovered that the wholesale which they set up was not possessed by the different co-operative societies as an organized unit or body. Very shortly afterwards, from the memories of this defeat, they reaped many good lessons and decided on their second attempt. This endeavour was most successful. It is interesting to observe what one experienced co-operator, William Marcroft, had to say at one of their organization meetings:

"Co-operators must not rest until they had their own ships bringing the produce of other lands direct from the producer to the consumer, thereby saving to themselves the profits of the middlemen."

This expansion to the wholesale field was a dream which was envisioned in co-operative fields from the earliest times. Early workers in the Movement longed for the day when the central wholesale store would carry on an extensive trade, provide for the producing of its own goods and ultimately managing its own transportation, especially shipping. It is most important to bear in mind that the Co-operative Wholesale Society, which was originally set up by the Rochdale organization, and which has developed into such a huge enterprise to-day, was made possible by the capital subscribed from co-operative retail societies. The only shareholders then, as to-day, in this great organization, were existing co-operative stores and not private individuals. This was the all-important lesson learned from the first wholesale failure.

These are the important reasons given in The Maritime Techniques in Consumer Co-operation for the establishment of a Co-ope-

native Wholesale:

"The co-operative wholesale is an important and inevitable factor in the development of the co-operative program as the Rochdale Pioneers visioned it, and as we see it to-day. The advantages of the wholesale are obvious.

- a) Large volume buying benefits the local societies.
- b) Manufacturing on any very extended scale is out of the question for most local societies, but a central organization supplying many local groups can, with safety, enter the manufacturing field, as soon as the volume of business guarantees an outlet for the products manufactured.
- c) Local societies would find it hard to maintain a co-operative press, but when many societies are associated together they can and do maintain their own publications.
- d) The co-operative wholesale can furnish expert co-operative auditors to go over the books of local societies, give counsel and advice to boards of directors and managers, install a uniform bookkeeping system in the local societies.

e] It can set up a Central Educational Board to direct a program of education among all the societies."

13. The Rochdale Rules Must be Adhered to.

For the purpose of this thesis, the fundamental co-operative principles have been here stressed, because it is most important that they be fully understood and appreciated. It is a fact that many people do not understand the real nature of the Co-operative Movement. Others have been deliberately misinformed regarding some of these principles. All co-operatives should be guided by these fundamental rules because they have been proven under various circumstances and have weathered the attacks of many storms throughout the past century.

There are some organizations, especially in Western Canada, which ignore the basic Rochdale principles, but yet call themselves co-operatives. In reality such are not genuine co-operatives.

There are other organizations, which follow the more important basic principles, but neglect some of the less basic ones. Occasionally, such societies succeed to a certain extent but more frequently they end in failure. This is one of the main reasons why a scornful finger is sometimes pointed at the Co-operative Movement and a great deal of unwarranted discredit given to it in some localities. People, especially those employed in the operation of these societies, should be thoroughly informed about these principles and their unblemished record in the past.

There is another danger which should carefully be avoided. Once a co-operative has been properly organized, its expansion naturally includes increased membership. These new members are usually not as well conversant with co-operative principles, as the original organizers were. As this new membership grows, naturally its influence on the society's policy increases and experience has shown that there is a great tendency at times to relax certain principles and to deviate from their purpose.

This tendency has often resulted in the abandonment of a rule or two, because the members did not realize the importance of every Rochdale rule. All the Rochdale rules are necessary for the permanent success of a co-operative. Local societies should be organized by people who have made a serious study of co-operative principles. It is imperative that a program of education be carried on continuously for the benefit of new members, who are not well-versed in co-operative fundamentals. There is no more certain guarantee of success.

C H A P T E R I V

CONSUMER AND PRODUCER CO-OPERATION

1. The Trend in Economic History.

History has recorded that the earliest system of business was that of barter. Barter implies the direct exchange of one commodity for another. In the earliest days food was exchanged for food and articles of clothing were exchanged directly by the two parties concerned. As time went on the people, who were concerned with the production of raw materials, gradually assigned over to middlemen the task of transportation, trading, manufacturing and ultimately financing of these raw materials. This system worked fairly well when the middleman took only a reasonable share of the raw material in compensation for his services. Unfortunately these middlemen soon realized that all these materials were passing through their hands and that their control remained in their hands.

Gradually they began taking an unreasonable share of earnings and eventually started watering stocks in order to cover up their excessive earnings. At length the middleman took much more than he could possibly dispose of, while at the same time the primary producer, whether it was the factory owner or the farmer, was receiving proportionately less and less. This led to the state where there was an abundance of commodities produced, but fewer and fewer were people controlling this mass of production and had the means to secure

it for their own consumption. It is well known that to-day our greatest social problem is not one of production. Our great universal social problem at this stage of world history is one of distribution. Peoples and nations are groping about for a solution whereby individuals and nations will be given an equitable share of our overstocked warehouses. In our world of super-abundance there are still millions in want of even the simple necessities of food, clothing and shelter.

In economic history it is interesting to observe that a change in the technique of production invariably leads to the introduction of a new type of economic order. It may be said that the first economic order was that of slavery. The economic order of slavery was brought about by the fact that humanity invented weapons with which some men were able to conquer and subjugate others. Then hand tools were developed and serfdom followed. Then we come to the machine age in history which brought about the Industrial Revolution and eventually the capitalistic economic order, which gradually superseded serfdom. The next great step was the change brought about in the technique of production by the invention of automatic power-driven machinery. The great need in the world to-day is for the development of a new economic order to fit this automatic power production, which has thrown millions of human beings out of employment and has taken the means of production from the ownership of the people and placed these means in the hands of a few. The consumer to-day has lost control over production. Professor Charles Gide, the great French leader of Consumer Cooperation sums the whole problem up in these important words: "What is the consumer? Nothing. What must he do? Everything."

In order to solve the problem in an equitable, democratic manner, it is absolutely necessary to have co-operative ownership of the means of production and the only logical approach to this solution is through consumer co-operative organization, first from the retail angle. From then on the task is a relatively simple one. From the set-up of the ordinary consumers' co-operative retail store, gasoline station and marketing agency, the consumer will transfer his trade from the private profit business to his own co-operative organization. Then his local association will join with others into a co-operative wholesale association. Eventually co-operative wholesales will join together and begin manufacturing. When this stage is reached and it has been reached in many countries, the whole problem is finally solved.

In his famous book Other People's Money, Justice Branders of the Supreme Court of the United States, wrote:

"May we not expect that when the Co-operative Movement develops in America, merchants and manufacturers will learn from farmers and working men how to help themselves by helping one another and thus join in attaining the New Freedom for all... The essence of the trust is a combination of the capitalist, by the capitalist, for the capitalist. The essence of the co-operative system is association of the people, by the people, for the people."

The Co-operative system does not necessarily imply the destruction of capitalism. It may be said that co-operation is a system which retains all the advantages of capitalism with the disadvantages left out. It is a sort of capitalism which would eliminate maldistribution and depressions. It is a system which would erase the base inequalities caused by poverty and riches. Co-operation is ca-

pitalism minus its bad features, because it resembles capitalism in that it stands for private ownership and maintains all the advantages of modern scientific progress, including power-driven automatic machinery. Moreover, it does allow the practice of the accumulation of money and property which is considered necessary to carry on production.

2. The Rochdale Pioneers.

It has already been stated in this thesis that Co-operatives had been organized before the year 1844, but it was not until that time that the final principles of co-operation were formulated and adapted by the Rochdale Weavers. These weavers laid the foundation for the future successful growth of the Movement by formulating certain fundamental principles to be handed down to posterity. Like the story of all great movements, that of Consumers' Co-operation, is a simple one. It has already been pointed out that the Industrial Revolution precipitated one of the greatest depressions in English history and that the social and economic conditions of European peoples, especially those of England, were in a deplorable state. The introduction of the "machine age" had hit the weaving profession in England exceptionally hard. As a consequence, the poor weavers suffered from all the economic ills and many more than was ever experienced in America during its great depression of 1930-1934.

The more revolutionary element in England, at the time contemplated the use of force to alleviate their suffering, but there was another element which was more thoughtful and worked on a plan which was peaceful and systematic, whereby they envisioned the possi-

bility of eventually regaining control over their own business to the extent of ensuring that they would pay a fair price for their goods and services, and that ultimately they would acquire reasonable control over production in general. Finally, twenty-eight weavers formed a society for the purpose of establishing their own store. No treatise on the Co-operative Movement could be considered complete without the relation of the dramatic origin of the first genuinely co-operative organization.

The original twenty-eight members included one woman by the name of Christie Bent. Some authors claim her name was Ann Tweedale. This small group of hungry and impoverished individuals belonged to a place called Rochdale, England. For a period of a whole year they gathered in meetings and framed a constitution, which would guide their new co-operative venture. During this time each member resolved to save all he could in order to help supply the capital which was necessary to open their future store. Saving seemed an utterly hopeless and ridiculous task, especially in light of the fact that these poor people were out of work and were scarcely able to buy enough food to keep them alive. Strangely enough at the end of a whole year their efforts were rewarded and they managed to collect the meagre sum of twenty-eight pounds, about \$140.00 in our money. With this seemingly ridiculous capital investment they decided to open their small grocery store.

As is the case now, so was the case then, their co-operative venture was strongly opposed by individual trading stores in the community. They rented a small room in the basement of an old warehouse on Toad Lane in Rochdale; hence the name "Toad Lane" store

and the "Rochdale Pioneers". They paid the first month's rent in advance, made a few alterations and necessary improvements on the premises and bought a small stock which consisted mainly of butter, flour, tea, sugar and oatmeal. Notwithstanding all the difficulties, the aims of the Rochdale Pioneers were exceptionally high, considering that they themselves were ordinary workingmen who were going to do business with very poor customers in exceptionally poor surroundings. We find in the original draft of their rules, the following ambitious and long-sighted clause:

"That, as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education and government; or in other words, to establish a self-supporting colony of united interests or assist other societies in supporting such colonies."

The "Toad Lane" store was opened on the twenty-first day of December 1844. A vivid description of this formal opening is given in The History of the Rochdale Pioneers by G.J. Holyoake, as follows:

"On one desperate evening - it was the longest evening of the year - the 21st of December, 1844, the EQUITABLE PIONEERS commenced business... It had got wind among the tradesmen of the town that their competitors were in the field, and many a curious eye was that day turned upon Toad Lane, looking for the appearance of the enemy; but, like other enemies of more historic renown, they were rather shy of appearing. A few of the co-operators had clandestinely assembled to witness their own denouement and there they stood in that dismal lower room of the warehouse, like the conspirators under Guy Fawkes in the Parliamentary cellars, debating on whom should devolve the temerity of taking down the shutters and displaying their humble preparations. One did not like to do it, and another did not like to be seen in the shop when it was done; however, having gone so far there was no choice but to go further, and at length one bold fellow, utterly reckless of consequences, rushed at

the shutters, and in a few minutes Toad Lane was in a titter... So the Rochdale Stores were opened, displaying a scanty arrangement of butter and oatmeal, amidst derisive cries of 'Aye, the owd weavers' shop is opened at last'."

From these relatively small beginnings, within the period of one year, the Rochdale Store had grown from a membership of twenty-eight to a membership of eighty and the capital from twenty-eight pounds to one hundred and eighty pounds. The members of this Society of Equitable Pioneers who were ridiculed and scorned, had vision and practical common sense. The success of their venture may be attributed to their basic principles. These basic principles so appealed to the hearts and minds of men and women everywhere that the Rochdale societies soon sprang up everywhere in England and, from England spread to the rest of the world. It has been estimated that by 1935, twelve per cent of the total national retail trade in England was co-operative. Ten per cent of the national trade of Sweden was co-operative and eleven per cent of Switzerland's total national retail trade was on a co-operative basis. From the original membership of twenty-eight in the Rochdale store, the figure has now reached the amazing total of over seventy-five million, composed of members in over forty different countries. The "Toad Lane" experiment, which directed against the centralization of industry and the concentration of wealth, has now well advanced on its way towards the accomplishment of that objective in several countries. It is amazing to observe that in one year alone co-operatives in England returned \$130,000,000.00 to their members in patronage refunds and that they do an annual business of over \$1,000,000,000.00.

To give some idea of the extent of co-operative manufacturing activities in England at the present time, E.P Harris in Co-Operation the Hope of the Consumer, wrote about two decades ago that:

"To-day the annual report of the Co-operative Wholesale Society shows that it has fine clothing factories, eight great flour mills, woolen cloth works, cocoa and chocolate works, soap, candles, glycerine, cornstarch, and blue works, furniture, bedding and cartwrighting factories, printing, bookbinding and lithographic works, preserves, candies, peel and pickle works and vinegar, brewery, shirts, mantle and underclothing factory, cap and umbrella making factories, and that it also manufactures overhauls and shirts, drugs, pinofores and blouses, leather bags and cigars and tobacco, flannels and blankets, corsets and hosiery, paints, varnish and colors, brushes and mats, hardware and tinplate, butter and margarine."

It may be said that the Co-operative Movement as originated by the Rochdale Pioneers, is Christianity applied to economics. The reason for its outstanding success is found in the very principle upon which the Movement is based and that is "Production for Service, not profit.". The Rochdale constitution, moreover, embodies sound and practical business principles with brotherhood and the principle of fair dealing.

The Pioneers following the philosophy of Owen and King, set out to remedy social and economic ills by advocating that the labourers own their own plants. It is now agreed that this was their primary intention; but R.A. Goslin, in Co-operatives, states that:

"The dream of the twenty-eight hungry weavers had come true though not in just the way they expected. They had started with the idea that workers should own their own factory. But the Pioneers were not all weavers. Their ownership of store and factory was not based on the fact that they

were consumers who were going to use goods being sold and produced. This has proved to be a much broader and new include idea than ownership by workers. It is ownership by consumers."

It has been the experience of co-operative organizers everywhere that they encounter enemies from within and without. In this regard G.J. Holyoake writes in his book, The History of the Rochdale Pioneers:

"The moral miracle performed by our co-operatives of Rochdale is that they have had the good sense to differ without disagreeing; to dissent from each other without separating; to dislike at times, and yet always hold together. In most working classes, and, indeed, in most public societies of all classes, a number of curious persons are found, who appear born under a disagreeable star; who breathe hostility, distrust and dissension... Their native tone is a moral squeak; they are never cordial, and never satisfied; the restless convolutions of their skin denote a 'difference of opinion'; the muscles of their face are 'drawn up' in the shape of an amendment, and their wrinkled brows frown with an 'entirely new principle of action'; they are a species of social porcupines, whose quills eternally stick out; whose vision is inverted; who see everything upside down; who place every subject in water to inspect it, where the straightest rod is hopelessly bent; who know that every word has two meanings, and who always take the one you do not intend; who know that no statement can include everything, and who always fix upon whatever you omit, and ignore whatever you assert; who join a society ostensibly to co-operate with it, but really do nothing but criticize it without attempting patiently to improve that of which they complain; who instead of seeking strength to use it in common defence, look for weakness to expose it to the common enemy; who make every associate sensible of perpetual dissatisfaction, until membership with them becomes a penal infliction, and you feel that you are sure of more peace and more respect among your opponents than among your friends.

These social porcupines predict to everybody that the thing must fail, until they make it impossible that it can succeed. Then they take credit for their treacherous foresight, and ask your gratitude and respect for the very help which hampered you; they are friends who act as the fire brigade of the party; they always carry a water engine with them, and under the suspicion that your cause is in a

conflagration, splash and drench you from morning till night, until every member is in an everlasting state of drip; who believe that co-operation is another word for organized irritation, and, who instead of showing the blind the way, and helping the lame along, and giving the weak a lift, and imparting courage to the timid, and confidence to the despairing, spend their ^{time} in sticking pins into the tender, treading on the toes of the gouty, pushing the lame down stairs, leaving those in the dark behind, telling the fearful that they may well be afraid, and assuring the faithful that it is all up."

3. The Co-operative Store.

The Co-operative Movement may be sub-divided into two general classifications, that of consumer co-operation and that of producer co-operation. The former embraces a much larger field of operation. It in turn may be sub-divided into co-operatives handling goods and co-operatives supplying services. Examples of societies handling goods would be co-operative bakeries, groceries, or meat shops; co-operative restaurants, dairies, gas stations and oil refineries. Examples of service co-operatives would be co-operative hospitals, clinics, garages, beauty parlours, buses or insurance agencies. The co-operative store is the typical and most practical form of consumer co-operation. For many years it has been the starting point of consumer co-operation for obvious reasons. The principles governing the operation of a co-operative store are the famous Rochdale principles which have already been outlined.

The co-operative store may be described as a business, which is owned and operated by the people, according to the principles set out by the Rochdale Weavers, to furnish themselves with goods and

services. In other words it is a membership organization of ordinary citizens, who by their concerted group action make provision for the supply of their own everyday necessities of life. This implies that a co-operative store is established primarily for the service of its own members, but this does not mean that non-members are excluded from the benefits of its service.

It has already been observed that down through history the middlemen have taken excessive profits for the service they performed and in so doing were a contributing factor to the social injustice inflicted on many poor people. The middleman was also one of the causes which gave rise to the great problem of inequitable distribution among the masses of humanity. It should be kept in mind always that the purpose of the co-operative store is to do away with all profit exploitation in production and distribution. The store or "Co-op", as it is often affectionately called, is the most democratic institution in the world.

Consumer co-operation is by no means, limited to the operation of a retail grocery store. In reality its scope is limitless and may embrace any type of business institution. A co-operative society may operate a coal mine, a bank, a milk distributing society, a housing society, a laundry, a lumber mill, or any other class of business which by its nature, provides goods or services to its customers.

An outstanding advantage of the consumer co-operative retail store is the fact that the combined purchasing power of the consumers effects a great saving in buying. Again, from the collective capital of the "Co-op" Store, co-operators will eventually control

a wholesale with great warehouses. Eventually, they will run their own factories and make the goods and commodities, which will be needed in their stores. With the surplus earnings from these factories, they will be able to purchase houses, coal mines, herds of cattle, coffee and tea plantations, fruit groves and farms. These have been actual accomplishments by various European Co-operatives. They should be actual accomplishments here in America in the very near future.

4. The Co-operative versus the Private Store.

In order to illustrate more clearly the set-up of the "Co-op" store it may be contrasted with the ordinary private store in the following manner:

a) The purpose of an ordinary business is to make money for the owner or group of owners, in the case where shareholders have invested their money to supply the capital. The owners in this case do not supply the goods and services primarily for their own use, but for sale to others. The Co-operative store, on the other hand, provides goods and services for its own members first and then to non-members who wish to purchase from it.

b) In private business the individual proprietor or group of shareholders, in the case of a stock company, is the owner of the business. In a shareholding business, each share entitles the holder to a vote in the affairs of the business. In this way one individual who happened to own a thousand shares would have a thousand votes and consequently either one individual or a small group could control the policies of the business. In other words a majority of the shares

run the business. In the Co-operative Store the majority of the members, not the shares, run and dictate the policies of the business, since each member has only one vote regardless of the number of shares he may hold. A director has no more voting power than an ordinary member. People run a Co-operative store, not money.

c) The profits of a private business are usually distributed in the form of dividends, in proportion to the number of shares each owns and this dividend is distributed regardless of whether the shareholder has patronized the business or not. The Co-operative store, on the other hand, restricts interest on the stock to the prevalent legal rate and distributes the profit, after allowing for all expenses and reserve funds, in the form of rebates, proportionate to the amount of business the member has given to the store. It is this principle which does away with the private middleman's profit and saves it for the consumer in the Co-operative store. By this means excessive savings are eliminated and wealth is justly distributed.

d) The ordinary business usually has the practice of limiting membership to the lowest possible figure, acting on the axiom "the fewer partners to divide the profits the better". Generally new stockholders are solicited only when there is a need felt for extra capital. In a "Co-op", the membership is open to anyone, man or woman, on the payment of a \$5.00 share; either by cash down or by instalments, or through accumulated rebates. Moreover, the "Co-op" always welcomes new members to use its services, on the principle that the increase in the number of consumer-members causes a decrease in the cost of service due to large scale production or trade.

e) In private business, unfortunately, there is often the tendency and incentive to dishonest practices which are injurious and at times costly to the consumer. The private dealer is in business to make all the money he can. In the Co-operative store, no manager or employee is subject to this incentive because such a practice would not be of any material help to him. He receives his just wage for his work. Moreover, the "Co-op" employee is not so liable to misrepresent merchandise due to the fact that he is usually hired because of his interest in developing and furthering the Movement.

f) Private stores customarily carry out a considerable credit policy in the operation of their business. Co-operatives, in line with the Rochdale philosophy, operate on a strictly cash basis. Experience has shown that store credit is an expensive luxury. However, it should be noted that some "Co-ops" provide a means of giving short-term credit for a small amount, in this country usually not more than \$30.00, which is the amount of each member's subscribed capital loan.

g) There is a similarity between the two types of business in that each sell their merchandise at the prevailing market prices. The reason for the Co-operative enterprise following this business practice has been explained fully in the chapter headed The Rochdale Principles.

It is erroneously thought that "Co-ops" deal only with their own members. It should be emphasized that the consumer co-operative store does pay purchase dividends to non-members. However, it is the usual practice instead of giving the non-members cash dividends, it gives them credit toward the purchase of stock in the society. This facilitates the entrance of non-members into the society at little or

no cash outlay. In some instances a non-member may give a small cash amount towards the purchase of a share and then pay the balance of his five dollar share by means of his purchase dividends, which will accrue until the amount of his share has been paid. By welcoming all customers as members, the co-operative store works in conjunction with other co-operative enterprises toward the complete reconstruction of society into a Co-operative Economic Democracy.

By means of these retail stores consumer co-operators in their everyday lives are striving to eliminate extortion of private profit in the distribution of commodities, especially the necessities of life. People who become members of the "Co-op" Store will also become part of the greater Co-operative Movement, which visualizes a new social system where there will not only be co-operative distribution but also co-operative production of all the necessities of life; for the aim of co-operation is the organized opposition of the common, working classes of society against our present socially unjust system, in which the means of production and distribution are in the hands of a privileged few. It is needless to say in this regard, that the ordinary private store, whether it is individually owned or is a large corporation, does not strive towards these principles of social justice.

5. Women's Co-operative Guilds.

A very important feature of a Co-operative store and one, the importance of which is often minimized, is the Women's Guild. This guild is an association of the female members of a co-operative store. They are organized for the purpose of promoting the general

aims of the store and co-operation in general. The importance of the role that women play in consumer co-operation cannot be stressed too emphatically. The guilds can be very helpful in promoting educational work, which is so necessary for the successful operation of any co-operative organization. They are also helpful in developing the spirit of loyalty among the members, encouraging the promotion of handicrafts, libraries and other entertaining and intellectual activities.

A very fine type of women's guilds has developed in Eastern Canada and the ideal organization seems to consist of five distinct committees as follows:

- 1) A study club committee, which arranges programs for the study group as well as supervising rallies for associated study clubs in a certain district. This committee generally supervises and promotes activities of an intellectual nature, which may further the aims of the store.

- 2) A handicraft committee, the function of which is to develop and encourage the different forms of handicrafts in order to keep the members together and at the same time have them engaged in useful occupations.

- 3) A house committee, which has the general supervision over lunches, kitchen and orderliness of the meeting places.

- 4) A store committee, which has the very important task of bringing in suggestions, inspired from the female point of view, and offering criticisms and complaints to either the manager or the board of directors concerning the operation of the store.

5) A membership committee, the chief task of which is getting new members to join both the co-operative store and the guild.

The married woman is the typical consumer. The woman with the basket represents the principle which underlies consumers' co-operation, the principle that the first and last object of all industry and trade is the production, distribution and exchange of commodities for use. Woman as the buyer, really forms the cornerstone of the Movement. It is through her basket, brought to the store counter in every country, that we are moving fast towards the time when all industrial life will be managed by the people and for the people. If every woman had the imagination to see the far-reaching consequences, which would result from her basket being filled regularly with co-operative goods, she would certainly join the nearest store and become a firm believer in co-operation. She would then be taking part in the whole life of this great constructive movement, which, when developed internationally, will bind the peoples of the world together, regardless of national boundaries and these co-operators would become more powerful than governments.

Previous to 1833, there was relatively little effort exerted to educate women in the principles of economic co-operation. In that year, the Women's Co-operative Guild was founded in England. Since that time, the immense interest which women take in the Movement and the part that they are capable of taking in it has steadily become more and more apparent. Their most useful effort has come about through the medium of the women's guilds.

As a result of these guilds, female co-operators can now do more to help the "Co-op" store, than merely spending the money

and serving tea at co-operative gatherings. Through these guilds, experience has shown that, given the right conditions and the right appeal, there is no class in the community who respond more readily and effectively to organization, with all it means in the way of education and action, than the women, even overworked mothers and housewives. Their enthusiasm for public work equals in every respect that of the male population. The appeal which Co-operation makes is to the largest class of women. It is a stronger and more significant appeal than that of any other Movement. It gives openings for the exercise of every woman's gifts and capacities in the service of the community. In providing for the well-being of her family, the co-operative woman is inevitably acting in a way, which will lead eventually to the establishment of a more equitable social system in her own town and country and ultimately, to the foundation of a world-wide Co-operative Movement.

6. Steps in the Organization of a Consumer Co-operative Store.

This subject has been treated extensively by many authors in a wide range of books. Some writers stress the organizational set-up peculiar to a certain country or locality only. From all authorities, it is possible to generalize their suggestions and establish certain fundamental steps which would apply to all co-operative organizations. For the sake of this thesis these organizational preliminaries will be stressed mostly from a Canadian point of view.

a) The first essential step is the organization of a proper educational program. This program should be carried out in conformity

with the procedure and techniques as outlined in another chapter of this thesis under the heading Education and the Co-operative Movement. It would be futile to attempt the organization of a co-operative store among members who did not understand the nature and advantages of such an institution. This knowledge is necessary not only to organize the store, but also to ensure its successful operation. The educational program should deal, specifically and at length, with the co-operative store.

b) Following the period of study, a general meeting should be called in which all the interested members of the community will take part. At this meeting a full report of the educational work should be given, as well as the general opinion arrived at, as a result of the study. This opinion should express whether or not it has been considered advisable to proceed with the establishment of a store. If it has been decided to proceed, the meeting should elect a provisional board of directors. Their number should be the same as planned for the permanent directorate. Besides this Board, the following committees should also be appointed: 1) a Constitution and By-Laws Committee; - 2) a membership and capital committee; - 3) a property, equipment and management committee; - 4) an education committee, providing that the original educational committee does not wish to function any longer. These committees will report their accomplishments at a subsequent general meeting and in the meantime, their duties will be as follows:

c) The Constitution and By-Laws Committee will make provision for the obtaining of the Charter. In Canada, it is usually necessary to contact the Provincial Government regarding this matter. When the

application for this charter is filled out and forwarded, it must be accompanied by a set of provisional by-laws. These by-laws will be drafted by this committee and should be adaptable to the particular locality. The application for the charter should also be accompanied by a statement giving the purposes of the proposed store. The important task of this committee is the drawing-up of the constitution which will govern the society. This is a long and tedious task. A person of the legal profession is a valuable member on this committee.

d) The Membership and Capital Committee has probably the most important organizing task of the entire program, that of canvassing new members and collecting contributions for the necessary capital investment. The best methods to get additional members should be left to the initiative of this committee. In some districts, especially in Eastern Canada, shhool-house meetings have proven to be a very important and effective procedure in carrying out this campaign. In rural districts, a farm-to-farm canvass by two members of this committee has brought very good results, especially where these people have been taking part previously, in an adult educational program. Experience has shown that the best convassers are local leaders who have taken the initiative in promoting the co-operative idea.

e) The Property, Equipment and Management Committee should be concerned with the twofold task of selecting the proper premises for the proposed store, along with its proper preliminary equipment and also the selection of a proper manager to run the business. With regard to the premises, experience over a long period of years has shown that a young co-operative should rent, rather than buy, its business headquarters, the principal reason being that much needed capital would

be tied up in an outright purchase. Regarding the choice of a manager there are many circumstances to be taken into consideration by this committee. This individual should be keenly interested in the Movement and at the same time should have experience in sound business practice. These two qualifications should be the first concern of the committee in making its choice. Provision for an adequate and efficient bookkeeping system in connection with the operation of the store should be another part of the work of this committee.

f) The education committee has the responsibility of supervising a program of education which will instruct members and non-members alike in the fundamentals and aims of Consumer Co-operation and other cultural topics as well, with a view to organizing an intelligent membership and thereby ensuring the success of the co-operative store; because, as has been stated in other sections of this thesis, education is the corner-stone of the Co-operative Movement. In the majority of cases adult education, along ~~the~~ study club lines, is absolutely necessary.

g) When the above mentioned committees have operated for a reasonable length of time and when the provisional directors judge the time is appropriate, a general meeting should again be called. Most provincial legislation requires that a meeting be called within six months from the date on which the Letters Patent are issued. At this meeting the proposed by-laws and constitution should be scrutinized clause by clause and voted upon. It is also customary to have the provisional directors resign and the permanent board of directors appointed. Auditors for the ensuing year should also be appointed. The reports of the various committees should be read and submitted for the approval or disapproval of the general assembly. The conclusion of this meeting

should see the final organizational work necessary in connection with the establishment and operation of the new co-operative store.

h) The brand of merchandise to be sold is an important organizational problem. Consideration should be given to the commodities which the majority need and will buy. The quality and the prices to which they are accustomed and the sources of supply must also be taken into account. There are weighty considerations both for and against the selection of groceries as the first stock in a "Co-op" store. The margins and competition are keener in this than in most other lines. On the other hand, food is the greatest common need and the biggest item in most family budgets. In this line, it is less difficult to carry out the co-operative theory of supplying a "known demand". The people and the market can be organized before incurring unnecessary business liabilities. Food and groceries will arouse the interest of the women of the household more readily than other lines. The grocery store has been the traditional starting point in consumer co-operation.

3 The preliminary organization has been stressed here due to the fact that very little seems to be written on this important topic. Many outstanding authorities have disconcertedly dealt with the subject. What is written here is more in the nature of a brief on the subject rather than a full treatment of it. It may also be considered in the nature of a suggestion to a person or group who might be interested in organizing a co-operative society.

7. Why Co-operative Stores Fail.

In order to illustrate the importance of the "Toad Lane" store, and the principles initiated by the Rochdale Pioneers, as the

foundation of the Movement, a number of causes of failure will be cited here. These causes are based on a century of experience in co-operation and are summarized from different eminent authorities on the Movement.

1. Beginning a co-operative store without a sufficiently large number of members, who are well-informed on the nature and aims of the Co-operative Movement.

2. Beginning operation with too little capital, especially cash capital to provide for possible unforeseen contingencies; also starting business without the assurance that the necessary overhead and operating expenses will be paid for by the business turnover.

3. Undue haste in the drafting and adoption of the constitution and by-laws of the store and the securing of the charter. If these matters are not given the proper consideration and time, very serious difficulties may arise regarding interpretation which may prove detrimental.

4. Failure to adhere strictly at all times to all the recognized "Rochdale Principles" such as: the extension of credit beyond the loan unit limit; selling unduly below the prevalent market prices; the adoption of an inadequate bookkeeping and accounting system, or perhaps the absence of any system; the specializing in a cheap grade of goods rather than quality goods and the failure to co-operate with other co-operatives, especially failing to affiliate with a co-operative wholesale society and to take advantage of co-operative manufacturing whenever it is available.

5. Giving maximum dividends out to members during the first years of the society's operation, rather than using this money to build up adequate reserves.

6. Over-taxing the management with detailed duties and obligations, which should be the concern of the Board of Directors or of one of the committees; also permitting the manager to overlook the issuance of a periodic monthly statement on the affairs of the business; also the hiring and retention of an incompetent manager or staff.

7. The failure of the Board of Directors to direct by neglecting to formulate definite policies and moreover, to see that these policies are carried out; also the directors' interference in the management's affairs.

8. The failure to solicit female membership and to appreciate the great support and assistance that women can give the organization.

9. The failure to recognize the importance of a continued educational program in which all members, employees and directors should take part; also the failure of the society to subscribe to co-operative literature and publications, which serves to keep the members abreast of the times and familiar with newer developments.

10. Allowing one person or a small group of persons to run the co-operative like a dictatorship, which means running it from the "top down" instead of keeping it a democratic society.

11. Allowing the premises of the business to become unattractive and shabby; in other words neglecting the observance of the sound and practical business principle of cleanliness. This was formerly a great offence in British Co-operative stores.

12. Failure to recognize the importance of obtaining the services of auditors who are experienced and competent.

13. Following a policy of handling a low grade of merchandise

and attempting to under-sell capitalistic stores by adopting a price-cutting policy, except where the Movement is sufficiently strong as in Sweden.

8. The Aims of the Co-operative Store.

The ultimate aim of the co-operative store is the attainment of a more equitable distribution of this world's goods. There is something very wrong in our present economic system when millions of people are begging for a slice of bread in a land, where countless elevators are bursting with wheat; where children are dying from malnutrition and the dairy industry cannot dispose of its surpluses; where thousands of men and women are improperly clad and at the same time our farmers cannot sell their wool. There is a great need for a fairer distribution of purchasing power, so that we will not have to face disastrous periods of unemployment, as have already been faced. Consumer co-operation, beginning with the retail store, is a technique by which we can reach the goal of a better world. This movement asks for no violent overthrow of the economic system. It quarrels with no man or group of men. It presents a method of constructive action and can be applied under almost any political state, except a totalitarian state. Consumer co-operation is "self-help" in its best and largest meaning.

With their "Toad Lane " store, the Rochdale Weavers started an economic revolution. They began with \$140.00. In 1936, in England, consumer co-operation had 7,500,000 members and its sales were \$2,500,000,000.00. The co-operative store stresses the ethical

teaching of economics. It teaches the sentiments of Christian brotherhood, of kindness, of unselfishness, against the economic system based on force, hate, greed and selfishness. It has been very forcibly described as "economic Christianity".

Consumer co-operation, through the retail store, aims at restoring private property to the poorer classes of society. It strives to remedy the abuses of capitalism by substituting human dignity in place of monetary power. It increases the purchasing power of the lower classes and aims to prevent speculation. It aims to encourage thrift by discouraging credit purchasing. It aims at discouraging wasteful over-production by encouraging production for use and not for profit. It tends to eliminate fraudulent advertising by a program of consumer education. Briefly its ultimate aim is to solve the anomalous problem of scarcity in the midst of plenty and starvation in a bounteous world.

In Consumers' Co-operatives by J.E. Johnson, J.V. Garland, and C.E. Phillips, the authors claim that co-operators should strive:

1. To have each local retail co-operative extend its distributive activities into new lines and try to perfect its organization both from the co-operative and the business point of view.
2. To develop the retail co-operatives to a point where they will be able to take up production; that is, to engage in productive activities. Such production may be carried on either on a limited scale by any of the local retail organizations when these have grown financially strong enough, or, on a larger and practically unlimited scale, by federations of co-operative societies.
3. To eliminate corrupt practices, waste and destructive competition also from the processes of production and put production on a national, systematic and efficient basis.

4. To eliminate all profit-taking middlemen between the consumer and the producer, and do away with speculation.
5. To establish direct trading relations (exchange of commodities) between consumer co-operatives and producer co-operatives.
6. By extending its organization until the co-operative associations cover every activity of the human life, and control not only distribution but also production, in which case they will do away entirely (or at least to the extent it will be possible) with the present capitalistic profit system, and substitute in its place the co-operative system of production and distribution, often called "the co-operative commonwealth".

9. Producer Co-operation.

This thesis is concerned primarily with the Consumer Co-operative Movement. For this reason a mere reference is made here to producer co-operation. A producers' co-operative is a society established on co-operative principles for the purpose of marketing, processing or manufacturing the products of its producer members. The functions of one society may embrace all three objects. Many authors make a distinction between agricultural producers' co-operatives and industrial producers' co-operatives. In the latter type of organization, the membership is made up exclusively of workers and dividends are paid according to the amount of work performed by each member, on a pro rata basis. Outside of isolated examples, the industrial society has not generally been successful. It has the tendency to lean towards socialism or communism by destroying the right of private property.

According to their plan of organization producer co-operatives may be classified on a local, federated or centralized ba-

sis. The local society is composed of producers in a certain community. It performs all the functions that a local marketing agency would perform, such as assembling, grading, packing and transportation. Like the individual "Co-op" store, it is necessarily limited in its activity. Federated societies are voluntary associations of several local groups. Their function is to secure better markets, establish grades for the produce, carry out research and generally to work for the good of its member "co-ops". An outstanding example of this type of organization is The California Fruit Growers Exchange, comprising over two hundred local units each having an average membership of over one hundred. The central society is still a larger unit of organization. Its scope of activity is more general than that of the federated societies. This organization is chiefly concerned with marketing problems both of its local and federated members. It usually operates on a contractual basis. "La Co-opérative Fédérée de Québec" is sometimes referred to as a centralized co-operative society.

Producer Co-operation in Canada has confined itself, almost exclusively, to agricultural producers' and marketing co-operatives. More recently it has made progress in the fishing industry. The purpose of the producer society is to market and process products on a collective basis in order to eliminate the excess profit heretofore accumulated by middlemen. Our Canadian farming and fishing industries comprise thousands of scattered producers who are unprotected against large scale marketing agencies of their products.

In Principles of Marketing, Frederick Clark writes:

"Agriculture, in contrast with a prevailing tendency in manufacture, is a small scale industry; and unlike manufacture

it is carried on by scattered producers located far from the great body of consumers. Thus the main output of textiles in this country is confined to a relatively small number of factories located in the midst of dense populations, or in close proximity thereto, but the cotton and wool used in the manufacture of textiles are obtained from thousands of plantations, farms and ranches in the United States and in foreign countries. And in the manufacture of flour, there are dozens, perhaps hundreds of farms growing wheat to each mill grinding it into flour."

This applies to our Canadian fishing and farming industries. Farmers and fishermen have been forced to sell their produce for the price determined by the middleman. This price has too often been below the actual cost of production. There is a great need for co-operative organization of their respective groups in order that these classes be assured of economic justice.

By its nature Producer Co-operation benefits a specified group of producers only. In this regard it differs from Consumer Co-operation, which is intended for all on the basis that every individual is a consumer. Critics of the Movement present this as a weakness. It is not. There have been attempts made to combine producer and consumer groups in many European countries, but all to no avail. In the case where there are two well organized consumer and producer groups and each follows co-operative principles, a committee composed of members from both groups should be formed to decide on a common policy of co-ordination. It is possible to join consumer and producer co-operative societies, providing they stand on the common ground that both groups are in reality consumer groups. Development should be from consumer to producer co-operation.

The advantages of producer co-operation in general, may be summarized as follows by outlining in particular the benefits of

agricultural co-operation:

1. It standardizes the grading and uniform packaging thereby making farm products more marketable.
2. It makes marketing less costly both for the producer and the consumer.
3. By accurate grading the quality of the goods produced is improved.
4. Co-operative marketing brings a better price to the producer.
5. It teaches industrial members the value of group activity and more about the Co-operative Movement in general.
6. Sound business methods are learned by the farmer members, who would not otherwise acquire them.

C H A P T E R V

THE PLACE OF THE CREDIT UNION

in the

CO-OPERATIVE MOVEMENT

1. The Nature and Purpose of the Credit Union.

The credit union or "la caisse populaire" is a savings bank organized on a co-operative basis, the main purpose of which is to grant credit at a low rate of interest to its members, who may repay the loan in small instalments. In other words it is a co-operative association of persons, united by a common bond for the purpose of providing themselves with an easy and secure means of saving money and of obtaining credit at a reasonable rate of interest. It is organized for the special benefit of its members who build up its capital from their small savings. It should be organized to serve people within a well defined rural area or to serve a group having a common bond of interest such as employees at a certain plant or business or among members of a church or fraternal order. An important feature of the credit union is that its profits, accruing from interest on loans, remain in the community and are shared by all the members.

In the chapter on "Education and Co-operation", the necessity for education, especially in the development of a co-operative society, will be dealt with. It will be pointed out that experience has shown the quickest, most efficient and most inexpensive method to promote adult learning is by the use of the study club as the fun-

damental unit of organization. The proper topics to be dealt with in a study club will be outlined, with particular emphasis being placed on the economic approach to the choice of subjects. In other words, if ordinary common people are to be interested in study at all, their thinking must produce immediate, tangible, results. One of the first things that a member of such a study club will learn will be the cold fact that study alone will not automatically alleviate economic distress, nor better, nor better his impoverished condition, and that before people are able to undertake a common venture, money is needed.

It will also be learned that a fundamental principle of adult learning is to take people where they are and to study the economic problems which are prevalent in their immediate community. Since one of man's greatest benefits is derived from the fact that he is a member of an organized society, it is imperative that the common masses of human society learn of the processes or forces which operate in that society. The two most fundamental forces operating to-day in our democratic society, are the economic and the political forces. The political power in a democratic country, which is the Government of that country, is in reality the economic power. Consequently, the study of the economic force should be the first and most important subject considered in a study club. The need for group action and the need for money to initiate a community activity will naturally give birth to the Credit Union idea. The credit union, as a general rule, is the first co-operative endeavour resulting from the work taken up in study clubs. It is a very natural and logical enterprise, which will form the basis for further and more advanced co-operative activities.

In dealing with the origin and progress of the co-operative movement, many authors on the subject fail to treat the credit union as an integral part of the movement. A complete understanding of the Co-operative Movement cannot be had without a knowledge of the Credit Union, because it is definitely a phase of Co-operation.

The purposes of the credit union may be summarized as follows:

1. To eliminate usury by giving credit at low interest rates.
2. To encourage thrift and systematic saving among its members.
3. To discourage the spread of illegal finance companies.
4. To help the members to learn to manage their money.
5. To aid people who need money for a worthy cause.
6. To put Christian principles into business practices.
7. To retain the profits on money lending in the community for the benefit of the members.

Consumer Co-operation is founded on the Rochdale principles. Similarly the credit union is founded on certain principles, now known as the Raiffeisen principles from the name of the founder. Briefly these principles are:

1. The credit union should serve only members within a definite region and a clearly defined locality or members having a common interest. It is necessary in a credit union that the members know one another, since mutual trust and honesty are the only security, at times, required for a loan. In industrial centres these societies may be organized by workers of the same plant, by particular occupational groups, by civil servants or even on a parish basis.

2. For a considerable time, a shareholder was liable for double the amount of his investment, but most banks do not insist on this double

liability clause now. The luzzati, Desjardins and the Schultze-Delitzch type operating in Italy, Quebec and Germany respectively have now wholly or partially abandoned unlimited liability stipulations. In his *caisse populaire*, Desjardins insisted on the unlimited liability of the directors in instances of grave negligence on their part.

3. Those charged with the credit union's administration usually serve without remuneration. This is one reason why these societies achieve such wonderful success.

4. Before a loan is made to a member, it is necessary that he declare to the loan committee, the purpose for which the money is needed. He must also give reasonable assurance, besides his honesty and integrity, that he will repay the money.

5. The credit union is not a profit-making society, but by its nature supplies a service. They pay a reasonable rate of interest, usually the current rate, on invested capital. In his book People's Banks, Rev. Bernard Huss writes:

" Service or to fulfil the law of charity must be the aim and never mere profit-making. Profit-making is the motive power of the capitalistic system, service is only incidental, a side-line, an accidental by-product of profiteering. Poor people do need money, but not only that, they need also personal service if help should be lasting. Sympathetic care can only come from the personality, not from the purse. And if the money should lose its cold egoistic character it must be given by the creditor not only on his own account or for profit but chiefly in account of the borrower of for service."

6. After reserve funds are set aside, the members receive a dividend on the co-operative plan, similar to the patronage refund in Consumer Co-operation.

7. Each shareholder has one vote only regardless of the number of

of shares he may hold. Shares are moreover, repayable by the society upon demand. A share in a credit union is not transferable.

To illustrate all the advantages of a credit union would be an extensive task. What good they are capable of accomplishing has been concisely summarized under three general headings by Arthur H. Han, in his work People's Banks as follows:

- " a) To encourage thrift by providing a safe, convenient and attractive medium for the investment of the savings of its members.
- b) To promote industry, eliminate usury and increase the purchasing power of its members by enabling them to borrow for productive or other beneficial purposes at a reasonable cost.
- c) To train its members in business methods and self-government and bring them to a full realization of the value of co-operation.

2. The Origin and History of the Credit Union.

As far back in history as the time of Xenophon there was planned in Ancient Greece a banking society, to which all Athenians were invited to subscribe their capital and to share in the profits of this society. From the time of Xenophon until about the middle of the nineteenth century, we do not read much about co-operative banking schemes.

The aftermath of the Napoleonic wars caused deplorable financial and economic distress among peoples of the different European countries. People became very desperate and the common masses cried out for reforms. Different remedies were introduced and tried, but

all to little avail until two outstanding individuals named Schulze-Delitzch and Raiffeisen devoted their entire energies towards relieving the impoverished condition of so many poor people. It so happened that these two men lived in different sections of Germany, yet they struck on the common solution that, if credit could be given to these people at reasonable rates of interest, the basis of the whole problem would be solved. As in our day, credit was available at that time but its cost was unbearable and only the richer classes could avail themselves of it, due to the exorbitant interest charges. Both of these Germans received their inspiration from Victor Aimé Hubert, the pioneer who had previously explained the nature and possibilities of co-operative banking.

The solution of the credit problem, as sponsored by these men was that the common people themselves should pool their small savings and establish sources of credit for themselves. This same solution was applied by Francis Holck in Belgium in 1848. In 1850 Delitzch set up his credit society and about five years later Raiffeisen followed with the establishment of his credit union. To Raiffeisen goes the honour of establishing the first credit union of modern times. From Germany the credit union idea spread to every country of Europe and eventually all over the world. To-day the assets of credit unions total billions of dollars and there is hardly a country which has not adopted a system of credit unions in some form or other.

It is to a Canadian, Alphonse Desjardins, that North America owes its gratitude for the introduction of the credit union to this continent. As Desjardins himself states in his own writings:

"Induced by the deplorable revelations brought about by low spirits in Montreal and elsewhere, where poor borrowers had been obliged to pay usurious rates of interest amounting to several hundred per cent for the most insignificant loans",

he set about to apply the benefits of the credit union to this country.

Desjardins also gives another motive he had in mind, namely:

"The people's welfare can best be secured by institutions organized by the people themselves, because these institutions are most likely to possess the characteristics that appeal to the people and therefore the stability necessary to perpetuate their services."

The first "Caisse populaire" or "People's Bank" in Canada was established by Desjardins at Notre-Dame de Lévis, Québec, in the year 1900. The first capital subscription amounted to \$26.40 To-day that same credit union has over \$1,500,000.00 in total assets. At the present time, Quebec province has credit unions with total assets amounting to well over \$16,000,000.00

James P. Warbasse, in his book, What is Co-operation? describes the tremendous effect of the credit union on Germany:

"It has been of especial service in Germany where it has raised the poor peasant from a state of miserable poverty to independence and self reliance. Districts in which the credit banks have been established have undergone a marvelous change. Places where the buildings were poor and untidy; the inhabitants discouraged, apathetic and drunken; the house and cattle heavily mortgaged at usurious rates or owned by the money lenders - such scenes have become transformed into places of thrift and beauty by the co-operative bank."

Describing the results in foreign countries generally,

Arthur H. Han, in "People's Banks", writes:

"It has regenerated and accelerated agriculture, commerce and industry. It has stamped out usury and raised millions of human souls from the depths of despair to lives of hopefulness and service. It has supplanted shiftlessness by industry; improvidence by thrift ; intemperance by sobriety; selfishness by neighborliness; individual effort by concerted action - in fact, has proven to be one of the most potent moral, educational and social forces in the history of civilization and in the enrichment of the life of the common people."

3. The Influence of Raiffeisen

Frederick Wilhelm Raiffeisen lived nearly one hundred years ago. He is commonly considered now the founder of the modern credit union and he is also sometimes referred to as the "Father of Rural Co-operation". He was primarily interested in the poor class of German rural communities and in the welfare of the lower classes throughout Europe and the world. Even to this day his lifework has not been exhausted and neither can the full import of his services to the agricultural population, the people as a whole and the State be wholly appreciated. In religion Raiffeisen was a Protestant but it is significant that it may be said of him he was a Protestant Christian to whom Catholic leaders came for advice in social matters. He was more concerned with the practical phase of Christianity - love of God and neighbour - than with dogmas. This was probably the secret explaining his intense humane interest in down-trodden humanity.

His first real co-operative venture was tried during the terrible European winter of 1846-1847, which was marked by wide-

spread suffering - Raiffeisen at the time was Burgomaster at Weyerbusch. He sponsored the co-operative purchase of food and seed; and established a communal bakery to aid the destitute who were unable to meet the excessive rise in prices.

In searching for the causes of this distress, he soon discovered that the crop failures and the inordinate increase in prices were due to the economic backwardness of the rural population and their lack of proper seed. Usurers, cattle traders and land speculators were exploiting the peasants because the latter lacked both money and credit. The scarcity of money resulted from a peculiarity of agricultural production, namely that there was only one harvest each year and consequently only one time when the peasants received any income. In the meantime, money might be needed to cultivate the farms and to pay debts. This man discovered the means to relieve such conditions of distress. He experimented with his plan for two decades, improving it constantly. When he had finally tested it from every angle, he advocated it on a large scale as the only remedy. This remedy was the credit union.

Three months following his retirement, Raiffeisen published a lengthy volume outlining his experiences. The book was entitled "Loan Associations as a Means to Alleviate the Needs of the Rural Population as Well as Those of the Urban Artisans and Workers". This book spread the credit union philosophy not only in Germany, but in other countries of Europe as well. Everywhere the ideas of Raiffeisen enkindled and awakened in many minds the desire to realize his purposes and to become acquainted with the man who, for the first time in economic history, so emphatically stressed as the purpose of

all economic relations not merely physical well being or material gain, but also the promotion of a more abundant moral and intellectual life.

In "The History of Credit Unions", Thiel writes of Raiffeisen as follows:

"The economic commercial objectives of the co-operative association were his objectives, in part because he possessed sufficient experience with the affairs of the world to know that nothing is more detrimental to morality and virtue than destitution and misery, and that one living in a state of dire economic distress is more apt to succumb to many temptations than one whose material existence is secure. Primarily, however, he had turned to the co-operative system because he recognized in it the best means to achieve moral betterment and because it stifled selfishness through self-sacrificing labors for the co-operatives. Naturally, he saw this remedy only in the co-operative system as he visualized it - a system in which striving after goods of a temporal nature was not the prime consideration, but rather a truly Christian self-abnegation and Christian charity, the self-sacrificing devotion of those in higher stations and the wealthy to the poorer and the weak."

Raiffeisen envisioned the day when the common masses would break from the chains of the exploiting, inhuman money lenders and be able to set up a credit union by means of which the people would supply their own credit and at the same time build up a business which they would own. His humanitarian endeavours have not been wasted. They will be appreciated by humanity for generations to come.

A. The Organization of a Credit Union.

A Credit Union should be so set up that it will provide an easy, convenient and safe place in which its members may accumulate money in small sums. It should be kept in mind that the purpose of

the credit union is to assist the man with a small income. It is among the commonest of the common people that such a society will be able to accomplish its democratic and humanitarian objectives.

1. The business affairs of a credit union are managed by a "board of directors" , which should not be less than five in number. This board is responsible for the general management of the affairs of the credit union. They choose from their own number a president, vice-president, secretary and treasurer. These are the officers of the society. The president presides over meetings, and the vice-president serves in the absence of the president. The offices of secretary and treasurer are usually held by one person. He keeps the records and is usually ^{considered} to be the general manager. The office of treasurer does not necessarily require a skilled accountant, although it is upon the treasurer that the responsibility rests for keeping records of all the financial transactions of the society, yet it is not necessary that he be an expert in bookkeeping. The reason for this is that standardized accounting forms have been prescribed for the treasurer's use in practically every section of the country to-day, especially in Canada, where every province has its credit union legislation.

The treasurer and all others handling credit union money must be bonded. All funds of the Credit Union are deposited in a bank designated by the board of directors. Disbursements are made for the activities of the union upon the signature of the proper officials. The board of directors, like all the other committees, is chosen by and from the members of the society in annual elections.

2. The second committee of the credit union is the "Credit Committee", which should consist of not less than three members. This committee has the general supervision over all loans made by the credit union to its members. The credit committee has been termed "the motor of the credit union" and rightly so, because upon this committee rests the responsibility of seeing that the whole society moves forward in the proper performance of its objective. This committee investigates the advisability of making a loan. It also judges the character of the proposed borrower. In short, this committee must place its stamp of final approval on all loans. It is its responsibility to safeguard the society's funds to the extent that no bad loans are made.

3. The third committee is the "Supervising Committee", which ordinarily should consist of three members. This group acts as an audit body and should submit its findings to the members periodically. A very safe practice, and one which is practically universal, is to have the books of the society audited every three months to insure that the business is being properly conducted. Briefly, the purpose of this committee is to see that the credit union, especially the credit committee, performs its specified functions and lives up to the rules of the organization and that the money is honestly handled and properly accounted for. It is a generally recognized rule that no member of the board of directors may serve on the credit or supervisory committees and that no member may serve on two committees. Moreover, no member of the board of directors or either committee may, as such, be compensated. The officers may be compensated only to the extent provided in the by-laws of the society. Usually the treasurer is

the only officer compensated and then only when a credit union is large and requires a considerable amount of bookkeeping. The members of these committees are elected for three-year terms, one third being replaced each year.

4. In Canada, every province now has legislation concerning credit unions. In most provinces, provision is made for the appointment of an inspector, whose salary is paid for by the Government and whose duty it is to see that the different credit unions under his jurisdiction comply with the laws of the province. He also audits the books and vouchers of each society in his jurisdiction. This inspector can be helpful in assisting the treasurer of a credit union to set up the books properly. He may also instruct new societies how to do their work most expeditiously and efficiently.

5. A very important feature in credit union development is the establishment of a credit union league, which is the federation of a number of individual credit unions into a larger association. The boundaries for such a federation will depend on geographical and other circumstances. In Canada the ideal boundary limits for such a federation has been found to be the provincial boundary lines. In some localities this credit union league furnishes bookkeeping and office supplies to the individual credit unions and also makes the necessary arrangements for the bonding of treasurers. Ultimately these leagues become federated into national credit union associations. From these larger associations, the individual credit union may borrow, in cases of unforeseen loan demands made upon them. They also supply an element of solidarity and co-ordination to the entire

Movement. The board of directors of these federated leagues are selected by the credit union delegates, who meet annually. In this manner the credit union organization is very similar to the study club organization, both being individual units of the Co-operative Movement and both being so affiliated with other units that their goals reach a national and ultimately an international scope.

5. The Operation of a Credit Union.

The purchase of one share entitles a person to membership in a credit union. The by-laws of the society usually determine the number of shares that one individual may hold. In 1936 there were 284 "caisses populaires" in Quebec with 55,000 shareholders holding 350,000 shares. This averaged about seven shares per member and each member averaging a \$35.00 investment. It is the usual practice in this country to have each member liable only to the amount of his investment.

The usual procedure in Canada and elsewhere for a person to become a member of a credit union is for the applicant to fill out an application card and have it approved by a director of the Society. His application will then be considered at a regular meeting of the board of directors and if approved the applicant will be admitted to membership. The applicant, moreover, must be a member of the group which the credit union serves.

The capital of the credit union is built up by the money which represents the shares subscribed by the individual members. In Canadian credit unions a share usually costs \$5.00 and may be paid

for in weekly or monthly instalments of \$0.25 Notwithstanding the fact that one share entitles a member to borrow from his union, every member is encouraged to continue buying additional shares so that the habit of systematic saving will be developed. This is one of the primary objectives of such a society. Loans may be made for provident or productive purposes only, as already stated. A provident purpose generally is regarded as one which would be of service to the member borrower and his family.

The usual custom is that the term of a loan may not exceed two years. The customary practice is to require repayment at regular intervals, usually each pay day. The maximum limits on secured and unsecured loans are fixed by the board of directors. In this matter the law of the locality must be complied with. In North America, as a general rule, an unsecured loan may not exceed \$50.00, and an adequately secured loan may not exceed \$200.00, unless the credit union's unimpaired capital and surplus exceed \$2,000.00

Dividends are paid from the balance of earnings remaining after expenses have been paid and twenty per cent of the net earnings for the fiscal year have been set aside as a reserve for possible bad loans. Dividends are authorized by a majority of the members voting at the annual meeting. Experience through the last century has shown that dividends should not exceed six per cent per year. Dividends are paid on each share outstanding at the end of the year in proportion to the number of preceding, consecutive, whole months for which it has been paid in full. The Canadian and American custom is that dividends may be paid in cash or by cheque or credited to the member's accounts at the discretion of the board of directors.

There is often considerable misunderstanding regarding the rate of interest charged by a credit union. The highest interest that can be charged, according to the by-laws of the majority of credit unions, is one per cent per month on the unpaid balance of the loan. This implies that if a part of the loan is repaid periodically, as for example each month, the total amount of interest to be paid is thereby reduced.

Experience has shown that the credit union should start on a small scale with relatively few members and relatively little money. The business of running a credit union is a routine business but the routine must be mastered before it becomes extensive. The treasurer must learn how to keep a few accounts before he has many to keep; the Credit Committee must learn how to pass on one loan before there are fifty applications. In this connection, it is interesting to note that the largest credit union in the United States, with present assets well in excess of two million dollars, started fourteen years ago with less than fifty dollars.

The credit union is an adjustable piece of machinery. No two credit unions are entirely alike. The directors should not hesitate to make the plan serviceable to the needs of the individual group in question. In some localities certain requirements in the set-up of a credit union organization will be needed, which would not be adaptable in other regions. The operation of the society must be uniform and adhere to co-operative fundamentals.

There is another important feature of a credit union which is often-times overlooked by many people. The society encourages
thrift

and saving on the part of its members, not only through the medium of purchasing shares, but a well organized credit union should also make provision for deposit accounts in which the members may deposit funds, temporarily, and at irregular intervals. These deposits will be kept in the nature of savings, which the members may draw upon whenever he chooses. In the bookkeeping set-up of a credit union, there is a distinction made between deposits, which are irregular amounts put away in a special account to take care of needs that may arise immediately, or in the near future. Shares, on the other hand result from the systematic saving of the individual members and provide the credit needs of the society.

Every credit union, whether industrial, religious or associational, can and should admit children to membership. To the average credit union it may not seem worth while, but that assumption is an ungrounded fallacy. An increasing number of co-operative *D. H. 18* stress the point that it is high time that youth be interested in the principles of Co-operation in general and the Credit Union Movement in particular.

In the Province of Quebec, credit unions are being organized in the schools on a considerable scale. In the Maritimes young people of school age are beginning to show interest in various types of co-operative projects and especially in the credit union. It is essential that our younger population be interested in thrift and that they have a knowledge of the Co-operative Movement; that they realize the value and power of group action and that by belonging to a credit union, they belong to a people's organization, which now has over three million members in North America.

6. The Difference Between the Commercial Bank
and the Credit Union.

In order to distinguish the co-operative nature of a credit union from the individual nature of the private banking institution, the essential differences between the two organizations might be set out as follows:

1. Credit unions are especially suited to those persons who earn relatively low incomes and who are anxious to save a small portion of these incomes, or who are anxious to borrow small sums to tide them over some temporary financial difficulty.

2. It promotes the necessary habit of saving by obligating its members to save a small amount of their earnings at regular intervals, preferably each week of the year, and to deposit this saving in this co-operative bank. The ordinary commercial bank does not perform this democratic task.

3. The credit union is so constituted that it serves only persons within a well-defined area, such as a community, a parish, an industrial organization, or even the members of a confraternity. In Eastern Canada, the school-teaching profession has been one of the leading sponsors of credit unions.

4. The credit union does not require an elaborate administration staff, nor costly offices. Usually there are no salaried officials, except a treasurer, who receives an equitable wage for his work when it involves his full time. This is not the case in private banking institutions.

5. The loans are made only to the members of the society and not to persons who are not "bona fide" members. Moreover, these loans are

made only on the grounds that they are really needed, and that the money will be put to some useful and provident purpose.

6. Probably the most significant deviation from the ordinary banking procedure is the practice exercised in credit unions, whereby a loan is made on the basis of the member's character and honesty. The credit union does not encourage a lazy or non-industrious person to join the society. In the private bank, before a loan is advanced, heavy security is demanded of the borrower who, oftentimes, cannot supply it and therefore is deprived of the loan.

7. The reason why a credit union is a co-operative society is that the society is controlled by the members on the principle of "one vote per member". The credit union like the co-operative store is run by the majority of the members and not by the majority of the shares. In the credit union it is not the majority of the number of shares that run the business; but the number of individual members control the policies of the society. This is sound democracy, which is not practised in private banks.

8. Another feature of the credit union is, that after the necessary operating expenses and adequate reserves have been deducted from the profits, the surplus is refunded to the members. Such a practice is not the policy of a commercial banking institution. The profits in the latter case would go to the shareholders in proportion to their holdings in stock.

9. The credit union, unlike the bank, sets aside a considerable reserve to carry on educational work, which will be for the personal benefit of each member of the society. This instructional work is

also directed towards non-members in order to enlighten them in this all-important habit of personal thrift.

10. The need for the credit union rests on the theory that thrift is a virtue and that high interest charges are a drain on the resources of the people. A large percentage of the commercial banks are not so constituted that they can profitably serve the financial needs of the small-income individual. They are limited by law to a rate of return on loans which often makes the small loan unprofitable. In some instances the cost of investigation, keeping of books, follow-up and collection work exceeds the actual interest return. The private commercial bank is not primarily interested in the welfare of the members which it proposes to serve in a particular community, but it is essentially concerned with the process of making money for its shareholders. For this reason they are not much concerned about small short-term loans to men and women in the low-income brackets.

The credit union, on the other hand, can perform these services satisfactorily and are anxious to perform them, because, first of all it is a coöperative organization, which is interested in the economic welfare of all the members. Its overhead is generally low because usually the rent, light and heat are donated by some individual or by the organization around which the credit union is formed. Again, by far the greater part of the direction and committee work are done by persons who donate their services for the common good. Credit unions bring the facilities for saving directly to the members and their very convenience promotes thrift. A well-run credit union approaches the credit problem of the borrowing member with a sympathetic understanding and not with the general attitude which is exerted

by the usual private business institution, which is operated on a cold, unhumanitarian basis. In countless instances credit unions have succeeded not only in relieving pressing and immediate financial needs, but also in the proper working out of domestic finances so that a borrower is turned into a saver.

7. The Growth of the Credit Union Movement in Canada.

The growth and development of the credit union movement in Canada is briefly summarized in the following excerpt taken from the report of the Economic Division of the Department of Labour covering the latest statistics as at the end of the year 1941.

" The development of credit unions in Canada may be divided into two periods. The first period covers the years of pioneer work by Alphonse Desjardins and up to 1932. The development of the study club programme in the Maritimes and the formation of La Fédération des Caisses Populaires Desjardins mark the beginning of the second period. The greatest number of credit unions operating in any one year during the first period did not exceed two hundred and activity was chiefly confined to Quebec with a few scattered credit unions in Ontario. In contrast, at the end of 1940, more than eleven hundred credit unions were chartered and each of the nine provinces had provided legislation governing the establishment and operation of credit unions. The movement has not been confined by race or creed; for example, on May 16, 1940, the Skidegate Mission Credit Union was chartered among the Indians of the Skidegate Reserve in British Columbia. Canadian development has been general and credit unions have been organized at a fairly rapid rate since 1936.

In Quebec there are over 550 credit unions as compared with 168 in 1932. In Nova Scotia approximately 200 credit unions have been incorporated since the Credit Union

Societies Act was passed in 1932. In Ontario, after some administrative difficulties in recent years, the Credit Unions Act, 1940, has been passed and the latest reports show considerable progress. At September 1, 1940, a large number of those credit unions, shown as unchartered at the time of the last annual statement had received their charters. Development in the other provinces began in 1936. In New Brunswick the first charter was issued in 1936, and at October 31, 1940, there were one hundred and twenty-nine credit unions in that province. In Prince Edward Island the Credit Union Societies Act was passed in 1936 and there were forty-six credit unions at September 30, 1940. Manitoba and Saskatchewan passed legislation for the administration of credit unions in 1937. At April 30, 1940, twenty-nine certificates of incorporation had been issued in Manitoba and at September 30, 1940, Saskatchewan had forty-eight credit unions in operation. The first credit union in Alberta was chartered in September, 1938, and at November 30, 1940, there were thirty-five credit unions in the province. British Columbia was the last of the nine provinces to incorporate a credit union, the first one being chartered in June, 1939. A recent report from British Columbia shows that in October, 1940, thirty credit unions were registered.

Study clubs activity results in many applications for charters and with the direction provided by government or federation officials, credit unions appear to have made a very substantial appeal to a large number in all the provinces. Credit union development has become an important part of the co-operative movement in Canada."

8. Advantages of the Credit Union.

Credit unions provide an important public service. It is impossible to exploit or unduly profit by means of such a society. The members of the society are the profiteers.

There is a tremendous national need for credit unions. Their rapid expansion depends in the largest measure on the willingness of a credit union member to spread knowledge of the credit union plan and to help new credit unions to organize.

Credit unions have maintained an unexcelled record for honest and efficient administration in every part of the world. Although they were usually composed of working people, who were most seriously affected by the depression, they have made the finest record of all institutions within the banking field. Credit unions lose very little money through bad loans. As a matter of actual record the "Caisse Co-opérative Notre-Dame d'Ottawa Ltée" founded by Desjardins in 1913 has loaned over \$1,500,000. 00 since its origin and has lost less than \$300.00. Credit union membership is really a certificate of upright character for an individual. It has been said that if a person remained in a credit union for ten years his whole philosophy of life would be changed. It is now becoming more universally realized that credit unions are the soundest financial institutions in the world.

In the seventeenth century, when he saw so many peasants in his realm and in other European countries suffering from social distress caused by the excessive evils of the usurers, King Louis XIV uttered these words: "Credit supports the borrower as the rope supports the hanged." This statement is just as true to-day as it was then. Ordinary commercial instalment buying is a very costly device. Co-operative organizations operate on a cash basis, because credit obtained through the store is a serious disadvantage to everyone concerned.

Credit obtained by means of the credit union reacts to the benefit not only of the borrower but of the other members of the credit union as well. Part of the money, which a member pays as interest on his loan, is later returned to him in the form of dividends. All the members in this way will obtain control over finances.

What is most important, the individual credit unionist is learning, at the same time, to plan and to use his money to the best advantage, In an intelligent way, he will learn to supply his most urgent needs and obtain those things which will be of the greatest benefit to him.

In this chapter, the important part that the credit union plays in the co-operative movement was emphasized. The close relation between the credit union, the study club and the co-operative store has been stressed. As a direct result, of systematic adult learning, the credit union idea is usually the first co-operative venture to develop. It has been found that the members of a credit union are the persons who are most anxious to organize a consumers co-operative. This is natural due to the fact that these people will quickly perceive the great advantages of co-operative organization, from their credit union. Such persons will realize the importance of the Movement and will be able to give the benefit of their experience, in studying and conducting new co-operative activities.

The accumulated capital in the credit union very often supplies the original investment in new co-operative endeavours, which otherwise might be financed only with the greatest difficulty in its initial stages. Through the credit union the prospective member of the co-operative store may borrow the funds necessary to buy his share in the new business. Later on he may wish more cash in order to do business with the store, which we have already seen operates on a strictly cash basis. From this it is easily discerned that these two important types of co-operative organization work hand in hand.

C H A P T E R V I

THE NECESSITY FOR EDUCATION

in the

CO-OPERATIVE MOVEMENT

1. Present Need for Adult Learning.

Many authorities on the Co-operative Movement fail to stress the importance of education. By its very nature the entire success of the movement is founded on an enlightened membership. Education is important at all times, but it is indispensable in a co-operative program in which people are to act on their own initiative.

There are many reasons why adult study is of more importance to-day than it ever ~~was~~ been before. When a country is at war or is facing a national or international crisis, there are many national problems which arise. At such times in history some people are inclined to "give up the ship" in an all-is-lost attitude, harbouring under the misguided philosophy, that their small individual effort, is of no avail in the great national task that lies before them. This is a most dangerous philosophy, which should be carefully guarded against, especially in a democratic country.

Then again our experience has taught us that in the last Great War profiteering and the exploitation of the individual, was carried on to a great extent by people, who were not prompted by

patriotic motives. Uneducated people are usually the victims of such schemers. Aside from the national reason then, there is the individual one why it is expedient that every man and every woman, both young and old, should seek enlightenment and inspiration in a program of adult education.

There is another important reason. The world in which we find ourselves to-day is a very different one from that of twenty-five years ago. Change is constantly going on about us. People have to face this important fact. Persons who do not consider and study the present day conditions; who do not realize that we have new social and economic problems which must be solved; who never read or study social questions, are overlooking a very vital matter. If a traveller depends on a time-table of ten years ago, he is almost sure to miss his bus. Yet many people keep to their old thought patterns of twenty or thirty years ago and wonder why they have missed all the buses of opportunity.

Throughout different countries of the world and especially in Canada, there are many impoverished people. There are poor farming communities, poor fishing villages and poor towns, some of which were at one time thriving and flourishing communities. Generally in these places the people are illiterate. There are some who can neither read nor write and many who never had the advantage of a primary school education. Due mainly to their lack of education, they are unable to help themselves economically. They were never taught to think for themselves. These people do not realize that it is within their own power to better their condition and to break the yoke of large profiteering enterprises, by planning a systematic program of adult study.

The first essential requirement in advancing the welfare of the common people, regardless of whether they are labourers or primary producers, is to offer them a definite, concrete, intelligible plan of action. Our old social and economic structure, as we have known it, must be reconstructed if democracies are to survive. The general revolution, which has broken upon the world at this date in our history, is the external expression of the conflict which has developed between ideas, ideals and ideologies. The common people of the universe have reached the parting of the ways and the common man is supremely anxious to attain the goal of social justice.

At the present time, there are three outstanding systems which beckon to mankind as the ideal fulfilment of social justice. Communism offers a solution to our vexing problems by offering a definite social formula. Socialism claims that the present day social ills and injustices would soon vanish if the Socialist State took over the reins of government. Both of these social systems destroy the freedom of the individual man and are completely opposed to our democratic standards of living. They embody the imposition of a socialized way of life by a small group at the top on the general mass of humanity at the bottom. The third social system and the democratic system, making use of the co-operative movement would usher in a new state of society, where the common man, by acting on his own initiative and in conjunction with millions of others, would, first of all, study the immediate social problems, search for their causes and then set about to apply the appropriate remedy by means of group action. Communism and Socialism would destroy the voluntary efforts of the people, since both systems are based on external force.

Democracy is going through its severest test at this time in our history. It will not be given a fair trial unless the people are given a fair chance and an opportunity to get the enlightenment which they need to face the social facts of the day. This is the fundamental reason why adult education is so important to-day. Social conditions are changing so rapidly and new social problems are arising so fast that unless adults, through a systematized plan of study, keep up with the times, they will become hopelessly incompetent to deal with these important problems. Ignorance of the masses, probably more than any other factor, has been the chief contributing cause for the rise of dictatorships in different countries.

The great question confronting the world to-day is: can the people of Canada and of the other free nations sufficiently educate themselves, so that they will be able to do voluntarily, for the common good of all, what the dictatorships are trying to do in other quarters of the globe?

2. What the Educational Program Should Do.

The educational program, which should be carried out in connection with the Co-operative Movement, should teach people that they themselves are competent to accomplish great things, which will be for their own good and the good of humanity in general. If Canada and other democratic countries are to withstand the evils of Communism and Socialism, and to prevent their introduction into our democratic way of life, the common people in these lands must be enlightened sufficiently to recognize the issues that are at stake. It is among this

lower class of people that such ill-founded panaceas have their origin and get their development.

The Co-operative Movement fundamentally is "action of the people, by the people, and for the people." To act intelligently these people must know what they want to do and how they are to do it. Adult learning is the only means which will equip these people for this task. This is the relation and the fundamental inter-dependence between education and the Co-operative Movement. It is impossible to have a successful co-operative enterprise without an associated educational program, which will enlighten the members first of all, and then keep them enlightened on the various topics which present themselves from time to time. Adult education is the headlight that illuminates the road ahead. Since the co-operative system should be founded on an intelligent understanding of fundamental economic truths by ordinary people, people should learn to think and act for themselves, and act together by applying to their own problems, the experience of others.

Doctor M.M. Coady, an outstanding adult educationalist in Eastern Canada, in an address over the N.B.C. on February 10, 1938, said:

"It is a fundamental idea of all education that it should enable a people to realize the greatest possible measure of life within the present framework of society; adult education ensures the attainment of this goal and in addition should usher in a new society where a better and more abundant life is possible. The adult education program that will perform this double function must operate in the lives of all the people. To do this, it must have a fundamental appeal. Its motivation will not be found in a program of extreme cultural or so-called classical education. The appeal in these two extreme

views is narrow. The common denominator of all of us is not that we are artisans or farmers or artists, but that we are citizens of a common country. The fundamental process by which we build up our civilization are in the realm of the economic, sociological and political. The fundamental relationships of man to man in society are found in these fields. If the people become masters of the forces governing these relationships, then they are on the way to have all other things added onto them.

There can be no doubt that we desire even the humblest of our people to dip into the rich social heritage of the race and to enjoy the finest fruits of the human mind of past ages. But to do this we have to go at it in a sensible and scientific way. It cannot be done quickly. We will probably have to lay the foundations for a long program. Fundamental to such a process is the idea of building the people to new levels of thinking and life. Our efforts in the past have been largely confined to building leaders for the so-called professions with the hope that in some mysterious way their culture might trickle down to the masses. It may be just possible that in the last analysis, leaders, thinkers and artists, are a necessary by-product of an evolving people. They are thrown up when the right time comes as the expression of a people's culture... If we look after the common people, the geniuses will probably take care of themselves.

To do this effectively the people must be organized to explore and exploit the possibilities in life. An examination of these possibilities will give us a clue as to where we should start. If we run through the whole gamut of human possibilities we will find that they can be summed up under a few headings. They are the economic, social, political, cultural and spiritual. We are all idealistic and spiritual enough to realize that the economic is probably the lowest category of human possibilities, but I hope we are realistic enough to know that all the others are based on it and conditioned by it. We don't have to go to the extremes of the Marxian economic interpretation of history to admit this. The great truth of the Marxian doctrine is probably more ominous for us than its falsehood."

In this day throughout the world, there is a spirit of unrest among the masses, which cannot and will not be quieted by simple promises or half-hearted methods. People, fortunately enough, are beginning to realize more and more that they have been governed

hereto for the benefit of the few. What is still more important, the masses are slowly wakening to the fact that, in their own hands lies the ultimate power to correct grievances. It should be clearly brought home to the members of co-operatives in their educational work, that to-day united action on the part of the people can peaceably accomplish in this country what in other countries required bloody revolution.

If education is to foster social progress, it should not be confined to formal education in the schools. The old conception of education was that it was a preparation for life. In these days of great social change, the education given in schools, especially in primary schools, is not an adequate instrument of progress. If we are to meet the problems of these revolutionary times, our adult population must be mobilized. Grown-up people, not children, must be mobilized to think their way through in every field. They must be educated to think their way through in every economic and social field. An adult educational movement that delves into the production end of life alone is inadequate. Similarly, an educational program that deals with classical and highly cultural things is not much good and certainly will not appeal to the toughened fisherman, the hard farmer, or the seasoned miner. What is necessary in such a program, is to take people where they are and base the educational technique on their own particular problems.

In the same address Doctor Coady said:

"We hold, therefore, as a fundamental principle, that an adult education program, to produce results and effect the lives of the people, must result, in the first instance, in economic action on their part."

"Incidentally, this is good pedagogy. We must take the learner where he is. We build on the interests that are uppermost in his mind. This is not to be understood as a bit of opportunism or a psychological approach which applies to-day and will not apply to-morrow. Neither does it visualize a program that fits only the illiterate and the poorer classes of society. It is true that we have, especially in Eastern Canada, many submerged groups whose attention could never be won in the beginning by a highly cultural program, but it is equally true that this country to-day has a growing army of well-educated workers and primary producers who are facing an insecurity that numbs them in their every effort to find a satisfying life. Even those who in the days gone by had the opportunities of securing an education that would enable them to lead the lives they desired are not so secure as they used to be. Even for them, the economic plight of the masses looms ominously; the measure of liberty that those fortunate individuals had in the past may be easily swept away. This has happened in other countries and unless we do something about it, it may happen in ours."

"The common people can permanently and effectively improve their economic position only by group action. We call this economic co-operation."

3. The Study Club.

There have been many schemes and instruments devised for adult education. There have been correspondence courses, lending libraries, lectures, different types of conferences, travelling schools, lantern slides, moving pictures and many other mediums; but it has been the experience of adult educators in different parts of the world especially in recent years that the study club is the most efficient. The study club is an instrument adaptable to any community. It is inexpensive and is easily applicable to large masses of the people. The study club is an excellent means of mobilizing the people of a community to think over, discuss and work out a solution for the problems confronting that particular community.

A study club may be defined as a small gathering of people, who meet at stated times to study and discuss a certain subject, which they feel requires their attention and about which they seek mutual enlightenment. Experience has shown that the ideal number of persons belonging to such a club should not exceed twelve nor be less than five, the average being nine or ten. The group selects its own leader and it is most important that it should meet regularly, on the average about once a week. The time, place, frequency and duration of the meetings ordinarily will depend upon the decisions of the respective groups. Any comfortable, well-lighted and conveniently located room may serve as a meeting place. It may be a room in the local school, a parish hall, the living room or even the kitchen of a home. It has been the practice in Sweden and Eastern Canada in this regard to have the place of meeting alternate among the different members' homes. This system has proven very satisfactory. There should be a definite time limit fixed for the duration of a study club meeting. The average duration is found to be one hour and a half or two hours at the most. In order to achieve the best results, individual members should be advised to do their own reading and private study on the nights that the club meetings are not held.

An experiment conducted in Eastern Canada has proven to be most beneficial in furthering the cause of adult education. Periodically, the various study clubs in a particular community or region hold a general meeting. The purpose of this general gathering is to record the progress of individual clubs. It is also a medium for renewing interest and exchanging ideas, suggestions and experiences. This general meeting may at times, for the purpose of variation, take

the form of a panel discussion. These associated study club gatherings will also give the members of the smaller individual groups an opportunity to discuss the common problems, which naturally arise from their studies. In this way, one study club can be of assistance to another and pass on the benefits of its experience. It is quite understandable that study clubs in a community will probably have common problems and objectives. These associated study club gatherings will also have a unifying effect upon the community and many of its activities.

A very excellent idea, as proven in Eastern Canada, is to have a number of associated study clubs gather together in a grand rally, by which means a still greater unifying effect is achieved and from which a more complete understanding of a possibly larger common problem is reached. Through such means the masses of the common people will gradually acquire the technique of group action and also realize its importance and eventually they will lay the organizational foundation for activities of a more cultural and practical nature. This will call for the set-up of regional libraries from which members may draw the literature that will spur them on to greater and higher efforts.

4. The Subjects to Study.

The reason why many study clubs, which are organized in connection with various associations, have at times dismally failed to accomplish their objectives, is that the subject matter taken up in these clubs was not of such a nature that it commanded the keenest

interest and enthusiasm of the members concerned. To-day, both in this country and in many European countries, there are many large study club movements. Some have proven successful, others have failed. It is practically universally recognized that the failures can trace the cause of their failure to improper subject matter.

It is obvious to the ordinary sensible individual, that it would be useless and also very impractical to attempt to organize a study club for the purpose of studying the fine arts, or the techniques of the Shakespearian drama, or any other highly cultural subject in a particular community, which happened to comprise hardened farmers, seasoned fishermen, rugged woodsmen, or rough miners. It would be an impossible task to try to keep such people interested in studying a topic, in which they had absolutely no interest.

It should be a fundamental tenet of any adult educational program that the topics, which are selected for study, must be appealing to the members concerned and they must be interesting. They must be of immediate interest to the members of that particular community. It has been truly and wisely said that: "a simple people is not likely to study just for study sake". In Canada, it may be said that the bulk of the population, especially the rural population, is composed of simple people. If our farmers are going to organize themselves into study groups and if their interest is going to be held for any length of time, they will have to see their mental activities producing concrete results. In other words, if interest in study is going to be maintained among these folk, their thinking must pay off in visible and tangible dividends.

It is generally found that economic problems and economic topics are the ones which are uppermost in the minds of most individuals, whether they be members of an urban or rural community, and that these are the topics in which every member of the community is keenly interested. Especially is this true in localities where the father of a family is striving to ~~make~~ ends meet and finds it ~~a~~very difficult task to earn a livelihood for his children. It is in such communities, where people are hard-pressed, that the Co-operative Movement will make the best progress and will be most appreciated. Consequently, in view of this important consideration, it should be firmly established as a fundamental rule, especially in connection with co-operatives, that the first step in adult study should be so directed as to produce economic ventures, so that it will be interesting and permanent. Gradually, topics which are of interest to the particular community and problems which require immediate group action, should then be introduced for the study group's attention and consideration.

One of the first concrete results produced through the medium of the study club will be the realization among the members that they are capable of thinking for themselves. No matter what their social status may be, each person is capable of astounding mental activity, if he or she is given the proper encouragement and the appropriate channel of expression. Through further study these people will finally realize not only that they are capable of thinking for themselves but that they can also do things for themselves. This eventually leads up to group action in the economic field, which is known as co-operation.

An excellent topic for a study club of this nature is the credit union, which is primarily a coöperative banking scheme. Sir Horace Plunkett once said:

"The credit union idea is a discovery as important to the financial order as steam was to the industrial order."

Another topic for study would be the co-operative store. Through study and study alone, people will learn the great advantages of such an enterprise. They will learn for themselves the possibilities for the common good, which are inherent in co-operative organizations. Through study they will learn to develop their own co-operative marketing agencies, their own co-operative factories and processing plants. It was through adult education and group action that these things became realities in a countless number of communities in Eastern Canada and Newfoundland.

This adult education and the results it produces through the technique of the study club greatly encourages our democratic way of life. People learn to think for themselves and to do for themselves. In fact the existence of democracy depends, to a very great extent, upon the education of the masses.

In briefly summing up the subject matter for study clubs, it should be stressed that the subjects which are chosen for study will greatly depend on the locality and also on the calibre and knowledge of the members providing, however, that the economic approach is not neglected. One subject at a time should be dealt with and disposed of, rather than simultaneously dealing with various topics. Each member should be impressed with the importance and necessity for study. The study of community undertakings, such as the credit union, the

consumer's co-operative store, the co-operative factory, a co-operative marketing agency, or processing plant, which when organized will produce results, will greatly stimulate the members to think and to learn.

5. The Inter-Relationship of Adult Education,
Co-operation and Democracy.

The adult educational program and the technique that should be used in such a program, have been stressed in order to illustrate the necessity of education as the back-bone of the Co-operative Movement. Many authorities on Co-operation recognize the supreme importance of an educational co-operative program. Common people acting on their own initiative cannot hope to accomplish a community activity unless they first know what they want to do and then know the means by which they can successfully accomplish their aims.

In order that man achieve his greatest possibilities, it is necessary that he should have a knowledge of the forces which operate in that society. It is also necessary that he know the means by which he can use those forces to further his own ends.

The two most important forces in society to-day, especially in our democratic societies, are the political force and the economic force. These are both co-related in such a way that economic force is in reality the political force. It is the economic force in our country which dictates the policies of the political force, our government. This is one of the reasons why the economic problems should receive the first consideration in a program of adult education.

It is also the economic force in society that is the basic concern of the co-operative movement. The movement for this reason may be more accurately referred to as "economic co-operation".

The liberty of the common masses of the people to-day is being jeopardized by economic dictatorship. The average individual does not realize this frightful reality. He is living under a misguiding "laissez-faire" philosophy. One of the primary aims of the co-operative movement is to restore these economic and financial forces to the common masses, where it rightly belongs. The aim of adult education should be to have the common people realize the importance of this economic force in society and to teach them the means by which they will eventually be able to assume the control of their own economic destiny, which now rests in the hands of a relatively small number. The financial field holds out great possibilities for the common people.. Through study, they will soon become aware of this fact and they will also learn that the control of money and credit in a nation is also the power in the nation.

Humanity has built a gigantic material civilization resembling a huge machine requiring almost infinite intelligence and good-will for its smooth operation, In a democracy this intelligence and good-will resides in the people themselves. Since it is evident that our social machine is out of order and daily failing to function properly, we can safely conclude that something is essentially wrong with the operating agency - that is, with the intelligence and good-will of the masses who alone are responsible for its smooth operation. For, in a democracy the people are their own masters and the real so-

vereign is public opinion; but public opinion is merely the co-ordination of individual judgments. If, therefore, public opinion is to settle the vital questions, which are continually before a country, it can only be on the condition that a sufficient degree of social and political intelligence has been developed in the mass of citizens.

Leaders may indeed plan an important, even a dominant, part in moulding the general trend of opinion; but the people must select and provide their own leaders and must possess sufficient introspection to distinguish the wise leader from the demagogue. Thus the just solution of social and political problems through public opinion is reduced finally to a matter of education and to the general diffusion among the citizens of sociological principles and laws, such as unified group action and democratic co-operation. Hence the solving of such great questions as the harmonizing of relations between labour and capital, the more equitable distribution of wealth and the system of taxation, depends upon the opinion of the public, which in turn, depends upon the extent to which sound social principles have been diffused. Plainly then, the very existence of our democracy depends upon a properly conceived system of education adequately carried out along the lines which have been outlined above.

In early times communal effort and mutual co-operation was a recognized social practice, but the doctrine of mutual co-operation has been supplanted by the selfish, avaricious and grasping methods so characteristic of the modern industrial system. Adult learning, besides teaching people about their social and economic problems and hastening their solution by means of group action, will also give people some higher motives for honest Christian dealing with one's fellowmen. It will moreover emphasize the truth of a forgotten idiom, that honesty is, even in the business sense, the best policy.

If democracy implies that people, which means all people, must solve their own problems, then ignorance of the masses of the people, ipso facto, is its deadliest foe. Of all forms of ignorance, the worst is undoubtedly the ignorance of our democratic social principles and standards of life. It is this ignorance which breeds bolshevism, anarchy, and destructive revolutionary panaceas. Ignorance and lack of understanding, rather than malevolence, are the underlying causes of most social disorders and of the ever recurring clashes between individuals, classes, and races in the world. On the other hand, education and knowledge, such as outlined above, which is derived from people meeting together in study circles, give that mutual forbearance, understanding of the other fellow's viewpoints and comprehensive sympathy so absolutely essential for the healing of the social ills to which our nation and other nations are heir.

In the light of these facts, the urgent necessity for adult education, especially for the rural population of Canada, the bulk of which has never been given the opportunity of a thorough primary school education and very few of which have gone to institutions of higher learning, can be clearly recognized. As has already been pointed out, experience along these lines has been that the study club is the most effective and inexpensive means which can be used to accomplish the task. Through such a process these people will not be able to solve our economic and social problems overnight; but it will lay a solid foundation in the most democratic way for the building of a stable and permanent society. Later on through these study clubs, the common people will advance to the learning of more complicated

social studies, such as the study of history of government, of industry, of community life, and of social organizations.

Only through such careful and exhaustive study of social and political problems can the amazing ignorance of all classes, regarding these questions, be overcome and education suitable for citizenship in a democracy be provided. The education of the masses is the only logical salvation of democracy and the only rational means of social progress. The close relationship between education and democracy should need no illustrating; they must rise or fall together. When the time comes that a realization of these facts is common to all people regardless of their station in life; when people are willing to spend a reasonable amount of time in the pursuit of knowledge, then we will have made great progress towards rendering "democracy safe for the world."

C H A P T E R V I I

CO-OPERATIVE LEGISLATION IN CANADA

1. Procedure for the Incorporation of a Co-operative.

There is now in the statutes of every Canadian province, laws providing for the incorporation of various kinds of co-operative societies. The last two provinces to pass such legislation were New Brunswick and Prince Edward Island, in the year 1938. All provincial legislation provides for the societies' limited liability. This implies that the membership is distinct from the corporation. Debts may be recovered by suing the society, but the individual members will not be held liable beyond the amount unpaid on their share capital or possibly their membership fees.

There is similar procedure for the incorporation of co-operative societies in every province. The provincial act stipulates the number of persons who must sign what is known as the "Memorandum of Association". The number required varies in the different provinces. This application is then forwarded to the Secretary-Treasurer of the province, the Registrar of Companies or other official of the Government, who is specifically named to receive such documents. Each province usually requires that this "Memorandum of Association" be accompanied by the proposed by-laws of the organiza-

tion. It must also state the proposed name of the association, the objects of the society, the place the business is to operate, the amount of the capital investment and the value of shares. Every association seeking incorporation must comply with the provincial act which stresses the bonding of responsible officers, such as the treasurer and the fixing of the dates for the fiscal year and the annual meeting.

In the Province of Quebec under the Co-operative Agricultural Associations Act, there are twenty-five signatures required on the "Memorandum of Association", while some of the other provinces require only five. Under the Quebec Co-operative Syndicates Act, a stipulation must be made in the by-laws that these signing individuals are residents of a certain defined area. The Marketing Act in Saskatchewan and the Nova Scotia Act require that these people be residents of the particular province. In Manitoba the act requires that the original applicants for a marketing association be actual producers of the particular commodity to be sold by the co-operative society.

With the exception of the provinces of Nova Scotia, Alberta and Quebec, all the provincial statutes require that the word "Co-operative" be part of the name of the association. Five of the provinces also require that the word "Limited" be included as well.

2. Laws Governing Capital Investment.

As in the case of private corporations, the different provincial statutes provide for incorporated co-operatives to either

increase or decrease their share capital as the need arises. This change in share capital is within the power of the co-operative itself in the provinces of British Columbia and Quebec. In Nova Scotia, Ontario and Manitoba the increase is made according to the procedure laid down in the Companies Act by securing supplementary letters patent. In the remaining provinces the procedure is generally to have a by-law passed by the society and then formally approved by the supervisor of the province. The Alberta Act does not limit the number of shares in a co-operative association.

Generally the provincial laws state that shares are redeemable by co-operatives. In the Province of Quebec however, the preferred shares only are redeemable. Under the Co-operative Syndicates Act in that province, the amount of shares redeemable is limited and fixed in the by-laws of the society. In Manitoba, Saskatchewan, and Alberta the redemption of shares is legal, providing, that the association's liabilities are less than fifty per cent of its assets. In Ontario redemption of shares must comply with the procedure set forth under the Companies Act.

Instalment payments on share capital are sanctioned by all the provincial statutes with the "proviso" that these payments must be in cash. Co-operatives may be incorporated even without share capital in Manitoba and Saskatchewan. With the exception of the Co-operative Syndicates Act in Quebec, the statutes in all the provinces of Canada fix a limit to the return on invested share capital. Nova Scotia limits the rate to "not more than five per cent", while the provinces of Alberta, Ontario, and British Columbia allow up to eight per cent.

Provincial legislation in Canada has consistently aimed at fixing the liability of incorporated companies in order to protect the individual shareholder. This principle holds in the case of co-operatives. We find that every act definitely states that a co-operative's liability is limited to the amount of the "subscribed" holding of each member regardless of whether or not he or she is a fully paid-up member.

With regard to the number of shares a member may hold, the general trend of legislation is not to set a fixed number. However, again in Quebec under the Co-operative Agricultural Associations Act, a minimum of five and a maximum of ten is fixed^{by statute} for each member. In Alberta, the holding for any one member is limited to one tenth of the total of the society. In the Province of Manitoba this figure is one twentieth. Usually the by-laws of each association fix a limit for individual members.

Without the approval of the board of directors, the transfer of shares in a co-operative organization is not generally permissible. Some provincial Acts, as those of Prince Edward Island, New Brunswick, and Alberta permit the transfer of shares only on the death of the holder and then only to a person selected by the deceased, after such person receives the approval of the board of directors.

3. Legislation Governing Co-operative Refunds.

All the provincial Acts recognize the important co-operative principle of returning a patronage rebate. Canadian legislation legalizes this practice. The Quebec Co-operative Syndicates

Act does not sanction specifically this phase of co-operative activity; but patronage refunds are usually provided for in the by-laws of the society, incorporated under the Act.

Five provinces including Alberta, Saskatchewan, Manitoba, Ontario, and New Brunswick legislate on refunds to non-members who patronize the co-operative. Under the Manitoba and New Brunswick Acts this patronage refund to non-members must not be less than one half of the rate for the members of the society and a refund to a non-member must not be in cash but in credit, which will apply against the purchase of his first share in the co-operative association. In Alberta this refund to a non-member is more complicated. In that province, before such a person can receive any dividend, he must make a formal application for membership. Moreover, the refund in Alberta is never in cash, but is in credit towards the purchase of a share. As a general rule the remaining provinces leave this matter to be dealt with in the by-laws of the society, which in turn usually leave it to the discretion of the board of directors.

Some provinces provide for a differential dividend. This differential dividend means that the patronage refund rate will differ according to different commodities purchased. Generally, this differential refund is not obligatory, but is included in co-operative constitutions to insure a fair distribution of surplus goods. The provincial Act must be complied with in the matter of cash or credit patronage refunds. According to the Quebec Co-operative Agricultural Associations Act, refunds are credited to the shareholder producers, "in proportion to the volume of purchases and sales by each of them,

in the books of the association, on account of a preferred share to be delivered to them when fully paid up."

4. Legislation Concerning Voting, Reserve Fund,
Provincial Supervisor, Cash Business,
Incorporated Name and Dissolution.

The statutes of each province specifically refers to voting. Every province safeguards a very fundamental principle of Co-operation, namely, that each member of the society shall be entitled to one vote only. Proxy voting is prohibited as a general rule; yet it is a recognized practice to have a delegate represent one or more co-operative societies at a federation meeting.

The majority of provincial acts require that a certain amount be set aside as a reserve fund, before the patronage refunds or the annual dividends are declared. The customary rate for this fund is not less than ten per cent, of the earnings. The Provinces of British Columbia, Alberta, Saskatchewan, Ontario, New Brunswick, and Prince Edward Island provide for an educational fund as well.

With the exception of British Columbia and Ontario, all the provinces provide for an appointment of a supervisor of incorporated co-operative associations. In Ontario, rural co-operatives come under the supervision of the "Co-operation and Markets Branch" of the Department of Agriculture. Likewise the Department of Agriculture in Quebec directs and guides the different agricultural societies and rural co-operatives in that province. The annual reports

of all co-operatives are to be filed with these supervisors, who generally have a wide range of powers vested in them. Under the terms of some provincial Acts, they can refuse the application for the incorporation of a society, if in their discretion the society does not meet certain standards.

The reason behind the appointment of these supervisors seems to be to relieve the Registrar of Companies or the Provincial Secretary of a certain amount of supervision and complicated routine problems, oftentimes connected with a co-operative. It also facilitates the expansion of the co-operative movement. The annual returns submitted by these societies, naturally require auditing. In some instances these auditors must be chartered accountants. In Alberta the Minister of Trade and Industry must approve the appointment of the auditor.

In order to prevent unscrupulous companies from incorporating the word "co-operative" in their official name and also to prohibit an indiscriminate use of the word, the Acts of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, New Brunswick and Prince Edward Island have specifically safeguarded against any abuse in this matter.

In the Statutes of Alberta, Saskatchewan, New Brunswick, and Prince Edward Island, we find that co-operative business on a cash and not a credit basis is mandatory, in cases where the paid-up share capital is less than \$5,000.00. When the capital exceeds this amount, business may be done on a credit basis, but such a procedure must receive the approval of three quarters of the members.

According to the New Brunswick and Alberta Acts no new co-operative society may set up its business within a radius of five miles of a previously existing co-operative business, without the consent of the supervisor.

In order to dissolve an incorporated co-operative society, provincial legislation specifies that two thirds of the membership must concur. If the membership decreases to less than ten persons the co-operative may be dissolved according to the New Brunswick Act.

5. Co-operative Acts According to Provinces.

Up to the present time there is no Dominion Act which provide for the incorporation of co-operative societies. They may be incorporated under the Federal Companies Act. There have been instances of co-operatives being incorporated by special acts of Parliament. At different times in our history legislation has been introduced in the Dominion Parliament governing the incorporation of co-operatives; but these bills never became law. In the year 1908, the Industrial Co-operative Societies Act was defeated in the Senate after it had passed the House of Commons.

In Prince Edward Island, The Co-operative Associations Act became law in 1938 and is administered under the Department of Agriculture. The passage of this act was necessitated by the increased interest in credit unions and the co-operative movement in that Province. Prior to this, special acts of the legislature were necessary to incorporate co-operatives.

In New Brunswick, The Co-operative Associations Act was passed in 1938. Incorporation had previously been under the Companies Act. Like Prince Edward Island, this act is administered by the Provincial Department of Agriculture.

In Nova Scotia, The Farmers' Fruit, Produce and Warehouse Associations Act was the first co-operative act and was passed in 1908. Like New Brunswick, prior to this time incorporation took place under the existing Companies Act and occasionally by special acts of the legislature. The Farmers' Co-operative Societies Act became law in 1914 and was later revised in 1923. A new Act in 1935 superseded the previous ones and was more in keeping with recognized co-operative principles. As in the former provinces, the modern act is under the Provincial Department of Agriculture.

In Quebec, what is termed "An Act to incorporate the Société coopérative fédérée des Agriculteurs de Québec", was passed in order to federate the activities of three independent co-operative associations. The marketing and producers' co-operatives are now incorporated under the Co-operative Agricultural Associations Act which was passed in the year 1908. Credit unions or "les caisses populaires" are incorporated under the Co-operative Syndicates Act, which became law in the year 1909. This act contains a peculiar clause, "to study, protect and defend the economic interests of the labouring classes," which, according to recent interpretation, permits the incorporation of consumers' co-operatives. There are therefore three existing Co-operative Acts in Quebec.

In Ontario, co-operative societies still incorporate under the Companies Act. In this province co-operatives come under the supervision of the Secretary-Treasurer's Department and are not controlled by the provincial Department of Agriculture, as in the majority of the other provinces. Credit unions are now incorporated under the Credit Union Act of 1940.

In Manitoba, a Co-operative Act was passed in 1887, and so to this province goes the honour of having the first co-operative legislation in Canada. The original act was revised several times, the last revision being in 1925. In the year 1932, The Co-operative Associations Act, along with many other acts was repealed and embodied in the Companies Act. The Registrar of Co-operative Associations is still maintained, notwithstanding the fact that these societies come under the administration of the Secretary-Treasurer of the Province.

In Saskatchewan, there are two distinct acts governing the incorporation of co-operatives. There have been instances in this province of co-operatives being incorporated by special acts of the legislature and others under the Companies Act. The two existing co-operative acts are The Co-operative Associations Act, which was passed in 1913 and the Co-operative Marketing Associations Act, which became law in 1925. The former was originally called The Agricultural Co-operative Associations Act. The general policy of co-operative legislation in this province has been to have different acts to cover different kinds of co-operative enterprise. The two existing acts come under the administration of the Department of Agriculture.

In Alberta, there are also two different acts. The Co-operative Marketing Associations Act was passed in 1924. It is concerned only with producer or marketing societies. The Co-operative Association Act was passed earlier in 1913 and deals with all other types of co-operative associations. This latter act was superseded by a new one in 1937.

In British Columbia, there was The Co-operative Associations Act and also The Industrial and Provident Societies Act, both of which were passed in the year 1911. Co-operatives are now incorporated under The Co-operative Associations Act of 1920 and their administration is under the Registrar of Companies in that province.

In connection with co-operative legislation in Canada, there is a special body known as the "Co-operative Union of Canada", which, among other activities, gives valuable advice on co-operative legislation in Canada and has proven to be an influential organization in safeguarding the fundamental Rochdale principles of co-operation in this country. This Union was formed in 1909 by a group of representatives from different Canadian Co-operative Societies, who met at Hamilton, Ontario. Its constitution and aims are similar to The Co-operative Union of Great Britain and like that of England the Canadian organization is primarily an educational body.

C H A P T E R V I I I

CO-OPERATION

IN THE PROVINCE OF QUEBEC

1. The Beginning of Co-operation in Quebec.

In a review of Co-operation it is imperative that particular emphasis be given to the movement as it developed and grew in Quebec. The movement in this province, in many respects, has advanced more rapidly and has achieved a higher degree of perfection than in other parts of Canada. In many ways it has covered a wider range of activities, such as Co-operative Life Insurance Associations and Co-operative Fire Insurance Associations.

Unfortunately for most of English-speaking Canada, Quebec is too often considered an alien country, where a distinctly different culture and way of life has developed and grown. Some people have the erroneous impression that French-Canadian traditions are backward and that especially the inhabitants of the rural districts are adhering to hopelessly out-dated customs and business practices. It is true that Quebec is deferent; yet this by no means implies, for instance, that the farmers in rural Quebec are a backward group of individuals.. In fact the direct opposite seems to be the case. They have different ideals in many instances

and they take great pride in their language, their religion and their different social organizations.

Quebec has contributed greatly to the growth of the co-operative movement in Canada. It is a matter of record that, during the great depression years, rural Quebec suffered less hardships than farmers in other areas. The Quebec farmer takes great pride in his farm. It represents a family tie and the farm is usually handed down from generation to generation.

Quebec farmers have taken advantage of modern farm machinery which has become available since Quebec has become a great industrialized province. They are also taking advantage of modern farming methods which have been recommended by the leading agricultural colleges throughout the country. It may be said that the agricultural economy of Quebec is tending to become self-sufficient and is becoming more and more independent of outside markets, due to the fact that it is largely organized on a local parish basis. Reference has here been made to the rural area of Quebec province because it will be shown that it is among the farmers and rural dwellers that Co-operation has made its greatest strides and has accomplished the greatest good.

Long before modern times, the first settlements in French Canada saw the early settlers giving mutual aid to one another in clearing and tilling their farms. They also co-operated with one another in harvesting their crops. Long before the days of government legislation sanctioning co-operative societies, history shows that these farmers had been co-operating among themselves. In the early days these people co-operated because they were inspired

by a conviction that such co-operation was not only a manifestation of Christian charity, but was also necessary for social solidarity.

Historical records show that the Co-operative Society of Adamsville, founded in the year 1903, was one of the first co-operatives organized in Quebec. This Co-operative society should not be confused with the first "Caisse populaire" which was organized by Alphonse Desjardins at Lévis, Quebec, a few years earlier.

History further shows that up to the year 1910, very few co-operative societies existed in Quebec, notwithstanding the fact that the Co-operative Societies' Act was passed in 1908. Between the years 1910 and 1915 there was a notable improvement in the growth of their numbers. In 1916 the existing co-operatives, which numbered about one hundred and fifty-eight societies, organized a central organization known as the "Confederation of Co-operative Societies". Later there were other central organizations formed. Experience soon taught that further increase in the number of such central societies tended to destroy the unifying force of co-operation. As a consequence, in 1921, these central organizations were amalgamated into one solid unifying federation known as the "Coopérative fédérée de Québec".

This "Coopérative fédérée de Québec" experienced some difficulties in its early stages, but after its reorganization in 1930 most of these difficulties were overcome. Since that time its progress has steadily grown. In the year 1938, the total business of this central organization reached the amazing sum of \$11,731,000.00. In Quebec to-day this one central organization still exists and it is supported by over three hundred societies and syndicates. This

"Coopérative fédérée" is a province-wide federation of producers' co-operatives only. It has not yet embraced consumer Co-operatives. There are about one hundred other producers' co-operative societies which do not belong to the "Coopérative fédérée de Québec" but have remained independent, such as the Tobacco Growers' Co-operatives, the Maple Sugar and Syrup Producers' Society, the Honey Producers' Co-operative Society of Joliette and others.

The Consumer Co-operative Store movement, until very recently, has made little or no progress in this province. A considerable number of stores were started but practically all ended in failure, due to the fact that the Rochdale Principles were not adhered to in their constitution and operation. The one "Co-op" store that seems to have successfully survived is the Consumer Co-operative of Valleyfield, which was established long ago by cotton textile workers from England, who settled there.

2. "L'Union des Cultivateurs Catholiques"

The Mutual Life of the U.C.C.

and the Fire Insurance Mutuals.

The association, frequently referred to as the U.C.C., is a relatively new organization. It has been described as "the professional organization of French-Canadian farmers in Quebec." In former years the U.C.C. used to do a considerable amount of co-operative business, but in the year 1938 this portion of its work was centralized under the Coopérative fédérée. The principal work of the "L'Union des Cultivateurs Catholiques" now seems to be of an

educational nature. Its object is to diffuse co-operative ideals, principles and methods by means of study groups. The work of this organization resembles very closely a similar adult educational program which is being conducted under the supervision of St. Francis Xavier University in Antigonish, Nova Scotia, among the people.

The techniques used by both organizations are very similar in character. There is a central organization which supervises, directs and furnishes the study material. The work is carried out by means of small informal discussion circles, which may meet in the local schoolhouse, church basement or kitchen of a farm house. In both regions an important part of the program is a periodic publication, the aim of which is to keep the various clubs and members informed as to the latest facts and figures regarding co-operation in general. This publication is also a unifying force, which serves to keep each study group informed as to the progress of other groups. In the Maritime Provinces this publication is called "The Maritime Co-operator". In Quebec it is known as "La Terre de Chez Nous". The latest available figures show that in 1940 the U.C.C. comprised well over five thousand organized groups, having a total membership of over twenty-seven thousand.

This important organization does more than actually organize and supervise an educational program. It is now sponsoring a new phase of co-operative activity which has proven most beneficial and most practical. Outside of the province it is not generally known that co-operative insurance associations exist in French-Canada. These co-operative insurance associations embrace two general kinds of mutual associations; namely, The Mutual Life of the U.C.C., which

was founded in 1936, and the Fire Insurance Mutuals. These insurance associations are excellent forms of co-operation because, unlike private insurance companies, they make it possible for the agricultural classes to retain the capital which the farmers place in life and fire insurance. Moreover, they bring the benefits of insurance to people who would not otherwise have been able to secure it. It is a well-established fact that the death rate among rural farmers is lower than among other classes of people. Consequently, life insurance is usually a profitable business among such people. By means of these co-operative life insurance companies, the profit that would usually be taken from the rural community by the private insurance corporation is retained there for the benefit of the members. Three years after its incorporation this life insurance co-operative had issued one million dollars of insurance.

The first Mutual Fire Association was established in 1854. Since that time they have grown steadily in number. In the year 1940 there were 282 such co-operative societies. These societies have developed independently of one another and are not amalgamated into a central organization. By the year 1940 their insurance reached the amazing sum of about one hundred and fifty million dollars. The rate of insurance in these co-operative societies is much lower than in the average joint-stock companies. Occasionally, they have found it necessary to borrow funds. The practice has been in such instances to borrow from the local caisses populaires, thereby keeping all the business on a co-operative basis.

3. Quebec has Benefited by Co-operation.

Unfortunately these insurance co-operatives are not properly publicized and people in other sections of Canada know little about this fine co-operative endeavour on the part of French Canada. They are much like the co-operative medical associations which are now successfully operating in Ontario and Saskatchewan. They are also like a number of co-operative health insurance and hospitalization schemes, which have met with outstanding success in different parts of our Dominion; and like the co-operative housing schemes, such as the one at Stellerton, Nova Scotia, which is little known outside of the locality where it is in operation.

The educational value for the members belonging to co-operative organizations of this kind must not be overlooked. The people in rural Quebec have benefited greatly in this regard. It has been observed time and again that where a co-operative flourishes in a community, it will be found that the particular community has made considerable progressive improvement. From the association with the other members of the community, in their discussion circles, these rural people quickly gather information regarding such topics as better breeding methods and better feeding and cultivating methods. They learn about crop rotation and about improved methods of handling and packing their farm products. In this way, the individual benefits, the community benefits and the country as a whole benefits. The Co-operative movement has done much for the progressive development of rural Quebec, and Quebec has gone a long way towards the development of co-operation in Canada.

Some people have the mistaken notion that the Co-operative movement is merely an educational movement. The movement is intended to give financial benefit to hard-pressed people and if it fails to do this, all its educational activities are useless and the whole movement would quickly be doomed to failure. Some critics claim that the movement is not capable of accomplishing this end. To answer them we would point to Quebec, where statistics will show very definitely that co-operation through the "Coopérative fédérée", has aided the rural farmers not only to get a better price for their farm products, but also to buy their necessary farm supplies at much more reasonable prices than they could have, prior to their adoption of co-operation.

There is a mistaken rumor being circulated among ill-informed people that the "coopérative fédérée de Québec" is indebted to the provincial government in a sum of two million dollars. If this malicious statement was properly investigated it would be discovered that the province of Quebec owes money to the "Coopérative fédérée de Québec."

The simple philosophy of co-operative farming in the province of Quebec, as elsewhere in Canada, is that by bulking their products into a central pool, the co-operative farmers are in a much better position to demand a fairer price for ~~their~~ products and also in a better position to acquire more favourable markets. The usual problem of the farmer in this country is that the average one has too many kinds of products to sell and too little of each kind. This diversified type of farming makes the marketing process for individual farmers an expensive proposition. The Quebec farmers have seen the

great opportunity which co-operation offered them and are quickly grasping it.

This is not an argument against mixed and diversified farming, for it is generally agreed that such farming possesses far-reaching advantages and should be encouraged. What is being stressed is that co-operation has proven to be the solution of this very old farmers' marketing problem. These producers' co-operatives, like the great co-operative wheat pool of Western Canada, are really helping people to acquire better prices for their products, and are teaching ordinary simple folk the unlimited advantages of co-operative action. These rural people are finally realizing that where formerly their small, individual effort had failed, their combined group effort has proven to be a tower of strength.

4. Les Caisses Populaires.

Les Caisses Populaires or "people's banks" are credit unions. Like the credit unions they are co-operative banking societies which specialize in short term loans. These societies are instituted primarily to serve people of the lower income brackets. They enable people to borrow money without mortgaging their property beyond all hopes of redemption and at excessive rates of interest. The "people's banks' "movement is a very popular one in Quebec and since its inception, has made great strides in that province.

It has already been pointed out in another chapter of this thesis that the founder of Les Caisses Populaires was the great French-Canadian, Alphonse Desjardins. He was the pioneer in this

phase of the co-operative movement on the North American continent and is considered as the father of the credit union movement, which is now so wide-spread in Canada and the United States. The work of Alphonse Desjardins was based mainly on the systems of people's banks which were set up in Germany about 1840 by Raiffeisen and Schultze-Delitsch. He adapted the systems of these two men to conditions as they existed in Canada and North America.

So successful was Desjardins' work that in 1939, there were four hundred and ninety-three Caisses Populaires operating under the Co-operative Syndicates' Act in the Province of Quebec. These institutions have developed and grown very rapidly. To-day they are an integral part of the social and economic life of many French-Canadian communities. They are accomplishing in an astonishing way the task set out for them by their great founder. These institutions are encouraging thrift among the people with lower incomes. Les Caisses Populaires are by no means restricted to the rural and farming centres of Quebec; they have sprung up in industrial communities and large cities.

Like the Producers' Co-operatives in Quebec, les Caisses Populaires have been centralized into six regional unions. These regional units have, in turn, been united into one central organization known as "La Fédération des Caisses Populaires Desjardins", which assumes a more or less complete control over all the individual units. This organizational set-up resembles very closely the central organization of the credit union movement in the Maritime Provinces. The incorporation of the individual units into a central body contributes largely towards the continued expansion of these societies. It also

is an important factor in maintaining the confidence of the public in these organizations.

A tremendous amount of business has been done in Quebec alone by these co-operative banks. According to an official report issued in June, 1939, the total assets of "Les Caisses Populaires", which were in existence at that time were over twenty million dollars. Loans totaling approximately ten million dollars were made. The report also stated that the invested capital in these societies amounted to two-and-one-half million dollars and the total membership was over one hundred thousand members. This Co-operative banking movement has now grown into a big business, which is playing an important role in the economic life of that province. From all appearances the movement is still growing. It will expand further as the advantages of co-operative group action are brought before the people through the medium of the adult education program.

How do these co-operative banks succeed in having their borrowing members repay their loans, when they do not adhere to the principle of demanding heavy security? This is one of the secrets of co-operation. An intelligent membership realizes the importance of their credit union and also realizes that it is their own business so that, if they defraud their credit union they are, in reality, defrauding themselves. They realize that the co-operative bank is established by themselves and for their mutual benefit. There are no other banking institutions in the world which maintain such a record of honesty on the part of borrowers. To illustrate this assertion, we refer to "Les Caisses Populaires" where statistics and records will show that the loans defaulted, since the beginning

of the movement in Quebec, amount to less than one-twentieth of one per cent of the total amount of loans made. This is an amazing record of honesty about which any private banking institution would be proud to boast.

This record is all the more amazing when we consider that these co-operative banking societies are not managed or directed by financial experts, who are well-versed in money problems and economics, but they are managed by ordinary people. They are institutions of the people and the people run them, probably not always according to recognized financial standards, but according to practical, everyday, common sense.

A great deal of the success of these societies in Quebec, as elsewhere, is due to the careful supervision and control by the central organization or Federation. Usually this central body guards against faulty investments and it also supervises the proper inspection of books. There are twelve hundred parishes in the Province of Quebec. Of this total, nearly one-half now have their local "Caisse Populaire".

There are many examples of credit unions intervening in a direct way for the economic assistance of the French-Canadian people at a low rate of interest. They have very recently made possible the establishment of co-operative housing schemes at Sherbrooke, Three Rivers, Gaspé, and Québec. They have even greatly facilitated the establishment of an aluminium factory and a metallurgical plant in the province. They have also lent financial assistance to and actually promoted wood-working plants, cheese factories and a tramway co-operative.

The most recent statistics show that at the end of the year 1942, there were 668 "Caisses Populaires", having a total membership of 172,000. More than 250 of the 450 agricultural co-operatives in Quebec are financed by these "caisses populaires." It has been estimated that since 1932, these co-operative banks in Quebec have loaned over \$10,000,000.00 to various co-operative organizations in the province.

The latest statistics for the year 1942, show that there are seventy-seven acting consumers' co-operatives in Quebec province. More than one-half of this number owe their existence to credit unions. Not only have these unions loaned money to co-operatives directly, but they have also supplied loans to members individually, in order that these people could make the necessary payment on their shares. Credit unions have been of tremendous assistance to the fishermen throughout the Gaspé Peninsula where since 1939, they have advanced over \$100,000.00. These credit unions have also financed co-operative insurance societies for these same fishermen, by means of which they were able to insure not only their own lives, but also their fishing equipment against loss or damage. Credit unions, through the "Central Union Desjardins of Lévis", have made it possible for the United Fishermen to purchase a badly-needed warehouse in the city of Montreal which cost \$48,000. From these concrete instances one can realize the importance of the role being played by these co-operative banks in the furthering of the co-operative movement in the province of Quebec. In every respect they are measuring up to the ideals established by co-operative principles and are a credit to the movement in Canada.

5. The Quebec Adult Educational Program.

In a brief summary of Co-operation in Quebec, justice would not be done to the movement unless mention was made of the adult educational program being carried out among the English-speaking people of that Province. This work is supervised by MacDonald College, which institution has very benevolently supplied reading material to study groups, given refresher courses to local leaders and very frequently supplied its own staff members for field organizational work.

At the present time, "L'Ecole des Sciences Sociales de Québec" is conducting a very efficient program among the French-speaking population.

This educational program has only been in operation about four-and-one-half years. The following figures will show the progress achieved in such a short time. According to the latest reliable information the service supplied by these schools has reached over twenty thousand individuals. Over three thousand individuals take part in farm forum discussion groups every week; and over eight thousand persons attend rural film theatres, sponsored by the program every month.

This program is expanding rapidly at the rate of two and three hundred percent each year. It is laying the ground-work for future co-operative enterprises by teaching these people about the nature and necessity of Co-operation. Some co-operative creameries have already come into existence as a direct result of this splendid educational work.

The service supplied by these two schools is a very praiseworthy and benevolent one. It is also a necessary one to initiate a program of systematic and intelligent adult learning; but it cannot succeed unless it receives the whole-hearted support of the people whom it is intended it should serve. This program supplies the foundation upon which every phase of the Co-operative Movement should be based. Without an intelligent membership you can not possibly have a successful co-operative society. These schools are helping people who are anxious to help themselves and to do things for themselves. This is the real spirit of the Co-operative Movement.

C H A P T E R I X

CO-OPERATION IN WESTERN CANADA

1. History and Early Development.

As in the Province of Quebec, co-operation in Western Canada has confined itself mostly to producers' co-operatives. Until very recently the consumer movement has made but very little progress. Being in one of the greatest wheat producing regions in the world, it is natural that the co-operative movement in this region should center around the wheat growing industry and around other industries concerned either directly or indirectly with the growing of wheat.

Like the Province of Quebec also, it is found that the beginning of co-operation in the Prairie Provinces goes back to the days of the early homesteaders and pioneers who opened up our great Canadian West. In the incidental tasks which go along with the opening up of a new country, these early pioneers found that co-operation with one another was not only mutually beneficial, but at times was absolutely necessary. In Canada there are many co-operative societies which are really not co-operative, in the Rochdale sense of that word. Although they call themselves "Co-operative", they do not adhere to Rochdale principles. Particularly is this true of many co-operative organizations in Western Canada.

It is generally conceded that the Province of Saskatchewan was the birth-place of the Western Movement and it is in that

province that Co-operation has grown most noticeably and has achieved the most spectacular results. In the very early days co-operation showed itself in the growth of the "beef-rings" by means of which Western farmers were able to solve the problem of supplying fresh meat during the heat of summer, when refrigeration was unheard of. We read the heroic stories of the pioneer wheat growers' long struggle with transportation monopolies, particularly the railway companies. After these farmers had entered the field of grain marketing, like co-operators in all lands, they realized that by pooling their individual contributions, their collective bargaining power could achieve much more satisfactory results. Gradually these people acquired their own elevators and elevator companies to solve their storage problems.

It must be borne in mind that Canada is not ordinarily considered to be a great co-operative country. In the matter of consumer co-operation, Canada does not compare with some of the European countries, such as Sweden or Denmark. However, in agricultural producers' associations, our country does rank with other European countries. From the statistics gathered in the most recent surveys, this country is rapidly progressing in consumer co-operation and will shortly compare very favourably with other lands.

Wheat being the predominant factor in our Western economy, it is only natural that co-operation should first become prominent in the growing and marketing of grain. The first endeavour along these lines manifested itself in Wheat Pool organizations and for over thirty years these co-operative wheat pools formed the basis of the Western Movement.

In Canada to-day there are about six hundred and thirty farmers' societies which engage in co-operative marketing. More than half of these are in Saskatchewan and more than two thirds of these farmers' co-operative associations are in the three Prairie Provinces. Recent surveys have shown that more than one-half of all Canadian farmers belong to co-operative societies of some kind. According to the Canada Year Book, in the year 1938-39, farmer co-operators sold farm products reaching the amazing sum of \$180,000,000. Of this total co-operative farm business, about three-fifths was concerned with the marketing of grains. From these figures it may safely be deduced that in Canada the farmers are leading in co-operative endeavour.

2. The Pool Elevator System.

Since its beginning in the year 1924, the Saskatchewan pool elevator system, which is owned and operated by the co-operating farmers of that province, has handled over one billion bushels of grain. This pool markets nearly fifty percent of all the grain grown in Saskatchewan. In Saskatchewan alone, co-operative farmers have about eleven hundred elevators, scattered through various parts of the province, with terminal elevators at the Head of the Great Lakes. Similarly, in the Province of Alberta, we find the Alberta Wheat Pool with its country elevator system and terminal elevators at the Port of Vancouver. In the Province of Manitoba, the country elevator system is locally owned, but collectively they constitute the Manitoba Pool System, which also operates terminals and storage elevators at the Head of the Lakes.

When co-operation first began in Western Canada, it was usually confined to individual country elevators. The introduction of the "Pool System" in 1923 marked a great advance in co-operative enterprise. The object of this new organization may be found in the charter of the Pool's Central Selling Agency: "

"to be an agricultural organization instituted for the purpose of mutual help;.. to improve methods and reduce costs of marketing grain; to reduce speculation, manipulation and waste, and all unnecessary transactions in such marketing; to increase consumption, build up markets and develop new uses for grain; to market same directly and with regularity, so as to furnish it economically to the users thereof; and to preserve for the growers and the public their proper profits and economics."

Canadian wheat marketing agencies were opened up in various European countries and even at Shanghai.

From all this it might be erroneously assumed that co-operation in Western Canada is limited to the handling and marketing of grain. This is not the case. There are active co-operative marketing associations handling livestock, poultry, as well as poultry products, dairy products, grain seed and even wool. It should also be noted that the first co-operative oil refinery in North America is operating in Saskatchewan and that farmers are its shareholders and directors. This oil refinery is also considered to be the first co-operative oil refinery in the world. It is Saskatchewan's great achievement in consumer co-operation. It was established in the year 1935, for the benefit of the ordinary consumer who uses petroleum products. It was not intended for private interests. In 1939, it returned \$137,000 to its members after completing sales of 7,000,000 gallons of gasoline and other fuel oils. This enterprise emphasizes

once more the limitless scope of co-operation. Since its inception this organization has never been able to supply the demand for its products. It is still growing and expanding. In June, 1940, a new "cracking plant" was completed to facilitate its increased operation. To-day, it is one of Canada's big businesses and it is co-operative.

3. The Co-operative Wholesale Society.

In the year 1929, the Co-operative Wholesale Society was organized in Saskatchewan. It was established with the capital which was put up by twenty-nine local associations. To-day this C.W.S. serves over four hundred co-operative associations and it has a share capital amounting to over \$104,000.00. In its early days this Wholesale Society handled only such commodities as binder twine, lumber and coal. It has now expanded its range of goods considerably and recently has undertaken the distribution of farm implements groceries, petroleum products, fertilizer, formaldehyde, and co-operatively built farm tractors and tractor parts. In 1940, this Wholesale Society was able to declare a patronage refund of \$40,000.00 to its member associations, which represented a saving of about four percent. It is estimated that this organization now does an annual business of \$1,500,000.00.

This Co-operative Wholesale Society practices the fundamental co-operative principle of co-operating with other co-operative organizations. To illustrate this statement, in the year 1939, the bulk of this Wholesale Society's business was in the petroleum field. The association took full advantage of the fact that a co-operative

oil refinery in the same province could supply it with this product at a lower cost. Likewise, this same co-operative Wholesale made its purchase of tractors from an American Co-operative Association, "The National Farm Machinery Co-operative." Throughout this Western region there are many other commodities which are supplied to local co-operatives by the National Co-operatives, Inc., which is an international organization set up to look after the interests of American and Canadian wholesale associations. This mode of operation exemplifies the spirit of genuine co-operation. It is laying the foundation work, in the Prairie Provinces, for the time when most of the economic needs of the people will be satisfied through co-operative endeavour.

4. Volume of Co-operative Business.

It has been estimated that of all the retail trade done by Sweden, about thirty-five percent of the total volume is handled by co-operative organizations. Similarly, in England the figure is approximately twelve and one-half percent. When we consider England's tremendous volume of trade, it will be realized that co-operatives in that country do a big business. In Saskatchewan, it is found that retail co-operatives, although not comparing with Sweden or England, nevertheless handle about five percent of the provincial retail trade. This is a fair record considering that the consumer movement is still very young in the Canadian West. In the short period of eight years, the retail trade has been doubled and at present it is expanding rapidly. In the year 1940, it was officially estimated that there were 717 agricultural purchasing co-operatives

in Canada. It was further estimated in the previous year 1938-39, that the sales of these organizations during the crop year amounted to \$120,000,000.00 which represented about one percent of all Canadian retail sales during that period.

5. Results of Western Co-operation.

The objective of Co-operation in Western Canada is two-fold. The farmer co-operators consider the social benefits derived from co-operation are just as important, if not more important than the economic advantages associated with group action and collective bargaining. These people do realize the importance of their societies and organizations being commercially successful. They also appreciate the fact that they are the owners of their own businesses. They also recognize the fact that belonging to such co-operative societies, especially the producer co-operatives, will avail them but little if they have no products to dispose of, if they have no crops to sell and if their living conditions on their homesteads are poor and degrading. It would be discouraging for a farmer to be a member of a thriving marketing or distributing organization, when through no fault of his own, such as the lack of funds, he were unable to produce the particular commodity being marketed by this co-operative association.

Consequently, the movement in Western Canada is concerned primarily, as it should be, with the people, their living conditions, their homes and their crops. The agricultural co-operative movement in Canada is concerned with the whole field of growing, selling,

processing and distributing farm produce, so that the needs of our agricultural population will be satisfied. The movement is developing into a social philosophy which is bound to have an important influence on our national economy. It is advancing rapidly in this matter. It has made great progress commercially and economically since the year 1910, when the co-operative movement in grain amounted to merely the shipment of a few railway cars of wheat, which were loaded and consigned for sale to the Grain Growers' Grain Company. To-day, this picture has changed and we see over sixteen hundred co-operative country elevators scattered throughout these Prairie Provinces and also terminal storage elevators at the Head of the Lakes and on the Pacific Coast.

6. Some Criticisms Answered.

Some claim that the Co-operative Movement is fundamentally an economic movement not distinct from the general structure of capitalism - that co-operation is really capitalism. Others claim that, from historical experience and evidence, the success of co-operative societies have depended upon competitive capitalistic enterprises. They even go so far as to say that in the eventuality that capitalism would be abolished altogether, the co-operative movement would quickly collapse.

Unfortunately our modern productive and distributive system of wealth is based on the profit motive, which may be interpreted as the "greed" motive. This system, the world over, has developed a rugged individualism which manifests itself in the community, in the

nation and even in international transactions. In such a system Christian charity has no place. It is an economic system of "the survival of the fittest." Our modern profit motive is regulated by competition. When this competition is lessened by the development of monopolies, there is no check on the prices that the ordinary consumer must pay even for the necessities of life. In too many instances this is exactly what has happened in our national and international economy to-day. This "greed" system by its very nature leads and has led to national and international strife, which manifests itself too often, in war. In earlier days it was thought that in our competitive system, profits in an industry would encourage producers and that consequently greater production would eventually eliminate excess profits. To-day, this checking, competitive force has been frustrated by national and international monopolies and combines.

Co-operation in Western Canada or in any other part of the world is not capitalism as popularly understood. Co-operation means community or collective ownership of a business or organization. it is absolutely adverse to the concentration of wealth "in the hands of a few", which is definitely a development of Capitalism. Co-operation, as so excellently manifested in Western Canada aims at freeing the ordinary producer and consumer from the chains of capitalistic monopolies and economic dictatorship. Even if the movement in that region accomplished nothing more than lessening the evil of monopolies by providing equitable competition to the power of monopolies and semi-monopolies in the retail trades, its existence is well worth while and should receive every encouragement.

The Co-operative Movement in Western Canada especially, has created a challenge to monopoly and by so doing has served to lessen profit from trade in that region. By forming Wholesale Co-operatives, these co-operators are freeing the retail stores from dependence on private capitalistic trade for supplies. Ultimately they intend to have co-operative production for the same purpose of independence. The argument that co-operation would collapse if capitalism was abolished is a very poor one. There are absolutely no grounds for such an assertion. It has yet to be proven. Co-operation has within itself, its own means of existence, because it would sponsor production for use and not for profit. It would sponsor a social state where production would be geared to the needs of the consumer and not to the private greed and avarice of individuals.

Another criticism made of Co-operation in Western Canada is that, in itself it has tended to become a monopoly in the handling and marketing of grain. People who put forth such an argument do not understand the real nature of co-operation. A co-operative organization leading up to a co-operative society implies that the people own the society and will operate it for the benefit of all. Not only that but a co-operative society welcomes all people regardless of race, color, or creed. If co-operatives can create monopolies, which are owned and directed by the common masses of the people for the benefit of all, then they should be encouraged to create more of them. This would quickly lead to the ideal democratic state.

Again it has been said that the co-operative movement in the Prairie Provinces has developed largely around grain, which is the most important economic interest in the region. This is perfectly

true. It has been further stated that the movement now embraces a large portion of the population. This also is true. Some critics then conclude that under such circumstances these co-operative organizations, especially the central pool associations are in a position to demand certain political concessions for co-operatives, as commercial organizations, such for instance as discriminatory relief from taxation, so that these costs would be thrown on to the other taxpayers of the country.

To answer this criticism it can be said that in the Co-operative Movement in Western Canada, as elsewhere in the world, there is no room for party politics. This is one of the fundamental Rochdale principles. Western co-operatives have memberships taking in every kind of political opinion, just as co-operatives in other sections of Canada have. In such bodies it would be impossible to mobilize all the members into one political group. There have been instances of governments giving these co-operatives financial aid to tide them over a difficult year, especially in a bad crop year or when the sale of wheat was at a low ebb. But it is equally true that these same western co-operatives have met and honoured all their obligations. Western co-operatives have also received equitable relief from taxation, but this is not new in the case of industry in western Canada. Even before the days of Confederation, industries and especially transportation companies have received such relief in order to encourage their growth and development.

The hardships and vicissitudes that grain marketing in the Canadian West have gone through in the past years have proven

the virility of the Co-operative Movement there. After discouraging lapses and disappointments, the movement is still flourishing and growing in that region and it will grow despite any difficulties that it may encounter in the future. To Western Canada, the people of this Dominion owe much, for **its** effort towards the development of co-operation in this country.

C H A P T E R X

CO-OPERATION

IN THE MARITIME PROVINCES

1. Beginnings in Nova Scotia.

The Province of Nova Scotia set the lead for the rest of Canada in the establishment of consumers' co-operation in this country. As far back as 1861, before Confederation, we find that a group of miners who came from British stock, opened a store in that Province. Very shortly afterwards another co-operative store was established at Sydney Mines in Cape Breton Island. Unfortunately in the year 1905, the store was destroyed by fire, but it was soon re-organized and became known as the "British Canadian Co-operative Society", which had an original membership of thirty-two persons and a small capital investment of \$192.00. The outstanding success of this store and its phenomenal growth has caused it to be referred to as "probably the most successful consumers' society on this continent." In the year 1940, it boasted of a membership of 3,429 persons, with share and loan capital amounting to \$322,516.00. In the same year its purchases for the preceding six months alone amounted to \$608,655.00, which was calculated to be an average of \$177.00 per member. During the same period the directors of this society decided to return \$15,000.00 as patronage refunds.

Until the year 1930, the "British Canadian Co-operative Society" was by far the most outstanding co-operative institution in Nova Scotia and the Maritime Provinces. In order to strengthen its claim as "the pioneer province in co-operative endeavour", in the year 1929, Nova Scotia embarked on an enlarged co-operative program. At this time it was the newly established Extension Department of Saint Francis Xavier University in Antigonish which supplied the initiative and led the way. This Extension Department was organized primarily for the purpose of conducting a vigorous program of adult education, which would lead the people to a more practical community and co-operative effort. At the present time the work of this University, after the short period of a decade, is well known all over the North American Continent and has received praise and recognition from practically every part of the world. The influence of this work of the University has extended not only throughout Nova Scotia and the Maritime Provinces, for which region it was originally intended, but it has been responsible for educational programs and co-operative developments in Newfoundland and in many other sections of Canada and the United States.

2. The Adult Educational Program.

The "key-note" of the Maritime movement is adult education. The University based its program on the belief that, if adult education was going to be successful, it should be continuous with life. The success of the movement has proven this contention. Co-operation puts the people in the driving seat of their own destiny and adult education is the headlight that illumines the road ahead. The co-operative system in Nova Scotia is founded on an intelligent

understanding of fundamental economic truths by ordinary people. They arrive at this understanding by round-table discussion and study clubs in farm kitchens, grocery stores and village halls.

Previous to the establishment of this adult educational program, poverty in some areas of Nova Scotia was ghastly. The process of exploitation in that section of Canada was simple. The primary producers became first the victims, then the slaves, of the middleman who controls distribution and credit. If a fisherman went to the store which sold him goods on credit, he paid seventy cents a pound for the twine which he needed in making his lobster traps. When he sold the product of those traps to the packers, he was able to get only seven cents a pound for his large lobsters, and three cents a pound for his small ones. The distributor fixed the price of the goods he bought, and likewise the price of the goods he sold. The high price of the goods sold and the low price of the goods bought by the distributors constitute the very simple mechanism by which the values created in any community - "the economic topsoil" - are caught in the currents of distribution and concentrated in the hands of a few, who are often times not dwelling in the community, but in distant localities.

The technique of the University's program was based on the realization that this credit control must be wrested from these absentee landlords. The attack on these private monopolies was then considered. It was decided not to transfer this power to a public monopoly, by setting up in the government the same despotic control of economic life. This was done in the totalitarian

states by the Communistic and Nazi systems. The Maritime program realized that there must be social control of credit, but that this control must also be acquired in a private and democratic manner. It was concluded that the proper and efficient way to accomplish all this was:

- 1) To enlighten the people themselves by means of an intelligent, practical and systematic program of adult education.
- 2) From such enlightenment, these common people would realize for themselves the importance of their own control over credit and hence adopt the credit union.
- 3) In order that these people could control the price of what they sold and of what they bought, the producer and consumer co-operatives would be the only logical solution.

The secret of Nova Scotia's revival, even more so than Saskatchewan's is Co-operation.

In "Masters of Their Own Destiny", Doctor M.M. Coady writes:

"No one group is able to tackle the problem of getting control of the economic processes of society. It takes the united action, through their consumer organizations of both industrial workers and primary producers... The grave questions confronting the harassed miners and steel workers of Nova Scotia, for instance, cannot be solved by them alone. Directly or indirectly, the rest of our people are affected by the status of these industries and the welfare of the workers is definitely their concern. Co-operative activity in the consumer field is the common denominator of all classes. According to their vocations, people are vitally interested in a given commodity, but in the last analysis they are all consumers. They all need food and clothing, housing and a multitude of services. If they unite their efforts, they have a powerful instrument for the control of society."

In the Maritimes the influence of co-operative activities is carried over into the different phases of the people's lives, such as the social, the economic, the spiritual, the physical, the educational and the cultural. In addition to the immediate economic improvement which results directly from their adult educational program, the resulting feeling of achievement acts as an incentive for further study. In this way, these people are acquiring the technique of group action and they are gradually laying the organizational foundation for more cultural activities, which is already manifesting itself in the establishment of community and regional libraries.

The Extension Department of Saint Francis Xavier University started out in the year 1929, with the fundamental philosophy that the people should be mobilized to think about their own problems. The educational organization necessary to accomplish this task with the quickest results was found to be the small discussion circle or study club. This unit was also found to be a very inexpensive technique, which could be easily applied to large numbers of people. From these small groups of from five to ten members, there were leaders chosen who served as contact men with the University, from which they received the necessary pamphlets and study material to carry on their work. These small units were also federated into larger groups known as associated study clubs, which gave the members an opportunity to discuss a wider range of common problems, periodically. The demand for reading material soon became so great that it was found necessary to establish community and regional libraries at strategic locations throughout the Maritime Provinces.

Another important phase of the program was the training of community leaders. This training was supplied at the University each year through a four weeks course. During these courses the future leaders learned at first hand the proper techniques and methods to use in order to carry out the program successfully and with the best results.

Regional conferences were then held from time to time and now it is the practice to hold an annual Rural and Industrial Conference, which in the last few years has attracted outstanding educationalists, sociologists and economists from all over the world and more particularly from the United States of America.

In the beginning the Extension Department of the University financed this educational program out of its own funds, but the objective of the Department was to have these people eventually build co-operative economic institutions that would finance their own adult education program, following the important Rochdale principle that a certain percentage of the net surplus of the business should be set aside for educational purposes. The movement has now grown and expanded sufficiently to enable many co-operative societies to set aside considerable amounts each year towards educational work. The majority of them tax themselves on a percent of sales from their consumer business. This fund is considered a charge on the business in the same way as advertizing and depreciation is considered a charge on the ordinary private enterprise.

The money from these individual co-operative units is now given over to a central organization named "The Nova Scotia Co-

operative Educational Council", which is a non-denominational organization composed of two members from each of the principal co-operative organizations in that Province. It is contemplated that very soon the different co-operative societies throughout this region will be able to contribute about \$25,000.00 annually to the Nova Scotia Co-operative Educational Council. When the movement spreads sufficiently to the remainder of the Maritime area, this central educational council should receive an annual contribution of \$75,000.00. This would greatly aid Co-operation in Eastern Canada by encouraging a gigantic educational movement of the people, by the people and for the people.

It was not easy to carry out this program in the Maritime Provinces. In some localities very serious opposition was encountered. This opposition came chiefly from influential local leaders, especially those in the vested interest class, because they realized that eventually this movement would become a serious challenge to their hitherto unchallenged monopolies. The work was also made difficult at times by the indifference of the people themselves. It was also discovered that it took time to persuade the masses of the people about the advantages of education. Many would not easily adapt themselves to study. The important revelation however, was that by means of hard work and with the co-operation of able local leaders, the program did succeed with the most astonishing results.

3. Results Achieved in the Maritime Provinces.

This adult educational program was not intended solely for the purpose of educating and instructing the masses of the people,

but its objective was to spur the people on to more practical activities in the economic field. The people in Eastern Canada are now translating their knowledge into economic group action in a very emphatic manner. They have illustrated that the principles and theories, which they have been studying, actually do work out in practice and they find that co-operation is the solution to most of their problems.

In the year 1930, one year after the inception of the program, there were one hundred and eighty-four study clubs established. These were located in eastern Nova Scotia only. Since then the movement has spread to other parts of the province, to New Brunswick, to Prince Edward Island, to Newfoundland and to the Magdalen Islands. In 1939, the Federal Department of Fisheries realized the importance of the program and it was also aware of the great good being accomplished, especially in the matter of rehabilitation in the depressed fishing industry. As a result, the Department requested the University to carry its educational work into more fishing communities of the Maritime Provinces and the Magdalen Islands, where the same principles and educational techniques were applied. In this same year statistics showed that there were about 2500 study clubs with a membership of over 20,000 operating under the supervision of the University.

The first co-operative activity usually undertaken by these people as a direct result of their study, was the co-operative bank, more popularly known as the Credit Union and the equivalent to "La Caisse Populaire" in the Province of Quebec. With the funds accumulated in these credit unions, a consumer co-operative store was

usually organized as the next step in the Co-operative Movement. From the consumer store, these people have branched out into co-operative marketing, processing and other, wider scopes of commercial activity. They have put their knowledge to very practical uses in a most vigorous way.

The adult educational program and the Co-operative Movement launched by Saint Francis Xavier University in the Maritimes is scarcely ten years old, yet the results already achieved are really phenomenal and have far exceeded the most optimistic expectations of its founders. In the year 1940, there were, in the Maritime Provinces approximately 45,000 people belonging to over 330 credit unions. These credit unions had total assets exceeding \$2,000,000.00, and had provided badly needed loans to their members amounting, since their inception, to approximately \$5,000,000.00. There are at present approximately 70 consumer co-operative stores, doing an annual business of over \$4,000,000.00 in the Province of Nova Scotia alone. In the year 1940, in Eastern Canada, the co-operative lobster producers operated thirty-five plants and did a business of over \$1,000,000.00 in canned and live lobsters. This co-operative organization is now the biggest single producer of lobsters in the world. In the same year the Maritime Co-operative Wholesale at Moncton, N.B., which has a branch at Sydney, N.S., did a business of \$1,300,000.00.

To show the increase in the number and membership of credit unions in the Nova Scotia area alone, and also the increased volume of business over a period of six years, we refer to the following official statement on statistics for that period.

NOVA SCOTIA CREDIT UNIONS

Year	1936	1937	1938	1939	1940	1941
No. Societies	71	105	148	182	199	201
Membership	12,178	17,173	22,869	27,113	27,941	28,144
Share Capital	244,477.83	405,439.45	555,409.77	678,597.98	828,853.80	943,606.21
Deposits	3,000.00	7,642.24	7,471.69	12,108.01	18,132.31	19,294.37
Loaned during yr.	346,923.79	646,349.90	752,671.64	589,441.28	939,848.40	938,690.43
Assets	269,044.96	446,403.19	605,458.87	748,269.22	924,750.45	1,055,730.85
Guaranty Funds	5,200.00	9,485.65	16,438.87	21,702.45	28,173.41	36,986.59

Total amount loaned from inception until Sept.30/41.....\$4,761,925.00

Total amount repaid..... 4,005,208.00

Amount of loans outstanding..... 756,717.00

Total amount charged to Guaranty Fund since inception..... \$ 919.30

To show the growth of co-operative business over a six year period, the following is the official report issued by the inspector for Nova Scotia and covering that province only.

TOTAL BUSINESS OF COOPERATIVE ASSOCIATIONS

IN NOVA SCOTIA, 1936-1941

Year	British Canadian	Other Cooperative Stores	Fishermen's Cooperatives	Miscellaneous Cooperatives	Total
1936	1,062,879.55	685,745.58	244,569.15	78,633.25	2,071,827.53
1937	1,159,352.26	940,004.74	251,144.02	86,381.61	2,436,882.63
1938	1,304,171.81	1,140,913.87	271,610.31	167,982.27	2,884,678.26
1939	1,216,014.20	1,306,860.25	260,594.43	181,363.69	2,964,832.57
1940	1,160,522.86	1,656,539.14	178,247.38	195,994.03	3,191,303.41
1941	1,237,478.00	1,813,929.02	159,800.75	64,566.72	3,275,774.49

The latest available statistics (1943) show, that in the Maritime Provinces there are now 400 credit unions having a total membership of 56,000 and total assets of \$2,000,000.00. These societies have loaned over \$8,000,000.00 since their inception. In Nova Scotia alone, the latest figures show that there are 46 co-operative stores with 21 branches, as well as 12 fishermen's co-operatives with 15 branches having an approximate membership of 12,000.

In addition to the co-operatives that are now in existence, such as credit unions, stores, wholesales, marketing agencies,

processing plants, and extensive housing schemes; there is a big movement on foot to go into new fields; chief among which are automobile insurance, burial associations and co-operative health schemes. The most significant proposal of the future is the formation of a Long Term Co-operative Credit Society or Mortgage Bank to parallel in the field of long term credit what the credit union has done in the short term field. This would enable the Maritime people without recourse to governments, to build houses and boats, buy farms and engage in any other undertakings that require long term credit. These are big social problems now being tackled by these people. They are equal to the task.

The adult educational program has already sufficiently enlightened them to solve such problems for themselves. It has achieved results which no other educational system could have accomplished. The average study club member, who has applied himself seriously to his job for a year or so, is capable of discussing more intelligently than the average so-called university graduate, current social topics and national problems. The head of any one of these credit unions or co-operative stores would not think of shunning a group of touring university professors or bankers, but could carry the conversation and explain what it is all about. These people are fast realizing that it is their duty as well as their privilege to take an active interest in social problems. They are acquiring a keener sense of responsibility regarding politics and government. They believe in democracy, but not in a capitalistic democracy. They know that a democratic state is only as strong as the confidence which the citizens place in it. What is most important the majority of these people realize, more

than most of us, that if we do not learn to use the democratic process, as we have never used it in the past, our status is bound to decline to that of a merely managed citizenry.

In their every day practical activity in the commercial field, these Maritime consumers' co-operatives are operating to eliminate extortion of private profit in the distribution of the necessities of life. Further than that, these people visualize a new social system in which there will be not only co-operative distribution, but also co-operative production of all necessities of life. This should be part of the new social order that we are to look forward to in the world of to-morrow. It is certainly in keeping with the highest democratic ideals, to have production regulated and controlled by consumption and not have the producer and the middleman dictate to the consumer.

It has been discernible in Eastern Canada that the movement has had a beneficial influence on the social attitude and mentality of the individual co-operator. It develops a sense of social consciousness and public responsibility. Each member of the co-operative movement knows that he is a part of a huge organization. From the study club he proceeds to the Credit Union, then to the Co-operative store. He then becomes a member of the Co-operative Wholesale. A member of a local co-operative is a member of a regional, a provincial and ultimately of a national and international organization. For example, a man who belongs to a credit union in the Province of Nova Scotia belongs to a regional chapter, a provincial federation and national league. The co-operative store member is a member of the Maritime Wholesale; the fisherman, a member of a federation called "The

United Maritime Fishermen". The local co-operator feels that he is part of a movement, which embraces all types of occupational groups and that along with other individuals he is moving towards a common objective. In this sense the movement is a strong centralizing social force.

4. Recommendations Based on Experience
in Eastern Canada.

Edward A Filene, a famous benefactor of the Credit Union Movement in the United States once said:

"I cannot see how educators can longer leave the field of business to business men. Business problems are educators' problems quite as definitely as they are ours. Fifty years study of the problem of business has compelled me to see that there is no basic solution except in education. On the other hand, I have been forced to conclude that there is no solution merely in more education of the traditional and customary kind."

It is quite evident that since the early days of colonization in this country our schools and universities have been following an outgrown traditional pattern of learning. This is particularly true of Eastern Canada and other rural sections of Canada, where our schools have been relying on classical education instead of turning to vocational education, which would teach our rural children the elementary principles of good, scientific farming. Even in our rural communities we have been training our youth for clerical work which did not exist either in the community or in our industrial centres.

Statistics show that a very large proportion of our unemployed were found to be in this clerical category.

Our provincial educational systems seem to have deviated from their primary purpose of being instruments to solve the everyday problems of the ordinary man. The adult educational program, now being conducted in Eastern Canada, is accomplishing this very practical purpose. It is assisting the common masses to solve their economic problems. By means of this program many simple people have learned, for the first time in their lives, the rudiments of buying and marketing. They are using this knowledge to raise their standard of living by producing better crops, catching more fish and cutting more lumber.

The Federal Department of Fisheries has finally realized the possibilities for good inherent in such a program of education. The practical, concrete results are evident. Our governments both provincial and dominion should encourage and possibly finance projects of this kind in every part of Canada. The results would quickly pay profitable dividends both to the governing bodies and the nation as a whole.

The following is a part of the official petition presented to the Nova Scotia Government by the Nova Scotia Credit Union League in August, 1942. It is mentioned here because the substance of this report would apply to every province in Canada. The timely need for the principles enumerated herein are beyond question.

"The education that makes for social progress, however, should not be confined to formal education in schools. Children do not run a nation, In all past time

education was only a preparation for life, but in these days of great social change, any education given in schools is only a very inadequate instrument of progress. We need direct mobilization of the adult population if we are going to meet the problems of these revolutionary times.

"The governments, both provincial and federal, have recognized the necessity of adult education in the past. The creation of agricultural and technical schools and the existence of Extension field workers is proof of this. In the last fifteen years, however, adult education means something more than this. In its larger concept it means that the people must be mobilized to think their way through in every field. They must be educated and conditioned to take part in every phase of human activity. An adult education movement that only touches the production end of life does not go to the roots of things. Nor is an adult education movement that deals with purely academic and innocent cultural things much good in a province like Nova Scotia. At this stage of our development we need something that will go deeper, take the people where they are, and lead them on to a new participation in all the democratic processes.

Something more than self-sufficiency and better production and marketing is necessary to meet the challenge of our times. There is a definite trend to statism and socialism evident in the democratic countries at this moment. If we are to meet this challenge we will have to establish a greater measure of private ownership among the people. The more proletarianized the people become, that is the less they own, the more likelihood there is of a landslide to the political and state solution of the problems of society. The farmer, fisherman or worker can own his own home and vocational equipment, but in the world of to-day that is not much ownership. The only possible way of giving the masses of the people ownership in our day is through group action - that is through economic co-operation.

The story of the work that has already been done in Maritime Canada in the last 15 years in this line is promising. It demonstrates at least that it is possible and feasible to get the people to run their own businesses. The credit unions, the stores, wholesales, processing plants and marketing agencies that are now run fairly efficiently by the people is proof that they are able with more education to do things in these fields that their fathers ever dreamed of.

"Not only will the successful running of these institutions pipe down to the people a new share of the

wealth of the nation, but it gives a sense of achievement and responsibility that will act as a great antidote to the easy state solution contemplated in the "isms" of our time. There is opposition undoubtedly to such an idea from old line profit business, but the business men of this country would do well to remember that in getting the people to do this we are putting brakes on the trend to stateism which, if it came in its full fury, would soon sweep away all private business as it has done in other lands.

"It would not take very much private business of a co-operative kind to stabilize this country. Sweden, possibly the land of greatest democracy before this war, only had twelve and one-half percent of co-operative business. A large share of private co-operative ownership by the Canadian people would be the greatest assurance of stability and freedom for all classes in the future.

"It would seem, therefore, good business on the part of governments to foster co-operatives. The advocates of socialism in any form think of progress in terms of state activity. The British way is to enable the people to come forward under their own steam. It may well be that the time is ripe when governments would be well advised to spend money to enable the people to do things for themselves through free co-operative associations. There was a tendency in the past in all North America for governments, when they spent money, to take over and control the things created thereby.

"There should be nothing strange about the advocacy of co-operation for our province whether it be in the form of collective bargaining, marketing, or consumers co-operation. Co-operation has the backing of able thinkers all over the world and numbers among its advocates some of our leading statesmen."

C O N C L U S I O N

I. Co-operation in Canada

Within the last century Co-operation has developed into a world-wide movement with over a half million different organizations in fifty-nine countries and having a membership of over one hundred and forty million.

This thesis has shown the importance of the movement as one of the great social and economic forces of our time. Particular reference has been made to the purpose of co-operation in as much as it aids ordinary men to gain a greater measure of social security through voluntary and democratic control over the forces of distribution and production. In this regard particular emphasis has been placed on Co-operation in Canada.

The most recent report issued by the Economic Division of the Federal Department of Agriculture, covering consumer co-operation in Canada, up to the end of 1941, states:

"Statistics on the extent of consumers' co-operation in Canada are readily available for most provinces but unfortunately they have never been brought together to present a Dominion-wide picture except for the census years. The only figures for Canada are to be found in the annual report of the Co-operative Union but these include only the societies affiliated with the Union, which are but a small percentage of the estimated total.

"A very rough estimate places the number of co-operative retail stores, both rural and urban, in Canada at about 365 which have a membership of 30,000 and do between four and five million dollars worth of business annually. This turnover is made mostly in consumer goods such as groceries, dry goods, boots and shoes, etc., al-

though in the western provinces a greater proportion would be in binder twine, oil and gasoline and other items which might rather be termed farm supplies.

"Concentration of consumers' stores appears in Eastern Canada. There are approximately 60 in the Maritime Provinces, about 100 in Quebec and 35 in Ontario. The remainder are in the Western Provinces. Co-operative purchasing of farm supplies in bulk or carload lots is, however, well advanced in the farming communities of the West. In Saskatchewan alone there are over 400 such associations which did a total business in 1940 of approximately \$4,250,000.00. A large percentage of this figure is made up of purchases and sales of gasoline and oil.

"Closely associated with the retail distributive societies in Canada are the wholesale societies which serve the retail outlets. Five such wholesales reported to the Co-operative Union of Canada in 1940 a total business of \$4,584,448.00."

About half of the farmers of Canada belong to some kind of co-operative association. According to the same Department, the membership in these farmer associations was 396,000 in 1941. Half of these belonged to marketing associations handling dairy products, livestock, grain and seed, fruit and vegetables, poultry, tobacco, honey, wool and furs. The other half were members of co-operative purchasing associations, or what is commonly called farm supply co-operatives. There were an additional 50,000 city residents who were members of consumers' co-operative stores. There are now over 100,000 members of credit unions. There exist in Canada over 350 small farmers' mutual fire insurance companies, which are operated and directed exclusively by the farmers themselves. In Ontario alone, there are now approximately 200,000 policy holders in about 70 companies. Throughout Canada the membership reaches well over 300,000.

Besides the co-operative organizations mentioned above there are other Canadian co-operative enterprises ranging from housing projects, sawmills, gasoline refineries, fertilizer mixing plants and meat packing plants to lobster canning factories, fish processing plants, fruit cold storages, flour mills, bakeries, health and hospitalization associations and burial societies. It has been estimated that in 1941 there were over 75,000 people who were members of co-operative associations in Canada. It is known that there are many co-operative societies in Canada which have never been registered as such.

This thesis has shown that co-operation greatly helped agriculture in Quebec and that Quebec has supplied the leadership to the credit union movement in Canada. The work of certain groups in the Maritime Provinces has been cited as an example of what can be done through a program of intelligent study of basic economic problems, followed by a co-operative program initiated by credit unions. The efforts of Western Canada farmers to improve their bargaining power by the organization of the largest co-operative grain handling associations in the world, as well as through other marketing enterprises, have been analysed. Co-operation as a North American experiment was shown to be an attempt to adjust some of the conditions resulting from the wasteful exploitation of our natural resources and the concentration of industrial control.

It has been shown that Canadian co-operation has developed in response to a definite need for improved methods in various fields of marketing, distribution and manufacturing. No critic of the co-operative movement denies that the existence of a strong, well managed producers' co-operative or of an efficient consumers' co-operative

is desirable. They eliminate wasteful methods, help to break monopolies and force competitors to be more efficient and give a better service. A survey of conditions confronting Canadian farmers will show that their returns are far below the cost of goods which they have to buy. Likewise the consumers generally, especially those in the lower income brackets, who are often unemployed and faced with uncertain business conditions, realize the need to reduce costs and to better use their purchasing power.

The need for further co-operative action is obvious, not only to increase incomes, but to provide a yardstick by means of which co-operation for service will establish and maintain reasonable prices and returns and at the same time place a restraint upon the revenues taken from the public by private business. The existence of efficient co-operatives in Canada is in the public interest. This is a fact which is recognized by responsible business men in this country and even by those who are otherwise critical of the movement. If the average consumer is to have a decent standard of living, there is a growing need for saving in distributive services.

In Canada further co-operative action should be encouraged in various fields where costs are high and savings can be made for the benefit of consumers. Many people in Canada are concerned over conditions which have resulted from large scale relief, unemployment, indebtedness, both public and private, and higher taxation. Anything which can be done to encourage our people to solve their problems by self-help through co-operation, rather than to depend on government aid is a boon to them and to our society as a whole. The

development of adult education in this country, with the resultant study of social and economic problems, is increasing interest in co-operation as well as in other economic and social movements. The growth of co-operative education is also important and should receive every encouragement. One of the chief contributions which Co-operation is making to our Canadian national life is, that by participation in the ownership and control of his co-operative a member acquires a better understanding of some of the social problems which confront our democratic system of government.

Our Canadian government should take a more active interest in the growth of Co-operation in Canada. If the trend toward stateism and socialism which is now so manifest is to be checked, it is imperative that Co-operation be encouraged to the utmost. If the bureaucracies and dictatorships are to be kept out of Canada, it will be the co-operative movement, encouraging real democratic action on the part of the people themselves, that will keep them out. This is the fundamental contention of this thesis. Co-operative leaders the world over and especially in Canada believe and expect from their governments:

- 1) that no obstacle should be placed in the way of sound co-operative development;
- 2) that suitable co-operative legislation should be made available;
- 3) that the legislation should be administered in such a way that it will be used only in response to genuine producer or consumer demand and

4) that factual data and other information should be made available for the use of co-operative organizations.

These men agree with the great Irish co-operator, George Russell, who wrote:

"A nation can exhibit no greater political wisdom in the mass than it generates in its units. It is the pregnant idealism of the multitude which gives powers to the makers of great nations, otherwise the prophets of civilization are helpless as preachers in the desert and solitary places. So I have always preached self-help above all other kinds of help, knowing that if we strove passionately after this righteousness all other kinds of help would be at our service."

2. Co-operation From the Consumer Approach.

It has been the purpose in this thesis to show that the basic philosophy of the co-operative movement is one of consumer rather than producer approach.

In Canada, producer co-operatives are mostly farmers' associations and are much larger in number than other classes of co-operatives. It must be borne in mind, however, that the farmer is a very important consumer since he buys both family needs and farm supplies in the retail market. The movement sets out to organize all the people as consumers, to distribute the goods they need for their own consumption. In this there need be no conflict between producer and consumer co-operation. Ultimately it should be possible for producer co-operatives to meet consumer co-operatives and at that point to negotiate for the mutual benefit of both groups.

In Canada, the primary need is to build more vigorously on the foundations which have been laid; more co-operative recreation,

more co-operative education, more co-operative finance, more co-operative business. All four walls should be raised further and uniformly in the near future.

We need to realize more clearly that the foundations of the Movement must be laid in every community. We may be inclined to think in terms of large factories and wholesale warehouses and office buildings and fail to remember that the foundations of all of these lie in the co-operative stores, oil stations and other enterprises in the communities where people live. Most small communities were originally laid out around a square. A crossroads was widened out and a town begun. Three principal buildings were built around the square - a church, a school, and a town hall. These buildings represented three of the four basic freedoms - freedom to worship, freedom to speak, freedom to vote - or, as they are termed: religious freedom, educational freedom and political freedom. These freedoms have been our inheritance.

Our forefathers, however, failed to build in every community on the fourth corner of the square, a building which represented economic freedom. They misinterpreted economic freedom to mean the right of each to sell and buy at a price arrived at by adding a profit on cost. The Rochdale Pioneers later learned that true economic freedom for all really required - the building of a co-operative economy in which exchanges of goods and services would be on a basis of cost rather than of price and profit. Our task is to build, on the fourth corner in the centre of every community, a co-operative to match the church, the school and the town hall, as the symbol of economic free-

dom. Then and then only will we begin to achieve full freedom - freedom to consume, which implies freedom to produce and freedom to exchange.

3. A Challenge to the Existing Order.

Our democratic ideals must be recast to fall in line with the power production age in which we live. People must learn that the increasing complexity of our social and economic life cannot be met by an increasing autocracy of the state if liberty in any real sense is to be preserved. A democracy can survive only so long as the relationships among people are characterized by voluntary action to the greatest extent possible. For instance, the simple agricultural economy which prevailed when our democratic state was founded, no longer exists to-day. New techniques and new leadership which our forefathers did not need are demanded. Fortunately, we need not grope in generalities nor hesitate, as is the habit of the liberal thinkers of our time, at the brink of action. Voluntary co-operative associations of consumers and workers would greatly aid in solving our problems both social and economic. In this way the fruits of an economic order which would assure a fuller life to all people would be substantially realized, without denying our constitutional guarantees of freedom.

Co-operation everywhere and especially in Canada, is a challenge to the existing order because the existing order fails to satisfy ideals of democracy and justice. In Canada, we face this question. In a world producing more utilities and creating greater

comforts than ever before, how can we secure that equality in enjoyment and the increase in happiness which will satisfy the prevailing sense of right and justice? It is possible to have a successful co-operative institution based entirely on economic ideas, i.e., a successful business enterprise, but that is not the only aim of co-operation. The movement provides a solution to the problem just mentioned. As co-operators we challenge the basis of the self-interest of the existing order, we challenge its method, competition and results, - wealth for the few and poverty for the many. It starves both the body and the soul. To self-interest, we oppose the common good; to the profit motive, the motive of service; to competition, working together, and to wealth for the few and poverty for the many we oppose the ideal of the Co-operative Commonwealth with neither extreme of wealth nor extreme of poverty.

Co-operation is the antithesis of the capitalist system. Its purpose is to build a new order of society by the instrument of voluntary association. The building of this new order of society demands a new outlook on life. The development of that new outlook on life is the purpose of co-operative education. This does not mean simply the dissemination of knowledge. Essentially, co-operation is not an intellectual process. The principle of mutual aid runs through all the evolution of life and co-operation was a practice long before it became an idea. The co-operator must have not only a desire for knowledge, but a passion for social justice.

The great issue of the times is the relation of the government and business in the building of a free society, as before the great issue was the relation of State and Church. If either govern-

ment or business endeavours to control the other it can only result in a form of dictatorship, since the control is exterior and from the top down. Freedom means control from within and from below. This is why co-operation is of such great importance to-day. It is no less than the preservation of the three freedoms we have inherited - religious, educational, and political - by the building of a self-contained and self-controlled economy by democratic consumers and producers organizations. This means primarily the development of a working relationship between farm, labour, and consumer organizations who will work hand in hand toward the building of a non-profit co-operative economy.

4. Co-operation and Democracy.

The institutions growing out of co-operative action will give new shape and form to our civilization. Through them the people will have an opportunity to realize their value as citizens. The common people generally, up to the present, have not been permitted to function in the fields of business and finance. All their thinking has been done for them and yet these are fields in which every citizen, regardless of his social standing, should be vitally interested. They are supposed to carry on co-operative ventures of a civic and political nature in the running of their respective communities and countries, but have not yet learned to carry on successfully group action in the economic field. Something new has to come into the life of the people. Something is fundamentally wrong with our present way of training for citizenship. Our churches and our schools have worked incessantly for generations, but their efforts, judging by results, have

been nullified to a great extent by the system under which we are living. Permit the common man, the labourer and the primary producer to cross the line and enter the field of business and finance and the way is clear for a new type of democracy.

Communism and Fascism can be combatted in two ways. One method is totalitarianism which is violent, rapid and destructive of liberty. The other is by taking a middle course, a peaceful and orderly change to be brought about by the development of the spirit and practice of co-operation between the classes and between the people of the same class.

It is most imperative that the common people to-day should receive the education which they have been deprived of in the past. For this is the day of the masses - the day when the exploitation of the masses is no longer tenable. The masses everywhere are keenly sensing this, even though they may not be able to analyse it. They know they have a new power in their hands. They know they can overthrow governments and institutions. In almost every country they are on the march, unfortunately in some, behind leaders who are leading them into war and chaos.

The adult educational movement in Eastern Canada promotes co-operatives in the belief that in trying to help the people to a full and complete life it must help them first to improve their economic condition and gain some measure of control over the economic affairs of the country. People who just work for a wage or sell what they raise on a farm may not be able to make themselves heard in matters of public policy ; but people who own stores, credit unions, processing plants, and factories have joined the ranks of those who

control our country and its destiny. They have attained the prestige that comes from ownership combined with enlightenment. They are somebodies, not only because they have a share in a business, but because they are directors of a firm.

Imperfect as our present economic and political system may be, it still is enough of a democracy to permit us to strive for the real thing. We still have the freedom to free ourselves. We shall free ourselves economically through education and co-operation. We shall free ourselves politically and socially through this new economic freedom and through further education and participation in the vital process of society. There is a very necessary inter-relation between economic co-operation, adult education and democracy.

Co-operation gives the participant a sense of something more than mere local activity. He is part of a movement that comprises not only men of his own particular occupational group, but people in every other occupational class. With them, through joint co-operative activity, he moves toward a common objective. Thus the movement transcends individualism and becomes a great unifying social force. When the movement becomes sufficiently strong economically, so as to demand a just price for a product and sufficiently large in number of membership to demand certain public policies, it will truly be a democratic instrument for social service and social justice.

After this war, Canada like other democratic nations will be confronted with many problems of social re-adjustment and rehabilitation. Our leaders will be searching for a social system which will serve as a check on the trend toward "stateism", which is so prevalent in the world to-day. Our government, like other govern-

ments, will look for something which will revivify and bolster our democracy, something that will show the world at large that our cause was the right one and that our democratic system was really worth while fighting for. This is a direct challenge to us.

The co-operative movement should be studied by more people and its possibilities carefully analyzed. Through study club organization in our communities, we should study some of our social problems and so be better equipped to take a more active and intelligent part in public affairs. We should be ready to sponsor the Co-operative Movement and to champion its essentially Christian principles, because it puts responsibility on the people themselves and gives them the opportunity to be independent. It sets up between the individual and the state, free and autonomous associations, which function for the people. It prevents the swing to over simplified solutions of the difficulties of societies, and engenders a new spirit of responsibility. It steers the people away from wild radical theories and easy panaceas, founded on a Santa Claus philosophy, which do not result in real social progress. People who undertake this kind of program soon realize that intelligence and industry are yet and always will be the chief factors in the securing of the good and abundant life.

5. Canada Needs the Co-operative Movement.

This thesis has attempted to show that co-operation is a practical and workable social system. It has sought to prove that the movement has actually solved certain of our outstanding economic and social problems as no other system could have solved them, both

in Canada and abroad. By its very nature co-operation is not confined to a local or national sphere, but is international in its scope. It is a specific answer to to-day's problem of living - the problem of living free from the fear of poverty. If not a complete answer to that problem, it comes nearer to the solution than any other system has yet come. It is evident that capitalism, which has thrived for several centuries, has failed to give the average man any security. Some people point to state socialism. This system does not appeal to a democratic people. Our Canadian traditions run counter to it. Canadians prefer to work out their destiny in their own fashion.

In Canada, capitalism has sped up production by means of massed selling and "style" demand, but it never learned that what is taken away from the farmer and the labourer in the way of low prices and low wages cannot be spent by them. Capitalism, as a way of living, has become bankrupt because of its insatiable appetite for profits. Co-operation, as a way of living, has never yet failed where it has been completely and honestly tried. Canada needs co-operation. We point to the Maritime Provinces, Quebec and the Western Provinces to prove this statement. In these regions the movement has solved what was hitherto considered to be unsolvable problems. Its phenomenal growth in Canada within such a short time also proves its need.

The history of capitalistic exploitation in Canada has left in its path social evils and impoverished areas, which were every bit as bad as those experienced by the Rochdale Weavers following the Industrial Revolution. Since the beginning of Canada's great depression in the year 1929, there has been a very serious economic

problem. Twenty-three per cent of Canadian wage earners, totalling 600,000 persons were thrown out of work. At one time in 1936, there were 1,080,831 persons in Canada on relief. The problem became so serious that in the year 1934, the Federal Government appointed a royal commission called the "Stevens Commission", to carry out a thorough investigation into every phase of Canadian economic life. In "Co-operatives Today and Tomorrow" George Mooney writes on the findings of this Commission:

"First the Commission's enquiry revealed unmistakable and ample evidence of widespread exploitation of wage workers, primary producers and consumers. The 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, 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 merchandizing organizations and assisting in consumer education, which we feel is most necessary."

Co-operation is necessary in Canada in order to maintain democracy in this country. At the same time it will solve some of our most pressing and serious social and economic problems. Canada needs the Co-operative Movement. It needs more co-operative education and more willingness on the part of individual Canadians to assume the responsibility of solving our social problems by studying and working together in Co-operative societies. Educational campaigns should be conducted to teach and guide people in the way of self-

help rather than having them depend on charity. Upon the degree to which this principle of self-help is observed hangs the fate of civilization. The co-operative way of business offers a ground upon which the people everywhere may unite to secure the goods and services they need.

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T A B L E _ I

NUMBER, MEMBERS AND TOTAL ASSETS OF CREDIT UNIONS

IN CANADA FROM 1938 TO 1941

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Province and Year	Number	Members	Total Assets \$
Canada.....1938	645	111,012	16,885,672
1939	844	151,554	20,680,594
1940	1,167	201,137	25,069,685
1941	1,316	238,463	31,230,813
Prince Edward Island....1938	38	3,577	37,392
1939	44	4,731	66,177
1940	46	5,313	87,497
1941	45	5,539	99,647
Nova Scotia..... 1938	148	22,869	605,459
1939	182	27,113	748,269
1940	199	27,941	924,751
1941	201	28,144	1,055,731
New Brunswick.....1938	67	6,203	91,060
1939	116	11,533	195,132
1940	132	16,509	377,380
1941	138	18,765	487,533

(O V E R)

T A B L E I
(Continued)

NUMBER, MEMBERS AND TOTAL ASSETS OF CREDIT UNIONS

IN CANADA FROM 1938 TO 1941

Province and Year	Number	Members	Total Assets \$
Quebec.....1938	338	75,419	16,057,994
1939	406	91,374	17,847,606
1940	562	124,111	21,400,001
1941	609	147,484	26,831,439
Ontario.....1938	25	+	+
1939	16	8,809	1,657,909
1940	67	14,461	1,936,932
1941	93	18,670	2,193,355
Manitoba.....1938	10	1,300	22,885
1939	19	2,406	49,990
1940	31	3,630	90,535
1941	44	5,112	142,882
Saskatchewan.....1938	19	1,644	20,882
1939	32	2,862	67,705
1940	52	4,481	130,316
1941	72	6,283	189,306

+ Information not available.

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T A B L E _ I
(Continued)

NUMBER, MEMBERS AND TOTAL ASSETS OF CREDIT UNIONS
IN CANADA FROM 1938 TO 1941

Province and Year	Number	Members	Total Assets \$
Alberta..... 1938			
1939	23	2,226	47,806
1940	35	3,371,	103,483
1941	43	4,564	161,494
British Columbia..... 1938			
1939	6	500	+
1940	43	1,320	18,790
1941	71	3,912	69,426

+ Information not available.

T A B L E I I

FARMERS' CO-OPERATIVE BUSINESS ORGANIZATIONS IN THE PROVINCES OF CANADA

CROP YEAR ENDED JULY 31, 1941 +

Province	Asso- ciations	Places of Business	Share- holders or Members	Patrons	Sales of farm products	Sales of Supplies	Total Business including other revenue
	No.	No.	No.	No.	\$	\$	\$
Prince Edward Island.....	18	18	7,369	8,433	652,072	105,825	759,165
Nova Scotia.....	95	140	12,812	16,944	2,024,763	1,760,503	3,846,917
New Brunswick.....	26	65	6,436	10,079	1,378,417	727,774	2,109,062
Quebec.....	361	392	26,841	26,841	18,529,218	3,119,142	21,942,662
Ontario.....	188	220	40,054	56,509	28,726,386	3,834,572	32,661,614
Manitoba.....	72	393	52,716	59,570	20,225,553	1,827,289	22,089,493
Saskatchewan.....	479	1,663	193,200	202,077	70,216,185	6,900,352	77,542,228
Alberta.....	72	562	69,044	80,328	37,513,894	3,408,716	40,983,195
British Columbia.....	78	82	14,386	15,381	8,123,381	2,438,401	10,787,051
Interprovincial.....	6	470	28,827	31,511	27,640,541	1,772,800	29,436,918
Totals.....	1, 395	4,005	451,685	507,223	215,030,410	25,895,374	242,158,305

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T A B L E III

FINANCIAL STRUCTURE OF FARMERS' CO-OPERATIVE BUSINESS ORGANIZATIONS

IN THE PROVINCES OF CANADA, CROP YEAR

ENDED JULY 31, 1941

Province	Total assets	Value of Plant	General Liabilities	Paid-up Share Capital	Reserves and Surplus
Prince Edward Island.....	91,946	41,975	33,702	29,743	28,501
Nova Scotia.....	1,904,322	669,751	959,169	453,421	491,732
New Brunswick.....	356,555	91,781	219,257	81,186	56,112
Quebec.....	8,292,250	3,789,576	4,267,970	2,244,260	2,780,020
Ontario.....	3,999,487	1,446,136	1,722,841	1,145,506	1,131,140
Manitoba.....	10,086,854	3,142,186	7,118,703	416,001	2,552,150
Saskatchewan.....	71,837,732	14,920,331	45,490,697	1,538,150	24,808,885
Alberta.....	22,679,761	5,940,909	15,078,551	407,756	7,193,454
British Columbia.....	6,191,246	1,836,433	2,977,189	1,875,943	1,338,114
Interprovincial.....	20,218,751	6,688,006	14,354,868	3,311,111	2,552,772
Totals.....	145,658,904	38,567,084	92,222,947	10,503,077	42,932,880

T A B L E L V

FARMERS' CO-OPERATIVE ASSOCIATIONS IN CANADA,

1932 - 1941

