

A THESIS ON CO-OPERATION

THE MIDDLE WAY TO SOCIAL AND ECONOMIC
RECONSTRUCTION

by

Paul Hubert Casselman B. Com.



Thesis presented in May, 1940 for the
degree M. Soc. Sc. (M.A.)

UMI Number: EC55157

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P R O E M

NEED OF A REMEDY.

Million of persons in the world today complain about their lack of this or that commodity. They have the desire but not the demand to purchase the things they need, and so they do without them. On the other hand, thousands of producers and middlemen complain about the large surplus of goods they have on hand. However, we must not conclude erroneously that at the one time there is a surplus of all goods, or that there is a surplus of one commodity in all countries of the world at the one time. Economists have rejected the possibility of a universal surplus and accept J. B. Say's theory which states that "the greater the number of types of products are on a market and the greater the quantity of products of each type, the more rapidly will the goods be distributed." Reboud a French economist commenting on this theory says:

(1) "La formule précédente elle-même implique l'impossibilité d'un engorgement simultané dans chaque branche de production. La surproduction peut être partielle et affecter telle et telle industrie: mais elle ne saurait être générale." (1) Précis d'Economie Politique by P. Reboud Vol. 1, page 248, Paragraph 298.

Nevertheless, it is evident that we have with us in the world today, the anomaly of finding in the same country thousands of people poorly fit and poorly clad, side by side with great surpluses of food and clothing material. Similarly, we see armies of unemployed lying idle in the neighbourhood of a closed factory.

Many are of the opinion that this condition is normal, or at least maintain that nothing can be done about it. They state that the poor, the hungry and the unemployed are here with us for good as they have always been since the beginning. We should not be so pessimistic as to conclude that there is no solution to this problem. Our late Pontiff Pope Pius XI in his encyclical "Quadregésimo Anno" is very optimistic when he states."

(1) For though economic science and moral discipline are guided each by its own principles in its own sphere, it is false that the two orders are so distinct and alien that the former in no way depends on the latter--later it is said--For it is the moral law alone which commands us to seek in all our conduct our supreme and final end etc. If this law be faithfully obeyed, the results will be that particular economic aims, whether of society as a body of individuals, will be intimately linked with the universal theological order, and to the final end of all, God Himself, our highest and lasting good."

One sure thing is that the economic and social problem of to-day will not cure itself. Action is required. The trouble with most of us is that we are always trying to put the blame on someone else. It has become a universal habit to accuse the government of being the cause of the depression and for its continued existence. It is true that the governments were partly responsible for the crisis but in my humble opinion, we the citizens in general should shoulder the blame for most of the economic chaos. We have forgotten the Christian principles based upon reason, that man being a social animal needs the help of his fellowmen to survive. Consciously or not, we became disciples of the theories of economic liberalism and of the tenets of rugged individualism. We practised the policy; let the neighbour take care of himself, we shall take care of ourselves. The continued exercise of such a philosophy was the main cause of this economic depression, which shall remain with us long as we place the blame on the government and refuse to help ourselves. No government by passing laws or giving away money can bring about real and lasting prosperity. Despite all the government legislation passed since the depression, in Canada, and the millions of dollars distributed to the unemployed to alleviate their sufferings, the economic state of our country and of the rest of the world grows worse day by day. In our country alone, in 1934, one fifth of the country was on relief. More than

1,350,000 women and children lived on public aid while 500,000 adults were unemployed. It is almost irony to state that in 1935 according to the Canada Year Book our national wealth was calculated to be \$30,840,210,000 giving us a per capita wealth of \$3,075.10.

Simultaneously producers are complaining about surpluses and consumers about scarcity. To mention just one commodity let us take the milk problem. In 1937-1938 the Economic~~S~~ Division of the Department of Agriculture in Ottawa with the co-operation and assistance of the extension workers in home economics in the various provinces of Canada conducted a survey of the per capita and per family consumption of milk and other dairy products in all Canada. Many interesting figures were obtained, but those most pertinent to the subject at hand are the percentages of people reporting that not sufficient milk was being obtained.

(1) As may be expected the majority of farm households in most provinces reported that they had enough milk. However, 12 per cent in New Brunswick and 19 per cent of the farm households in Saskatchewan reported a scarcity of milk. On the other hand 40 per cent of the rural households other than those of farmers in British Columbia, 34 per cent of these in New Brunswick and 14 per cent of those in Quebec,

(1) Preliminary Report on the Study of Consumption of milk and other dairy products in Rural Households in Canada by W. C. Hopper, P. H. Casselman, page 3, table 2.

reported that they did not have sufficient milk.

Concentration^t of wealth in the hands of a few is another evil in Canada, crying for a remedy. At a banquet of the Victoria University alumni in 1935, in Toronto, authentic statements were made by a member of parliament concerning the concentration of wealth in Canada. He stated that one man alone in Canada was the dominating power of 39 corporations with total assets of four and one-half billions. A second Canadian owns and controls 31 companies with a capital of three billions. He declared that 15 men alone in Canada controlled fifteen billions.

In the view of such abuses and conditions we would be blind to conclude that no remedy is required.

CHAPTER I

CHOICE OF A REMEDY.

If we admit the need of a remedy for this condition of economic chaos and we are also convinced normal conditions can be restored, the next step is to choose the remedy after having carefully studied various proposals.

Many remedies are offered to us by economic theorists. Some are of ancient origin. Adam Smith, Ricardo, Malthus, Stuart Mill and J. B. Say welcomed economic liberalism as the cure for the economic depression of their day. They favored liberty of action on the part of the individual with very little or no interference on the part of the state. According to them, there exists in the economic sphere a natural order of things which tends to establish itself spontaneously if the individuals have freedom of action. This state of things for them is natural and is the best possible. They claim that there is not antagonism, but harmony between the personal interests of individuals. Moreover for them, the welfare of the individual is in accordance with the welfare of the general. These four principles are philosophically and economically false. The liberal school reduces to nothing the role of the state in the economic sphere. The consequences of the putting into practice of such a doctrine are many. As we find it in the animal kingdom, the regime of economic liberalism becomes the rule of the survival of the fittest, with the consequent concentration of wealth into the

hands of a few who are the strongest to survive. As a result the great mass of the people is exploited by the few who control the wealth of a nation. Other consequences of the "laissez faire laissez passer" regime are intermittent periods of economic depression and prosperity, unemployment, poor working conditions, low wages and large surpluses of goods. Economic liberalism or rugged individualism as it is sometimes called resulted in the decay of moral order in the economic relations of humans. Many Catholic writers have condemned the regime. Among them, Dawson in one of his works (1) speaking of the regime of rugged individualism notes that: "This creed and the social and economic order which arose from it, is entirely inconsistent with Catholic principles and was in fact the most dangerous enemy and rival that the Catholic Church had to meet in modern times. It is a philosophy of separation and irresponsibility which breaks up the moral obligation of society into the chaos of competitive individualism. It denies the sovereignty of the moral law in the economic world, the principle of authority in politics and the existence of an objective divine truth in religion. It makes self-interest the supreme law in economics, the will of the majority, the sovereign power in the state, and private opinion the only arbiter in religious matters." (1)

Pope Pius in his encyclical "Quadregesimo Anno" gives the essence of the Catholic view point towards economic liberalism in the following words:

(1) "Religion and the Modern State" by Christopher Dawson (Sheed & Ward 1935) page 151.

"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 these have followed from the free rein given to these dangerous individualistic ideals."

Rev. F. Cronin, Ph. D. states that,

"As an economic theory, individualism is based on a narrow theoretical analysis. Human tragedy is overlooked in the study of abstract laws. Vital interests are excluded from its consideration. (1) Later on, in the same booklet he writes as a conclusion "Individualism, this is another fading dream. It should join the fallen idols of the mind that litter the bypaths of history." (1).

On the other hand we have a galaxy of theories which would

(1) "Rugged Individualism" booklet by Rev. John F. Cronin, S.S.Ph.D. professor of Economics, St. Mary's Seminary, Baltimore, Md.

increase the control of the state in economic matters so far as to create a veritable dictatorship. A few of these, mainly Communism, Fascism and Socialism were formulated in some shape or other decades ago. Others such as Social Credit were presented to us by theorists who are still living. The above social theories have the common characteristic of exaggerating the role of the state or to use another ism, they result in state paternalism. The government regiments the nation. It assumes responsibilities that belong normally to the individual. Communism goes so far as to prohibit the right of private property notwithstanding that it is a prerogative of man based on his very nature. Socialism would suppress the right of private property for the goods of production alone. Fascism and Nazism while not going to far as to prohibit a right so natural and so dear to man as the right of private property, would nevertheless suppress the freedom of speech, of the press, freedom of opinion of worship and in fact many other human rights also dear to man. Both Communism and Fascism are based on a false conception; of the origin of the state and of the nature of the state's authority. Raymond T. Feely S.J. says "Briefly put, the political philosophy underlying both Communism and Fascism is simply this--all rights have their origin in and therefore can be modified by or destroyed at the will of the Omnipotent State. In more detail, personal rights of the individual, such as life and liberty; political rights, such as freedom of speech, press, assembly and formation of political opposition to incumbents; economic rights, such as rights to personal property, to the selection and place, etc. of employment; family rights, religious liberty--all

these basic rights and liberties in the totalitarian concept have their origin in the state. The State therefore, may, at will abrogate or curtail any or all of these rights at its pleasure" (1)

On account of this mutual erroneous conception of the nature of the state's power, both Fascism and Communism are to be condemned. Communism by its curtailment of the right of private property with the consequent abuses is to be condemned on a second count. Soviet Russia is a living example of the results of a communistic regime with its numerous cases of sabotage, inefficiency, political waste and corruption.

In our own Canada we have two political parties advocating economic systems or programs that deserve particular attention. First because, one, the "Co-operative Commonwealth Federation" (C.C.F.) is Canadian in origin: and the other, namely, Social Credit has a provincial government elected on its platform in Alberta. In fact it is the only Social Credit government in the world.

The Co-operative Commonwealth Federation as a political party advocating social reform first saw the light of day on the first day of August, 1932, in Calgary, in the province of Alberta. It is the fruit of the efforts of a group of members of parliament representing labor and farmers. Mr. J. W. Woodsworth a Methodist Minister was chosen leader of the party. He continued to be the

(1) Fascism, Communism, The U.S.A. booklet by Rev. Raymond T. Feely, S.J. page 7, Published by the Paulist Press.

leader of the party until a few months ago during which a disagreement arose concerning Canada's participation in the European conflict.

The C.C.F. program though containing many necessary reforms, contains on the other hand certain policies which would prove dangerous if put into practice. Although the C.C.F. has not been formally condemned by the Church it would be inadvisable in fact very ill chosen for Catholics to belong to the party. However, to do the party justice let us review both its good principles and its condemnable features. The three excellent principles advocated by C.C.F. are the following: 1st. the C.C.F. favour an economy subject to moral obligations and organized mainly for the satisfaction of human needs not the making of large profits; 2nd. Co-operation both of consumers and producers is favored by the C.C.F.; 3rd. the C.C.F. favors the existence of planned economy with sound direction. In other words they are against anarchy. The following are the twoe condemnable features of the C.C.F.--1st, the C.C.F. considers capitalism i.e. the possession of private property as a necessary evil. It condemns the very nature of capitalism and not only its abuses. 2nd, the C.C.F. favours excessively the socialization of too many industries. It is socialist in tendency and in practice might result in communism.

Camille L'Heureux of the Droit, of Ottawa says:

"La corruption de l'Etat des Cécéefs conduira, en effet, à la pire dictature. La C.C.F. se plaint aujourd'hui de la dictature de l'argent. Son Commonwealth en établira une encore plus terrible. La C.C.F. a beau dire que les administrateurs du pays seront seulement les serviteurs du peuple. Il ne faut pas se leurer, sur la véritable nature de la démocratie socialiste, le contrôle absolu du pays sera entre les mains d'une infinie minorité qui aura les plus puissants moyens d'enchaîner la volonté populaire. Cette ingérence de l'Etat dans l'économie canadienne aboutira inévitablement à la plus insupportable tyrannie. En voulant restaurer l'ordre social, les Cécéefs prennent les plus surs moyens de le renverser de fond en comble." (1)

Social Credit is a monetary system formulated by Douglas, a Scottish engineer. Its founder is still living. Not much interest was shown generally in Social Credit until Mr. William Aberhart was swept into power in Alberta in 1935 on the Social Credit platform. As many other monetary reform systems, Social Credit teaches that there is a perpetual lack of purchasing power in the hands of the consumers. It differs from other schools in its explanation of the causes of this lack of purchasing power. To explain the scarcity of buying

(1) Le Commonwealth Co-opératif Fédéré (CqCqF.) conference delivered by Camille L'Heureux at the Semaine Sociale de St. Hyacinthe 1937--page 112 in the general report.

power on the part of the consumers, Douglas imagined the famous A & B theorem. In this theory A stands for all the expenses incurred in production but which are returned to the consumers in the form of salaries, dividends or interest. B stands for all expenses paid to other organizations or industries and not to individuals such as interest on bank loans, raw materials purchased, depreciation reserve payments, etc. Douglas claims that since only A expenses are distributed to the consumers as purchasing power and yet that the price of the goods paid by the consumers equals A plus B expenses, there is a perpetual lack of purchasing power in the hands of the public on that account. The theory is false and no real economist has as yet accepted it as true. The B expenses all become purchasing power in the hands of the consumers sooner or later, i.e. expenses B become A expenses of another corporation, etc. Major Douglas did not carry his reasoning far enough. He studied one industry alone and then made a general conclusion applicable to the economic sphere. Mr. Rosario Cousineau in *l'Actualité Economique* states:

"Dans une industrie particulière le pouvoir d'achat distribué au consommateur est donc inférieur au prix de revient total. C'est pourquoi le Major Douglas parle d'une entreprise isolée et se hâte de conclure du particulier au général. Cette méthode de conclure est fautive, en ce qui est vrai d'une entreprise isolée ne l'est plus si l'on prend le régime dans son ensemble. Les frais B d'un industriel sont les frais A d'un autre industriel, et ainsi de suite. Il suffit de remonter assez loin dans la chaîne pour qu'il n'y ait plus de frais B." (1)

(1) *Le crédit social* by Rosario Cousineau, *l'Actualité Economique* for December, 1936, page 118.

Social Credit apart from being based on a false economic principle is also liable in practice, to all sorts of abuses having a destructive effect on society and on the economy of the state. There is a great danger of Social Credit becoming socialism once it is really applied. In his booklet "Le Credit Social", Rev. Father G. Sauve, O.M.I. goes on to say:

"De plus, un système qui donne à l'Etat le plein contrôle économique n'offre-t-il pas un réel danger? Ne peut-il pas devenir facilement socialiste? Cette distribution de la richesse nationale n'obligera-t-elle pas les citoyens à subir les caprices du gouvernement, ou si nous aimons mieux, de la Commission de contrôle? N'y-a-t'il pas de danger que l'Etat veuille se mêler de tout, non seulement de l'ordre économique mais aussi de l'ordre éducationnel? De plus, quand Douglas parle du partage de la richesse nationale, n'en parle-t'il pas avec des termes que les socialistes, les communistes et les technocrates accepteraient sans discuter? Comment sera sauvegardée la liberté individuelle, dans un gouvernement qui tient des citoyens à sa merci....et la propriété privée ne subira-t-elle pas des atteintes graves? Puis, ajoutez à tous ces doutes, les difficultés d'évaluation et d'application, les exigences psychologiques de la masse! (1)

(1) "Le Crédit Social" by Rev. Gustave Sauve O.M.I. pages 28-29.

After having studied somewhat briefly the other most important systems of social reconstruction offered as a remedy for an economically distorted world let us study carefully the christian way, the middle way. There is no maxim so true as the one which says: "medius stat virtus" in the centre stands virtue. It is especially interesting to notice how all false theories, illogical reasonings and incorrect syllogisms especially those who are in opposition as liberalism and state paternalism or communism, generally fall within the same current of error. They seem to form the circumference of a revolving vicious circle at the centre of which we find truth, undeniable truth based on solid reasoning and common sense. And as we deviate from the centre, the error grows in magnitude until we reach the extreme limit of the circle. In the discussion we have at hand, co-operation, the middle way for social reconstruction is at the centre, the two extremes are liberalism and communism between which we find varying degrees of socialism and liberalism. Co-operation is the middle way as it favours individual initiative and action with some degree of state help. Liberalism would reduce the functions of the state to that of police duty alone. Communism and fascism favours the organismic form of state whereby the individuals composing it are as the cells of an organ, losing thereby their personality and most of all, their natural rights based on human nature. Co-operation is the Christian way for it is based on brotherly love and help. It is the sensible and logical way since it realizes that there does not exist a natural order of things in the economic sphere which will tend to be established if the "laissez faire

laissez passer" policy is adopted. It realizes that this natural order of things is not the best, that there is in fact, opposition between the interests of individuals as there is between the interest of the state and the individuals. It is a rational method since it respects the right of private property considering it is a natural right based on our very nature. Lastly, co-operation is economically sound, since it favours the satisfaction of human needs before the making of profits. Let us now delve more deeply into the subject by defining and outlining the main features of co-operation.

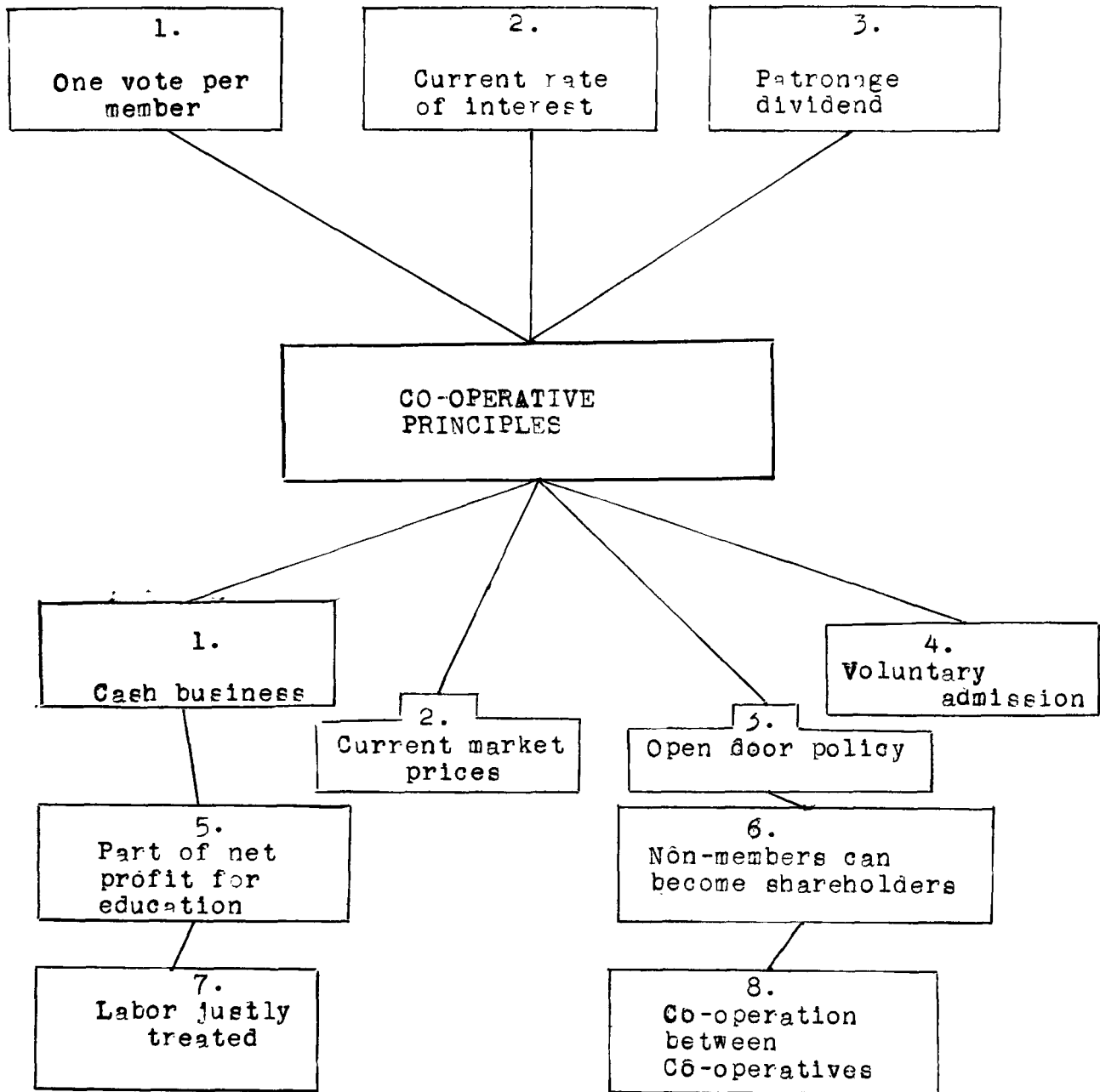
CHAPTER II

WHAT IS CO-OPERATION.

Many words in the English language have evolved and changed so much that their etymology gives us no clue to their original meaning. It is not so of co-operation for the word comes from the Latin *co* prefix meaning together, and operation from the Latin *operor*, *operatus*, *opera* meaning work, the compound word means working or work together. Co-operation in English means to work together, but this definition is too simple.

Co-operation has taken a very definite and strict meaning since the birth of the co-operative movement in Rochdale nearly a century ago. Since that time the co-operative enterprise has come to mean an organization or enterprise planned and operated according to the Rochdale principles and methods. The principles are three in number and form the very framework of a co-operative enterprise. None of the three is dispensable. They are sometimes called the primary principles of co-operation. The methods are more numerous, and may be dispensed with in certain circumstances but needless to say, not without endangering the existence of the co-operative enterprise in many occasions. The essential difference between the Rochdale principles of co-operation, is that for an enterprise to be called a co-operative, it must at least be organized according to the three primary principles which form the specific difference of a good definition of a co-operative, while the secondary principles could

Chart 1. THE PRINCIPLES OF CO-OPERATION



all be partially dispensed with and the enterprise remain a co-operative although it would be a limping and a crippled one indeed.

We are now ready to give a philosophical definition of a co-operative. A co-operative is an enterprise democratically controlled, i.e. each member having but one vote irrespective of the amount of his investment; paying a fixed rate of interest not exceeding the current rate and distributing the net profit to the members in proportion to their patronage to the enterprise. Let us now develop at more length the three principles of co-operation.

1st--A co-operative society shall be democratically controlled. Each member of a co-operative shall have one vote irrespective of the amount of his investment. This is quite different from the orthodox capital structure of the modern enterprise. In the latter the shareholder has as many votes as he has shares. For example, if the shares are of \$100. par value and a shareholder has \$1,000. in shares invested, he will have ten votes. If the shares were of \$10. par value and he had \$100. invested he would still have ten votes. In this type of business, the largest investor or the few largest can get control of the affairs of a firm. The almost invariable result is that the small group manage the business in their own interest and to the detriment of the majority of small shareholders. In still other cases, some firms are controlled by a small group who do

not even have the greater proportion of the money invested. This they accomplish, by issuing several kinds of preferred shares and common stock. By issuing to themselves for goodwill, legal advice etc. most of the common stock which bears the right to vote and by also issuing preferred shares which has been subscribed for and paid for but which do not bear the right to vote; the common stock holders who have contributed little or nothing to the real capital of the firm can become the directors of the firm.

Frequently to make things appear normal they may give away free a few shares of common stock with the purchase of several preferred shares thereby giving all shareholders the right to a few votes in the general meeting of the firm. However care is taken that most of the common stock is kept in their own hands.

In the co-operative enterprise control is equally distributed among the shareholders. It is the human element which comes first, the money elements second. As Ellis Cowling puts it "Co-operatives believe that men should control money and not money control men. For that reason they insist on one man one vote." (1)

There is less danger of exploitation in a firm organized on this principle since it requires the majority of shareholders to be unjust or dishonest. In the ordinary capitalistic business a few dishonest or unjust persons or even one person alone could exploit thousands of other shareholders. J. B. Cloutier in one of his articles on co-operation states: "Le danger des abus est moins grand dans les sociétés contrôlés par la majorité des personnes, au lieu que par la majorité des actions. Dans tout groupement humain il

(1) A short introduction to Consumers Co-operation by Ellis Cowling, page 25.

y a ordinairement plus d'honnêtes gens que de voleurs." (1)

2nd principle. If interest is paid on the money invested in the co-operative enterprise the rate should never exceed the prevailing current rate. Notice must be given here that this second principle applies especially to consumers' co-operatives. Agriculture co-operation seldom does and in fact in some centres it is considered fundamental that no interest nor dividends should be paid on the common stock of the co-operative enterprise. The word common stock may be ill chosen but it means the amount of money invested by the co-operators which bears the right to vote. If an agricultural co-operative firm needs capital and it is unable to obtain it from the original co-operators or from new members it may borrow from outside sources. It may obtain the necessary capital by issuing preferred stock which may be sold by brokers. This preferred stock bears a fixed rate of interest as it is considered a loan to the firm. It does not carry the right to vote for the important reason that, in an agricultural co-operative only bona fide farmers can become members. Consequently neither lawyers, doctors nor business men as such could become voting members of a producers' co-ops since they have no produce to sell to the co-operative. They consequently can not become co-operators in the strict sense of the word. They may help the enterprise in many ways and precisely the best way they could work for the advancement of agricultural co-operation is by becoming preferred shareholders, if the society requires more capital.

On the other hand, almost all consumers' co-operatives pay a fixed rate of interest on common stock. The Rochdale pioneers paid

(1) La co-opération agricole, First lesson by J. B. Cloutier page 2, published by the Quebec Department of Agriculture.

five per cent interest on money invested in their enterprise. Five per cent was the current rate at that time. The capital for consumers' co-operation is usually obtained from the poorer classes which have saved up to the last penny in order to be able to buy a share or more. It is rather hard to ask people to make such sacrifices and not pay them at least something for the use of their money. That explains why since the beginning of the co-operative movement in England, consumers' co-operatives have thought it best to pay a fixed rate of interest not above the prevailing rate on all shares held.

But the characteristic feature of this principle and what distinguishes it from the policy of other commercial enterprises is that no matter what form of co-operative society it is, if interest is paid on capital invested it shall always be of a fixed rate not higher than the prevailing rate. In the ordinary profit business, dividends fluctuate with the earnings of the firm, i.e. they are not fixed. On good years, they may be above the current rate, on lean years, below it. There are several sound reasons why co-operatives in general have adopted a different principle. First of all co-ops are not organized for the sake of profit making. They do not cater to and do not want as members, persons of the get rich-quick class. Co-operatives want co-operators. They want members who really have at heart the welfare of the group not merely their own advancement. This is one reason why the co-operatives never pay interest

at a higher rate than the prevailing current one.

The paying of a reasonable, fixed, but certain rate of interest is preferable to an uncertain changeable higher rate. The former is an investment, the latter is speculation. All firms, including the capitalistic organizations adopting the first principle of dividend payments are more stable. By paying a fair and a reasonable rate of interest even during the most prosperous years, permits the firm to increase its surplus which may be used during the lean years to pay the fixed rate even if profits do not warrant it. It permits the increase of the reserves for bad debts, for contingencies, etc. And as for co-operative enterprises, the paying of a fixed but reasonable rate of interest on money invested is indispensable and essential, for without its practice, the fundamental principle, or the characteristic feature of co-operation i.e. the patronage dividend, would not be possible.

The patronage dividend depends almost entirely on this second principle. If a co-operative paid on capital invested a higher rate of interest than the one commonly received for that period, its profits would in all probability be too small to permit the return to the co-operators in the form of patronage dividends, the savings which they rightly deserve.

3rd principle.--The net operating profit of a co-operative enterprise after deduction have been made for publicity, reserve funds, etc. will be divided among the members according to their purchases or patronage brought to the firm. In the case of a consumers' co-operative the more a member buys from

the society the greater shall be his patronage dividend. As for an agricultural producers' society the more a producer sells to the co-operative the greater shall be his patronage dividend. In a co-operative enterprise where neither goods are sold nor bought but where services are rendered instead, the patronage dividend increases with the amount of services received by the member. Here are a few examples.

A consumers' co-operative society in New York City had \$5,000. left over after all directors and members expenses, reserve fund payments and credits to surplus had been paid. It was a gas filling station. It had done for \$125,000. worth of business that year. The shareholders upon recommendation of the board of directors elected to return the \$5,000. to the co-operators. That made a dividend rate of 4% on every dollar. John Smith had given \$500. worth of business to the society that year while Henry Brown had patronized it to the extent of \$100,00 during the same period. As patronage dividend at the end of the year John Smith received \$20.00 and Henry Brown \$4.00. In Ottawa, let us say there is a co-operative dairy operated by farmers. At the end of 1939, the society declares its volume of business for the year had been of \$100,000 and its net profit after necessary deductions, \$3,00.00. The directors and shareholders decide at the general meeting to return \$3,000. to the members in dividends, i.e. three per cent for every dollar of business done. Sam Jones sold for \$4,000. to the society that year, while Adam Grey sold for \$3,000. Therefore Sam Jones will receive \$120.00 for his patronage dividend and Adam Grey \$190.00.

In Quebec City, let us say there is a co-operative egg grading station. Nothing is sold nor bought. The service of grading eggs alone is rendered. A reasonable rate is fixed at the beginning of the term to charge for grading so many dozens of eggs. Let us say, one cent a dozen was decided upon to grade the eggs. During 1931, 500,000 dozens of eggs were graded by the station making a gross revenue of \$5,000. After all essential deductions were made from the gross profit, \$1,000. was left to distribute as patronage dividends.

Mr. X had brought 5,000 dozens of eggs to be graded, Mr. Z, 10,000 dozen. For his share Mr. X received \$10.00 patronage dividends, while Mr. Z's share was \$20.00. The members received a rebate of 20% on every dollar of business brought to the enterprise.

As previously mentioned the patronage dividend particularly, distinguishes the co-operative from all other commercial enterprises. In ordinary business the largest share of the profits goes to the one who owns the largest share in the firm. It is the money element which counts here. In the case of a co-operative, the member who helps the enterprise most by his patronage receives the largest reward. Here it is the human element that counts. By the practice of this third principle the co-operative movement remedies the greatest evil of modern capitalism, the concentration of wealth. Ellis Cowling in his book "Co-operatives in America " states:

"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 the 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 \$1,000,000. If an average dividend of 100 per cent is received and all of it is saved, at the end of ten years, the difference between the wealth of one and of 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." (1)

A few paragraphs further he states: (2)

"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-

(1) "Co-operatives in America" by Ellis Cowling published by Coward McCann Inc. page 177.

(2) Idem page 179.

operative pays its earnings to its patrons, the largest simple group of person in direct economic relationship to it."

Sometimes however the patronage dividend is only partly or not returned at all to the members in the form of cash patronage dividend. Belgian co-operatives particularly, have adopted this plan. Instead of paying them a rebate of a certain percentage on every dollar brought to the firm in volume of business, the Belgian co-operative returns the patronage dividends in the form of social and educational services such as libraries, recreative centres, nurseries and even hospitals. A few co-operative societies in America have adopted this plan but a greater number practice the technique of spending part of the net profit for such cultural and social advancements while remitting the greater portion to the co-operators in the form of cash patronage dividends.

As the co-operative movement grows, and experience is acquired we discover that the co-operative principles must be adapted and improved upon. For example, injustice was noticed by competent observers, issuing from the policy of the simple flat rate of patronage dividend paid on the amount of business brought to the co-operative and not paid in proportion to the profit made by the co-operatives on the business brought to it. At present the laws governing co-operative organizations in most centres do not provide for the paying of patronage dividends in proportion to the profit realized on the business brought to cash by the member. George Keen is of the opinion

that the Ontario co-operation law regarding this point should be changed. He says: "The Ontario co-operation law provides for the division of the net surplus among the members or shareholders in proportion to the volume of business which they have done with or through the co-operative. This provision contemplates a flat rate of patronage dividends, irrespective of the nature and percentage of profit surplus made on the merchandise bought. Provision should be made in the law for the payment of differential dividends. If this is not done the effect would be to enable a disloyal member to divert to himself some of the savings the loyal members have effected on their general purchases from the society, many of which showed much greater margins than those realized on the individual commodities to which the disloyal member confined his purchases, and an amendment has been submitted to the Government to meet this injustice." (1)

The methods or secondary principles of co-operation.

1st--From the very beginning the Rochdale Pioneers did all the business on a cash basis. This policy has been practiced by co-ops ever since. Credit is a blessing, an almost indispensable means of doing business nowadays but it can so easily become the curse of humanity as it is at the present time.

People have now the habit of buying more than they can pay for, because they do not have to pay cash. American and Canadian

(1) "Existing Legal Requirements for Co-operative Organization in Ontario and Suggested Changes." by George Keen. A conference of Mr. Keen appearing in "Agriculture Co-operation in Canada" a bulletin of the Canadian Society of Technical Agriculturists, page 398.

homes are filled with radios, refrigerators, washing machines which will eventually be taken away from the buyers as it will be impossible for them to make all the payments. We must not forget that when a firm sells on a credit basis it is really lending money to the buyer. And when it grants him 6 months, a year or 18 months to pay we can readily understand why this becomes a heavy burden upon the firm's profits. It is true that the firms themselves are granted credit to a great extent but most of the expenses such as rent, electricity and wages have to be paid on time. This extra burden of credit has to be paid by someone. Very often the wages of the workers are cut or the selling price of the article is raised. Thus we see that the folly of one person buying unscrupulously on a credit basis is paid for by another who may be perfectly innocent. Co-operative stores believe that it is not the affairs of the manufacturer or retailer to lend money to the buyer to purchase the goods but really the affairs of the bank whose business it is to grant credit. And for that purpose they have instituted credit unions or co-operative banks. These loan money or grant credit to all honest members for a worthwhile purpose. If credit is refused it either means, the person requesting it is dishonest or known to be unable to repay the loan or that the money required is not for a deserving purpose. The adoption of such a policy benefits the co-operative store in many ways. It permits it to lower the cost of operations, consequently increasing the patronage dividend. It reduces bookkeeping and the carrying on the books of outworn debts. No reserve for bad debts

need be set aside. The problem and expenses of collection disappear. These benefits are almost indispensable to the life of most co-operatives as the majority of them are capitalized with the hard earned savings of its members and therefore they could not stand the added risk and expense of credit business.

2nd--Business is carried on according to the current market prices. In the case of a consumers' co-operative, goods are sold at the prevailing retail price. Similarly in an agricultural co-operative, goods received from producers are paid only the market prices commonly given. The twenty-eight weavers of Rochdale practiced this from the beginning. They knew that they did not have the capital to wage a price war with competing profit enterprises. The small business which tries to break the larger ones by price cutting usually ends in failure. It is much sounder policy for co-operatives to adopt the current price system. By so doing they give the ordinary capitalistic enterprises one pretext less to compete with them unjustly. Co-ops usually have enough enemies without exciting more of them. Business transacted on a cash basis also gives the co-op more working capital. A good supply of working capital is essential for the successful operation of every business. Furthermore, if the co-operative sold goods at cost plus expenses it would be acting without foresight as it would not take cognisance of the fact that expenses of handling and marketing goods vary and can't be foretold accurately.

There has been some notable exceptions to the practice of this second method especially in Sweden. Swedish co-operatives have time and again slashed their prices to such a low ebb as to cause competing firms to reduce them as in the case of light bulbs,

and galoshes. for instance. But in Sweden the co-operatives could do it because they had become powerful organizations and secondly because the margin of profit that the competing firms were making on these products were so high that the co-ops could reduce the selling price from 50 to 75 per cent and still operate at a profit. However, these exceptions do not prove the rule. The charging of the current marked prices still remains the soundest technique under ordinary circumstances. Instead of giving an immediate rebate on the selling price let the rebate be given at the end of the year in the form of patronage dividends.

Many persons can't understand why co-operatives do not undersell their competitors and for that reason they do not patronize the co-op. These people are pitifully ignorant of the principles of co-operation. They are not co-operators and need to be educated along those lines.

3rd method.--No new member should be refused except if his intentions are known to be of injury to the co-operative society. This is the open door policy. In consumers' co-operatives every one without distinction of race, creed or color should be admitted if they are consumers. And since all human beings are consumers from the babe in the crib to the nonagenarian this form of co-operation has the widest field of application. It is the ideal co-operative since it can embrace all of human society under the basis we all been in common, the fact of being consumers. We are not all workers, nor farmers, nor fishermen, nor members of the same profession but we all consume.

In the other forms of specialized co-operation, agricultural, fishermen etc. only bona fide farmers and fishermen can become

members and this, for the reason mentioned sometime before in this work. An agricultural co-op is founded to benefit the farming class by pooling their produce, grading it and demanding a reasonable price. It is evident that only a farmer that produces for sale can co-operate with the society in the strict of the word. The same applies to all other specialized co-ops.

However though the principle of no limitation of membership applies universally in the case of a consumers' society it still applies partially in the case of specialized co-operatives in as much as in the latter no bona fide member should be refused admittance if he is practicing that particular trade or profession and his intentions are not known to be harmful to the society.

4th method.--Members shall be left to join voluntarily, no coercion nor force should be used. The Rochdale pioneers practiced this from the outset. They knew very well that a man could not be made to co-operate against his will. Co-operation and coercion are conflicting terms. The methods of forming co-operators are education and then conviction. The Bolshevik method of forcing people to co-operate in order to arrive at universal co-operation is absurd. Common sense tells us it will never work.

We often hear people ask, would not universal co-operation be dangerous i.e. when all commercial enterprises without exception would be operated co-operatively. They state, would it not kill individual initiative, scientific advancement etc.? Even if we had universal co-operation the world would be much better off economically and socially than it is now. But it is useless to worry over what will never happen. Human nature being what it is, universal co-operation will never come about. We can't even get all the people in one small community to co-operate, how are we to expect a whole country or state to do so. There will

always be enough opposition to co-operation to prevent individual initiative or scientific advancement from being dormant. There has been and will always be so many rugged individualists that our eternal worry and biggest task will ever be, to get more co-operators.

But the writer is of another opinion entirely concerning initiative in the capitalistic regime versus co-operation. In his opinion it is the lack of initiative which retards co-operation in the world to-day and instead of co-operation retarding initiation he believes it would favour it in many ways. It takes a great deal of initiative to start a co-operative and make it work.

5th method.--A certain percentage of the net profit will be set aside each year for co-operative educational purposes. The aim of such a program is to permit the old members to acquire more knowledge about co-operatives and thus keep them loyal to their society; and secondly to acquire more members by showing them the advantages and benefits of co-operative effort. At the same time, co-operative education imparts fuller knowledge to those managing the co-ops giving them the opportunity of running their business more efficiently.

In the ordinary business of any importance thousands of dollars are spent yearly on advertising. Much of this publicity lies on the border line of truth and deception and a great percentage if it is utterly false and misleading. One needs but pick up any widely read magazine for the confirmation of this statement. The ridiculous part of it all, is that the consumer really pays in the selling price of the article for the cost of printing such absurdities. The purpose of such advertising is to convince the potential buyer that he or she can't go on without this or that commodity. Appeal is made to the passions

of jealousy, pride, love and in a few cases only to common sense.

Co-operative educational efforts if it may be called advertising appeals principally to our common sense. They have shoulder to shoulder talks accompanied by definite proofs that the co-operative way is the best way. The principles of co-operation are discussed and the working of those principles explained. Libraries and reading rooms are established. Books and periodicals are written. Conferences by competent co-operators are given. Study clubs or circles are formed. All these form part of the widespread educational program. As knowledge precedes action, co-operative education precedes co-operative action. Most people must be taught to co-operate or else they will not. But what is almost as important is that a co-operator must be repeated the co-operative principles and methods and their operation if he is to remain loyal to the society. As a good doctor, lawyer, accountant or any other professional man must review and refer to his books in order to be efficient, a good co-operator must ever have clear concepts about co-operation. It is generally found that the co-operative society having the best educational program usually makes the most progress.

Professor A. B. Mac Donald of St. Francis Xavier University in one of his talks declared:

"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. There is nothing strange or unnatural about co-operative procedure, except that it is contrary to the warped and distorted tenets of capitalism that have prevailed so long that they have been accepted or the assumption that use makes right. Ideals and attitudes have to be changed and righted; confidence has to be injected and inspiration given the people before they will raise their own standard and do battle for themselves." (1)

Reverend Father Philippe Grondin at the St. Hyacinthe Semaine Sociale of 1937 stated:

"La co-opération n'est pas seulement une affaire c'est aussi, c'est surtout, c'est avant tout une oeuvre sociale. Ou comme le dit excellement le Père Graty, "pour fonder une oeuvre il ne suffit pas de vouloir, il faut aussi savoir. Alors, vouloir et savoir c'est pouvoir.

En effet, les oeuvres sociales ont d'abord besoin de lumière. Elles meurent souvent d'obscurité et de confusion, parce qu'elles sont mal connues parce qu'elles ne sont pas comprises, peut-être aussi parce que, hâtivement conçues elle ne répondent pas au tempérament du milieu elles ne sont pas outillés pour atteindre le but qu'elles voulaient poursuivre." (2)

(1) Education Preliminary to Co-operative Organization by A. B. MacDonald lecture appearing in the Canadian Society of Technical Agriculturists special bulletin "Agricultural Co-operation in Canada" page 387.

(2) "L'éducation du sens co-opératif," lecture by Father Philippe Grondin at St. Hyacinthe 1937, contained in the general report. page 237.

6th Method.--A non-member may become a member of a co-operative by letting his portion of the net profit be applied to the purchase of a share. The Rochdale weavers noticed from the start that they had many customers who were not members of the society. These patrons were not entitled to dividends since they were not members. Instead of paying this part of the net profit to the shareholders, the directors decided to allot this amount as part payment on a share of the society thus making this customer a member. This procedure has been used by most co-operatives ever since. It permits the addition of valuable members to the society who otherwise would perhaps not have joined up.

7th Method.--Labour must be justly treated. It was 28 poor hungry workers who founded the first co-operative of its kind in the world. These men had suffered the hardships of poor working conditions of long hours of labour and of low wages. They never forgot those hardships. It was not long before the expansion of the co-operative movement in England made employers of these former employees. From that day on, co-operatives have had in their program just treatment of all employees, just wages, reasonable hours of labour, sanitary conditions and recreational facilities. Co-operative societies have found, that the just treatment of labour pays dividends. It is a fact that for a co-operative to succeed there must be co-operation in the inside as well as on the outside. Dissatisfied labour will never co-operate. Apart from that, since the main aim of the co-operative is to raise the economic and social level of humanity it is only natural that it should begin to practice it within its own sphere. The organization of recreational activities alone, although it is more in the field of charity than that of justice, rewards the co-operatives immensely. It helps to get the employees together, developing

among them brotherly love, loyalty and devotion towards the firm. It is the best form of advertisement imaginable and moreover the co-operative spirit itself is fostered. The co-operative spirit is that intangible something which binds all members to their society.

On the other hand labour can bleed the co-ops if the members are not co-operators and think only of increasing their purchasing power by increasing wages rather than by consumers' co-operative effort. Geo. W. Jacobson delivered an interesting lecture at Antigonish a few years ago concerning co-operatives and labour. He declares "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. For example, unions in New York City demanded and received from the co-operative restaurants a wage almost double that which they agreed on with a chain of restaurants which compete with the co-operative.

Such a policy puts the co-operative, usually a new and struggling organization, under such an extreme disadvantage

in competing with private business that its survival may even be threatened. This then, is one aspect of the danger in the present situation, the danger that organized labour, by a shortsighted policy of immediate wage increases, may destroy its own opportunity of securing a lower living cost through consumer's co-operative effort." (1)

8th Method.--Co-operatives must co-operate with one another if the movement is to succeed to any great extent. The more powerful a genuine co-op becomes the greater are its capacities of rendering services to humanity. A group of separate, non-co-operating co-ops and perhaps competing with one another has not the strength to meet strength, power to match with power, and the only way these enterprises can ever acquire this power is by co-operating with one another. This co-operation may range from mere amicable relations between them to actual amalgamation. It is evident that if co-operative effort is to be integrated as far as going into the wholesale business and then actual production, co-operatives already existing must help themselves and strive towards that end. A wholesale store requires more capital, more labour, more efficient direction and more business than a retail establishment. This flows from the fact that its margin of profit is smaller than in retail stores. Faster turnover and greater volume of business naturally follow. To enter into the field of production requires still more capital. Thousands of dollars must be invested in machinery, equipment and in buildings. Lastly the final goal, ownership of the sources of raw materials such as oil wells, mines, plantations and so forth demand the

(1) "Consumers' Co-operatives Face the Labour Problem" by Geo. G. Jacobson of the Midland Co-operative Wholesale U.S.A. talk delivered at Antigonish, page 3.

greatest amount of capital of all the other co-operative functions. From whom will such capital for expansion be obtained if not from the several already organized co-operatives. Certainly not from ordinary capitalistic organizations since these are forever trying to suppress out of existence those new enterprise called co-ops. Certainly not from the mass of the people who are altogether ignorant of the value of co-operatives and who have not even become members of their local societies. Only mutual help among the co-operatives, and their federation if necessary allows the formation of co-operative wholesale societies or co-operative factories. The ideal co-operative begins just at this point. Retail co-operatives are only the first step towards the ideal. Apart from this, co-operation among the societies has decided other advantages. It results in the unification of business methods of accounting procedure, the hiring of better trained men to take care of the business. It permits savings on expenses for education and publicity. One publication instead of several may be issued. Useless duplication of service may be abolished.

For example, in many cases there is no room nor the necessity for the existence of an agricultural co-operative in every village and parish. Very often amalgamation of several small inefficient co-ops into one society is preferable.

The most suitable location for all concerned may be chosen. In St. Michael, Quebec, (Bellechasse County) there is a flourishing agricultural co-operative which handles the goods often to fifteen neighbouring towns, some villages being in other counties. In the year 1939, 29 car loads of strawberries alone were shipped from its warehouse. Its facilities of grading, warehousing, and refrigeration are up to the minute in convenience and efficiency.

Such facilities would be impossible in a small co-operative as the quantity of goods handled would not warrant the expense. There is however, a limit to this centralization as there is a limit to decentralization of co-operation. Co-operation among co-ops will determine the just limit.

Ellis Cowling, in a few words shows the value of co-operative union. "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." (1)

(1) "A Short Introduction to Consumer's Co-operation."
by Ellis Cowling--page 37.

CHAPTER III

HISTORY AND DEVELOPMENT OF CO-OPERATION.

An outline of the history and development of co-operation is not complete without mentioning early unsuccessful attempts in that field. Such may be considered the attempts of Robert Owen and Dr. William King.

ENGLAND

Robert Owen was born in 1771 of poor parents in Newton England. When only twenty-eight years of age he became in 1880, by his personal initiative and hard work the managing owner of the New Lanark Mills about twenty miles from Glasgow. Conditions were very bad in this town. Owen himself said of the conditions of his town, "The people lived almost without control in habits of vice, poverty, idleness, debt and destitution." Owen had from the beginning thought of methods to remedy such conditions. Kimball in his work "Principles of Industrial Organization states:

"Owen had long pondered a plan for improving such conditions and now had an opportunity for putting his theories in effect. Against great difficulty including opposition from the employees themselves, he gradually built up a model village the equal of which did not exist and has seldom if ever been seen elsewhere. His reforms included proper sanitation in homes and factories, recreative facilities, library and schools, methods of purchasing supplies for the workmen at low rates in such a way that they would not be cheated, elimination of drunkenness and the reduction of the working day to ten hours, thirteen and fourteen or even sixteen hours being the length of the working day elsewhere.

He in fact, anticipated practically every item of welfare work that has been attempted since.

Owen carried on this work through good times and bad times at one time paying full wages for four months, during which the mills were idle, at a cost of \$55,000. But in spite of what to his partners and many others seemed an extravagant and useless outlay of money, the business prospered and paid handsomely the village becoming a model of its kind." (1)

Owen went even further than that. Being a Socialist he favoured ownership of the factory by the workers. He was convinced that the only solution for the labourer's plight was to let those who worked in the plant, own it. His plan being too idealistic, did not work. He soon had to retire from the partnership. The village and factory returned to their old state. Owen died in 1858 a poor, almost forgotten man. So failed one of the first attempts of co-operation but of a special type, i.e. producers' co-operation in the industrial field whereby the workers own the plant.

At almost the same time in England there was another man whose greatest ambition was to relieve some of the hardships of the working class. This time it was a doctor, Dr. William King of London. He also, was struck by the pitiful conditions, and so he began to preach and lecture on the unfortunate plight of the labourers and the means of remedying the situation. He even published a magazine called "The Co-operator".

Dr. King attached greater importance to consumer action and co-operation as we know it, than did Owen. He favoured ownership of the store by consumers. However by emphasizing the ownership of

(1) Principles of Industrial Organization by Dexter S. Kimball, page 22-23.

the stores by the consumer working class alone his plan carried the same error but to a much lesser degree than did Owen's.

Owen and King had the following three principles in common.

1st, There must be complete independence of the co-operative society from politics. 2nd, Members would join the society freely. 3rd, The workers should own the store or plant in which they work.

Moreover, Dr. King emphasized proper management, an accurate system of accounting and a sound educational program. Evidently Dr. King's works were to enjoy longer life on account of his practicability. By 1830, King had organized one hundred and seventy of his stores or Union shops as they were called. By 1832 there were over four hundred of them in existence throughout England. His periodical "The Co-operator" helped him in his cause a great deal. Nevertheless, owing to different causes such as doing business on a credit basis and by emphasizing ownership of the enterprise by the consumers' labour class, Dr. King's work followed the same path of failure as did Robert Owen's. Undoubtedly King's work lasted longer, had a greater influence and was nearer the goal than the results of his predecessor.

Similar ideas but still more socialistic in tendency were propagated by Louis Blanc (1811-82) in France and Ferdinand La Salle in Germany (1825-1865) around the same period. Louis Blanc favoured universal co-operation, and ownership by the state of all industries. He believed it was the state's duty to give employment to everyone. La Salle, a German Jew, thought on similar lines. The latter wrote a book called "Capital and Labour" in which he describes the tyranny of capitalism and praises the co-operative system. Blanc was influential enough to have several industries in France organized according to his

plan. By 1848, they had all failed.

It took twenty-eight hungry weavers to stumble upon the ideal co-operative plan. The years between 1840 - 1850 had been known as the "hungry forties". Salaries were low, unemployment was rampant and labour conditions in general were very poor. Strikes were prevalent but the usual result was victory for the employers. In 1843, in Rochdale such a strike took place. Among the striking group a handful, 27 men and one woman, named Ann Tweedale, began to recall the efforts of Owen and King to better labour conditions. They formed a society called "The Equitable Society of Rochdale Pioneers." They hit upon the plan of consumers' co-operation by accident.

Having decided to go into business for themselves the group began to save their pennies. After a whole year they had gathered together \$140. of savings. Since they could not open a factory with so little capital they decided to establish a store. This was the accidental discovery of consumers' co-operation as against producers' co-operation. The Rochdale pioneers were inspired and filled with the works of Owen. They also dreamed of owning a factory but as workers not as consumers. Not having enough money to buy one, they decided to start by operating a small grocery. But they could not all work in the store at the same time. So without realizing it they were stumbling on a new idea, basically different from Owen's.

On the night of December 21, 1844, almost a hundred years ago they opened their establishment after having paid about \$70. for rent and store fixtures. For the other half of their capital they bought a small supply of butter, sugar, candles and meal. The store was located in an old warehouse basement. Samuel Ashworth was the name of the store's manager on its opening night. He managed it successfully for the next twenty-two years.

The first year of operation saw the society's membership grow to 74, their capital to £900. and their business to £3,500. on which they realized £160. profit. Three years later the membership had swelled to 1850, the capital to £75,000. and the business to £400,000. Six years after the store opened, the pioneers bought their first factory--a flour mill. Two years after they bought a store factory and then in 1855 a cotton and woolen mill. The pioneers had dreamed by reading the inspired works of Owen and King, of remedying economic conditions by giving the ownership of the plants to the workers. But in successive steps, had become so consumer conscious as to admit members of all professions and occupations. R. Goslin states:

"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 the goods being sold and produced. This has proved to be a much broader and new include idea and ownership by workers. It is ownership by consumers." (1)

The success of the Rochdale store inspired others to form similar establishments in other centres. By 1863 there were 426 similar retail societies in England. The group started to communicate and co-operate with each other. Their mutual help permitted them to organize a wholesale store called "The North of England Co-operative Wholesale Industrial and Providential Societies." It started business in 1864 with 45 local societies holding stock in it. The first warehouse was built in Manchester during 1869.

(1) Co-operatives' booklet by Ryllis Alexander Goslin. Headline book No. 8, page 6, published by the Foreign Policy Association.

In 1873 the manufacture of biscuits and sweets was begun. In the year 1884 was celebrated the Golden Jubilee, of the "Equitable Society of Rochdale Pioneers". The membership by that time had increased to 12,000 and the annual volume of business was \$1,500,000. As a natural consequence the "North of England Co-operative Wholesale Industrial and Providential Society" (whose name was since shortened to "Co-operative Wholesale Society" i.e. C.W.S.) kept on expanding as the retail co-ops increased in size as well as in number. The following quotation may give us an idea of the extent of its manufacturing activities even 20 years ago.

"Today the annual 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 overalls 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 tinsplate, butter and margarine." (1)

Denmark. Co-operative development in other countries is comparatively recent when compared to 1844. In Denmark, one of the first institutions^s of the kind was created in 1882. It was a dairy co-operative. From the beginning in Denmark, the co-ops were mainly agricultural. Bishop Grundtwig is given the credit

(1) E.P. Harris Co-operation, the Hope of the Consumer (1918) page 222.

for being the greatest proponent of the movement in Denmark.

It is he, who by his teaching, advice and direction developed the intellectual, social and educational element found in the Danes which contribute immensely to the success of the movement in their country.

Sweden. In the 1880's the co-operative movement in Sweden began to grow in size and in number. By 1899 a few struggling co-ops united to form a Co-operative Union or (K.F.C.) Ko-operativa Forbundet. As soon as the organization gained momentum it began its trust-busting activities. In 1909, it built a margarine factory to compete against the margarine monopoly. By 1911 the monopoly was broken up and competing firms had to meet the co-operative price. The K.F. then entered into the production of sugar, soap, chocolate, and flour. In 1922, K.F. bought one of the larger flour mills in Sweden which was followed shortly by the purchase of the second largest mills of the whole country. Having stepped up the efficiency of both plants K.F. was ready to break up the flour monopoly which it did. The cartel never could reach the co-operative's low prices which have ranged ever since from 12 to 25 cents a bag lower. In 1926 the co-operative Congress of Sweden decided to split up the galosh cartel which was exploiting the Swedes. Galoshes are a necessity of every Swede's budget. The declaration alone that the K.F. was going to undertake the production of galoshes caused a drop of fifty cents in the retail price. At first, the monopoly refused to sell any of their plants but having finally well meditated over what happened the flour and margarine cartel, it decided to sell one of their plants. Within a year galoshes had dropped another seventy cents. The production of tires was also undertaken by the same factory. By 1932, the

plant was turning out over 50,000 tires a year.

In 1918, a great step was made towards co-operation in the international field when Denmark, Sweden, Norway and Finland established with fine offices in Copenhagen the first international co-operative in the world called the "Scandinavian Co-operative Wholesale."

Germany.

The Germans distinguished themselves in the co-operative field by introducing co-operative banking or credit unionism to the world. In 1849, two Germans working independently of each other, one named Raiffeisen and the other Schulze-Delitzsch, originated two different systems of credit unions. The Raiffeisen system was organized to serve rural agricultural communities and the other to serve small tradesmen and artisans in towns and cities. Both systems spread very rapidly over Germany and the rest of the world. Italy was the second country to innovate co-operative banks when Premier Luzzati introduced a modified Schulze-Delitzsch system in 1866 by the forming of the first Banca Popolare. Austria was third to establish credit unions which she did in 1835. By 1899 almost all countries of any importance in Europe had established co-operative banks.

Belgium.

Agricultural co-operation had an early start in Belgium. The Boerenbond was founded in 1890. Ten years later the number of the farms represented in its membership reached 2,000. (Table No. 1.)

Table I.

The number of farms represented in the Belgian Boerenbond for some years between 1892-1935.

<u>YEAR</u>	<u>FARMS</u>
1892	2,000
1900	19,000
1910	44,522
1920	87,384
1930	127,859
1935	115,607

Note years do not follow regular progression.

The number of farms increased every year having doubled during some decades (1900-1910). Owing to the depression there was a drop in 1935. The whole agricultural industry of Belgium was particularly harmed by the economic crisis.

THE UNITED STATES. America was slow in the adoption of co-operative methods for reasons that will be treated elsewhere. Early sporadic attempts were made, however, for as early as 1844 a sort of co-operative buying club was organized in Boston. It failed within a year. In 1845, another store was opened under the direction of John Kaulbach who was in charge of the movement. An association called the Workingmen's Protective Union was formed. By 1850, 106 co-operative stores were opened. A few years later there was a split in the organization. A group remains in the society which retained its name, another group under Kaulbach organized a rival association called the American Protective Union. Four years later, this latter society had 327 retail establishments in 10 states doing an estimated business of \$2,000,000. a year. The Civil War reduced practically to nothing this promising movement.

After the Civil War agricultural co-operation began to gain momentum. Oliver Hudson Kelley, founder of the great agricultural society, "The Patrons of Husbandry" or "Grange" was the guiding spirit of this movement. In 1868 the first establishment of the Grange movement

was opened in Fredonia, N.Y. By 1875, there were 21,000 such locals in the United States. The rapid and great progress of the movement was followed by a rapid decline. By the end of the nineteenth century the Grange co-operatives were practically wiped out.

At the end of the nineteenth century another organization promoted consumers' and producers' co-ops. It was the "Noble Order of the Knights of Labour". Urish Smith Stevens was the founder of the order. He was as Robert Owen, a Christian Socialist. In 1886 the order had 700,000 members. The society started approximately 150 producers' co-operatives where the members pooled their labour. For reasons similar to Owen's case and others the factories organized on this plan did not succeed. The society itself disintegrated, the membership having fallen to 100,000 in 1890.

The great flux of immigration to the United States around 1910 brought in thousands of Finns and Bohemians who established co-ops in their respective communities. The Finns established co-ops principally in Minnesota and Wisconsin. In 1917, seven co-operative societies organized a wholesale organization which became the Central Co-operative Wholesale Society. In 1934, there were over 100 local society affiliated to it doing a total annual business of \$6,000,000. The Bohemians established themselves in Ohio and Illinois. In 1910 was organized the Co-operative Trading Company of Waukegan.

The Co-operative League of the United States was organized in 1915. Its official organ "Co-operation" was published during the first year. Dr. James Peter Warbasse was its first president and has remained in that capacity ever since. In 1918, one of the first books on the subject was ready for the reading public, i.e. "Co-operation--The Hope of the Consumer", by Emerson P. Harris.

After the Great War, the American farmer became co-operative conscious again. They veritably took the lead leaving far behind the consumers' co-operative movement in cities and towns. They began to buy feed and fertilizer together. Later gasoline, oil, tires were purchased collectively as the horse was gradually being replaced by the tractor and motor truck. In 1934, there were 1,500 co-operative societies distributing petroleum products alone. The first co-operative wholesale to handle farm supplies was established in 1919 at Omaha, Nebraska. The second was established two years later in Seattle, Washington.

The first credit union was formed in Manchester, New Hampshire in 1908. To-day there are seven thousand credit unions in the U.S.A. with a total membership of one million and a half.

CANADA. In 1861, at Stellarton, N.S. opened the first co-operative store in Canada. It existed until 1916, then it failed. The same manager and secretary carried on from its foundation until 1914. Before 1900, ten other stores were opened in N.S. but only one survived at the end of the century. In 1863, a co-operative society was formed at Sydney Mines. The store engaged reasonable success until 1905 when fire destroyed the premises. The store was not rebuilt. The store had however by that time, reached financial difficulties owing to the fact that no reserve fund had been provided for and also because drawings of capital were excessive. In 1906 another society called the British Canadian Co-operative Society Ltd. was found in Sydney Mines. This time the experience of the other convinced the organization to set aside a reserve fund and do business for cash only. Starting with a membership of 30 having \$16. of capital each, in 1924 the membership had grown to 2,659, the capital to \$255,375. Sales for the same year were \$1,359,800.

In Ontario the first consumers' society dates from 1904. It was established at Guelph. It distributed from 1904-1924, over \$100,000. of patronage dividends. Year by year the organization developed. In 1906, it went in the grocery and meat business having started as a bakery in 1904. In 1907 a boot and shoe department, in 1908 a coal yard, in 1925 a cash and carry groceteria was opened.

The United Farmers of Ontario during the first years of its existence opened 47 stores on the chain store plan. They were also closed one by one.

British Columbia miners in Fernie, Natal and Revelstoke organized several co-operative stores. In 1925 the one at Natal B.C. did a business of \$126,000.

In the Prairie Provinces agricultural co-operation either on a consumers' or producers' basis was first to be attempted. In Saskatchewan, alone for the year 1924-25 there were 304 co-operative associations doing a total business of \$2,759,564 and of this number, 49 operated stores, and 38 did a car lot business.

The United Farmers' Co-operative Society of Ontario for the year 1924-25 handled 3,000,000 lbs. of binding twine, 175,000 rods of wire fencing and 500 tons of cord.

In 1909 at Hamilton, Ontario came into being the Co-operative Union of Canada, an educational body. It resembled somewhat the Co-operative League of the United States. It is interesting to note that it came into existence six years earlier than the latter. At the first meeting of the Co-operative Union, that which decided its own existence, attended five delegates from Nova Scotia, and some from Ontario and British Columbia. Mr. Sam Carter of Guelph became its first president and Mr. George Keen of Brantford, the first secretary. The same year it began the publishing of its official magazine, the

the "Canadian Co-operator" in October. The Co-operative Union held conferences in 1911, 1915, 1921, 1922 and 1924.

The first Canadian co-operative bank was created in Lévis Quebec by Alphonse Desjardins on December 6, 1900. He had for over a decade studied the different systems of credit unions already in vogue in Europe. The bank started with a capital of \$26. By 1912 the credit union had assets of \$188,306.31, loans of \$179,108. and gross profits of \$8,593.16. In 1924, current loans were of \$653,124 and gross profits of \$74,000. In 1923, the Quebec Statistical year book reported 113 Co-operative banks in the province. Their total amount of business exceeded 11,000,000 and the profits amount to \$354,804. On December 31, 1936, there were 284 such organizations in the province of Quebec, from which 14,000 had borrowed 6,000,000 during the year. From 1915-1934, 120 millions were deposited in the 180 unions existing. On June 30, 1938 there were 399 caisses populaires in Quebec with a membership of 80,351. Credit unionism has spread to other provinces principally to Nova Scotia where the first credit unions were established in 1933. By 1938, there were 148 such credit societies in savings. Since 1933, 91,750,000 have been leaved out. In 1938, in Nova Scotia with 25,000 members and 700,000 in savings, was formed a Credit Union League which links all the existing credit unions together and acts as a clearing house for the surplus funds. In this manner money can be transfered to a needy area from one which is enjoying a surplus of purchasing power.

In 1930, after 25 years of preliminary work St. Francis Xavier University in Antigonish, N.S. established an Extension Department whose aim was to furnish adult education to the people of the Maritimes training in economics, sociology including co-operation is given. The aim of the work is to train the people to help themselves out of the depression. The Extension Department is the educational centre of the co-operative movement, in the Maritimes. Books, periodicals and

all available literature on the economic problem can be obtained from the institution. Thousands of study circles have been formed which receive their intellectual guidance directly from the Extension Department or from leaders who have been trained there.

After this brief diversion something must be said of the history and development of producers' co-operatives in Canada.

In 1906, the Manitoba Grain Growers' Association organized the Grain Growers' Co. and in 1911 a Dominion charter was obtained. The same year the Saskatchewan Grain Growers Association formed the Saskatchewan Co-operative Elevator Co. at Regina. The United Farmers of Alberta, likewise organized the Alberta Farmers Co-operative Elevator Co. In 1937 the latter joined the Grain Growers Grain Co. to form the United Grain Growers Ltd. with headquarters at Winnipeg leaving two large organizations engaged in the grain trade. In 1923-24, the Saskatchewan Co-operative Elevator Co. handled 48 million bushels of wheat. In the same year the United Grain Growers handled 41 million bushels. The first organization limited its activity to the grain trade while the latter dealt with livestock, farm supplies and machinery etc.

In 1920, there were 509 co-operative butter and cheese factories in Canada of which apart from the rest, 223 were in Quebec and 189 in Ontario. Co-operative butter production started as early as in 1896 in Saskatchewan. In 1917, 19 co-operative creameries of the province produced over 2,000,000 of butter.

Miss N. MacKintosh writing in 1925 states:

"The record of producers' co-operative in Canada has been, on the whole, one of steady growth, co-operative association among fruit growers probably having the highest mortality rate, but the history of consumers co-operation shows no such development. The first co-operative stores were opened by groups of workers who were

applying the principles of co-operation they had learned and practised in England. In the late 90's and in the following decade, when the increasing cost of living put greater pressure on the wage earners, co-operative stores were opened in many towns. Another wave of co-operative activity followed the rising price during and after the war.

But the more individualistic character of the population and the higher standard of living made possible by higher wages appear to have rendered consumers in Canada less inclined to co-operative effort than in the older countries of Europe, so that money co-operative societies have languished for lack of funds, suffered from poor or indifferent management and lacked the enthusiasm of a membership of genuine co-operators. The success achieved by a comparatively small number of societies is all the more striking." (1)

In 1939, a co-operative council was formed in the province of Quebec with headquarters at Laval University. Rev. F. Levesque is director. It is an educational body having many aims, the most important of which are the furthering of the co-operative movement in Quebec by affiliating within its organization all the co-operatives of whatever business they may be in. It publishes a monthly magazine called "Ensemble".

In Table 3 is given the development of the Caisses Populaires of the province of Quebec for some years between 1915-1937. From 1915 to 1937 the number of credit unions increased from 91 to 256 while the total members grew from 23,614 to 57,216. During the same period loans granted per annum augmented from 8,983 to 17,639.

(1) Miss N. Mackintosh "The Co-operative Movement in Canada" special article appearing in the 1925 Canada Year Book pages 719-720.

The progress made by the People's Banks in Quebec was uniform in almost all years except during 1931, 1932, 1933 during which a drop in the membership, in the number of societies and in the business activities in general was sustained. But the interval between 1931-1933 was a severe depression period during which the economy of all nations in general was severely affected (See Charts No 2 and 3)

In Table 2 are given figures dealing with the development of consumer's co-operation in Canada from 1931-1937. Only the societies affiliated to the co-operative Union of Canada are considered in the table. As was the case for the People's Banks of the Province of Quebec there is a decrease in consumers' co-operative development during 1932-1934. However the number of societies and their membership advanced every year without exception from 1931 to 1937. (See charts No. 4 and 5)

Table 2 Statistics of Retail Co-operative Societies Affiliated with the Co-operative Union of Canada 1931-37.

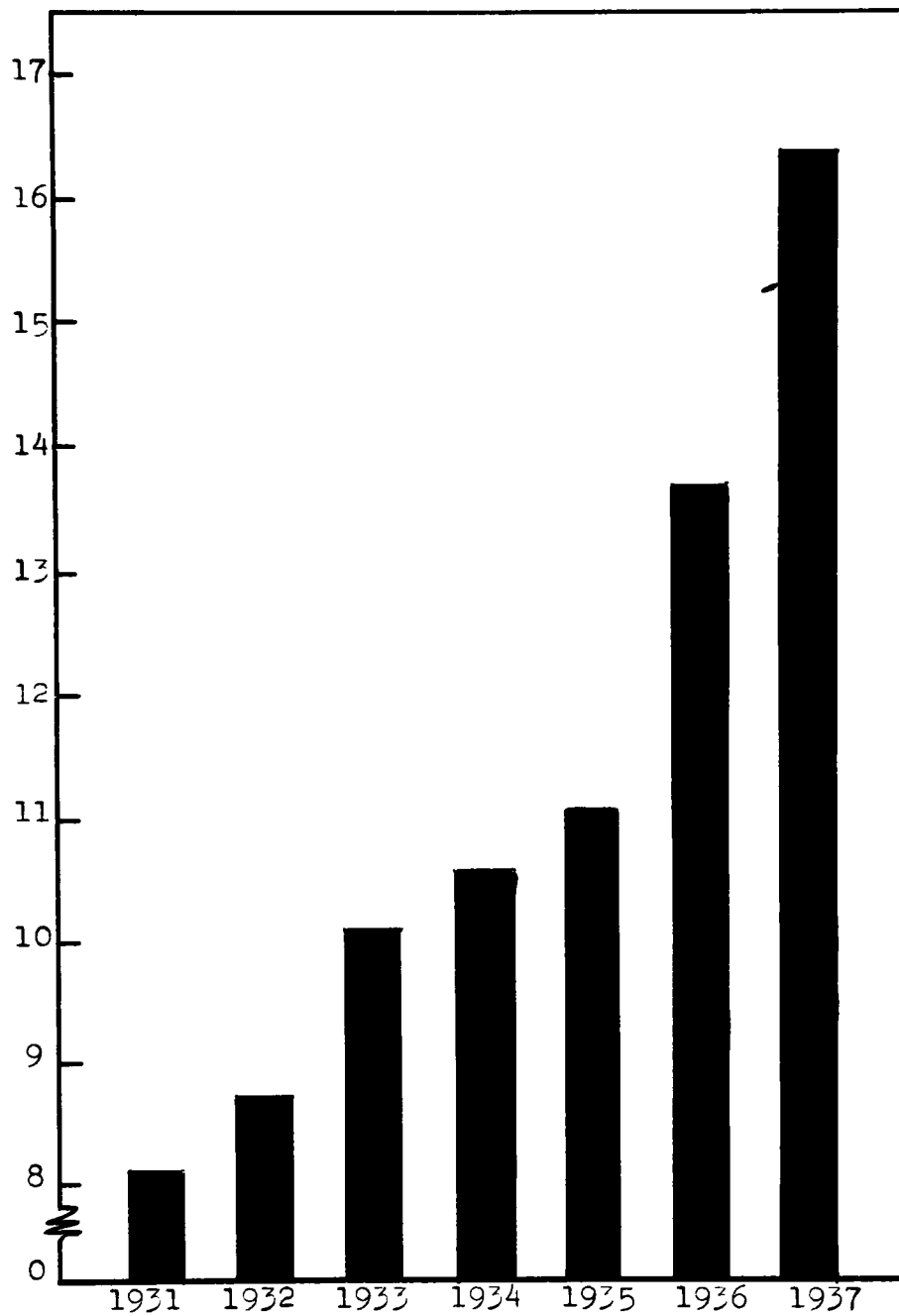
Year	Number of societies	Number of members	Share and loan capital	Sales	Net Profits
1931	23	8,122	574,450	2,874,746	185,116
1932	27	8,746	536,245	2,631,515	117,895
1933	31	10,100	504,623	2,719,212	106,434
1934	33	10,518	515,369	3,353,884	117,722
1935	34	11,116	573,957	3,876,195	161,113
1936	41	13,696	637,012	4,445,339	209,379
1937	45	16,364	809,468	5,041,328	229,270

Source of information: Canada Year Book, 1939 page 825.

Chart 2

GROWTH IN THE MEMBERSHIP OF THE RETAIL
CO-OPERATIVE SOCIETIES IN CANADA 1931-37

thousands

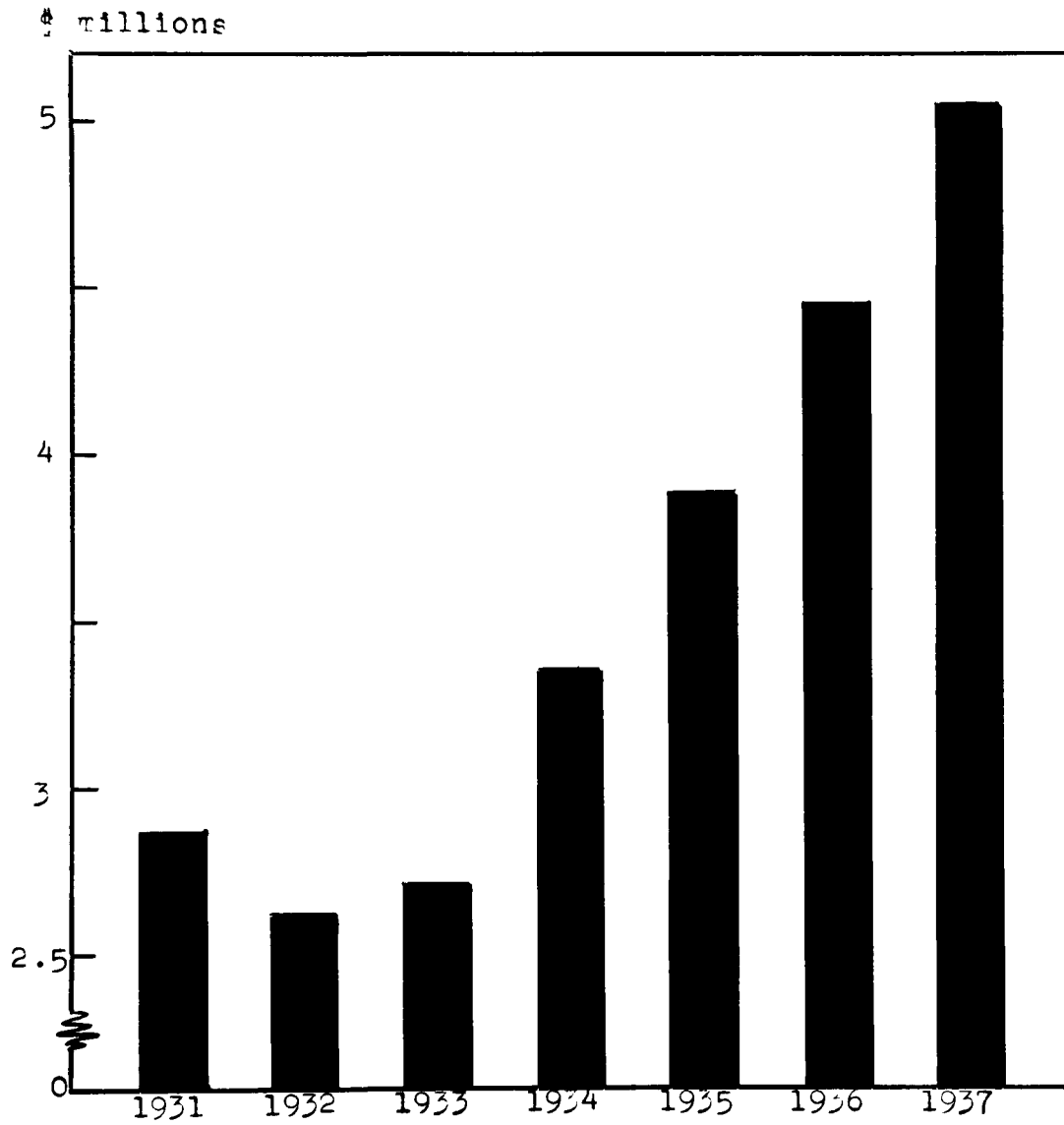


X The figures include only the societies affiliated
with the Co-operative Union of Canada

(refer to table 2)

Chart 3

SALES OF THE RETAIL CO-OPERATIVE SOCIETIES
AFFILIATED WITH THE CO-OPERATIVE UNION OF
CANADA FROM 1931-37



(refer to table 2)

TABLE 3 PROGRESS OF CO-OPERATIVE PEOPLE'S BANKS IN QUEBEC IN 1915,
1920, 1925, 1930-37. (1)

Year	Banks reporting	Members	Depositors	Borrowers	No. of loans granted	Value of loans granted	Profits realized
1915	91	23,614	13,696	6,728	8,983	1,483,160	89,893
1920	113	31,752	26,238	9,213	15,390	4,341,544	311,323
1925	122	33,279	33,527	9,384	13,682	3,909,790	449,531
1930	179	45,767	44,940	14,278	18,857	3,724,537	645,096
1931	174	43,641	43,207	13,240	16,203	2,998,046	594,235
1932	168	40,933	40,201	12,363	13,283	2,157,886	531,765
1933	162	36,470	37,683	10,784	11,407	1,682,551	452,220
1934	190	38,811	39,723	11,230	11,295	2,141,762	441,876
1935	202	43,045	42,856	11,987	12,175	2,803,748	472,543
1936	234	49,890	49,796	13,453	13,974	3,370,821	459,601
1937	256	57,216	56,493	15,576	17,639	4,310,777	519,714

(1) Includes only those credit unions reporting to the Economics Division, Department of Agriculture, Ottawa, Canada. Source of information: Canada Year Book for 1939, page 826.

Chart 4

SHAREHOLDERS OF THE QUEBEC CREDIT UNIONS FOR THE
YEARS 1915 , 1920 , 1925 , 1930-37
thousands



(refer to table 3)

Chart 5

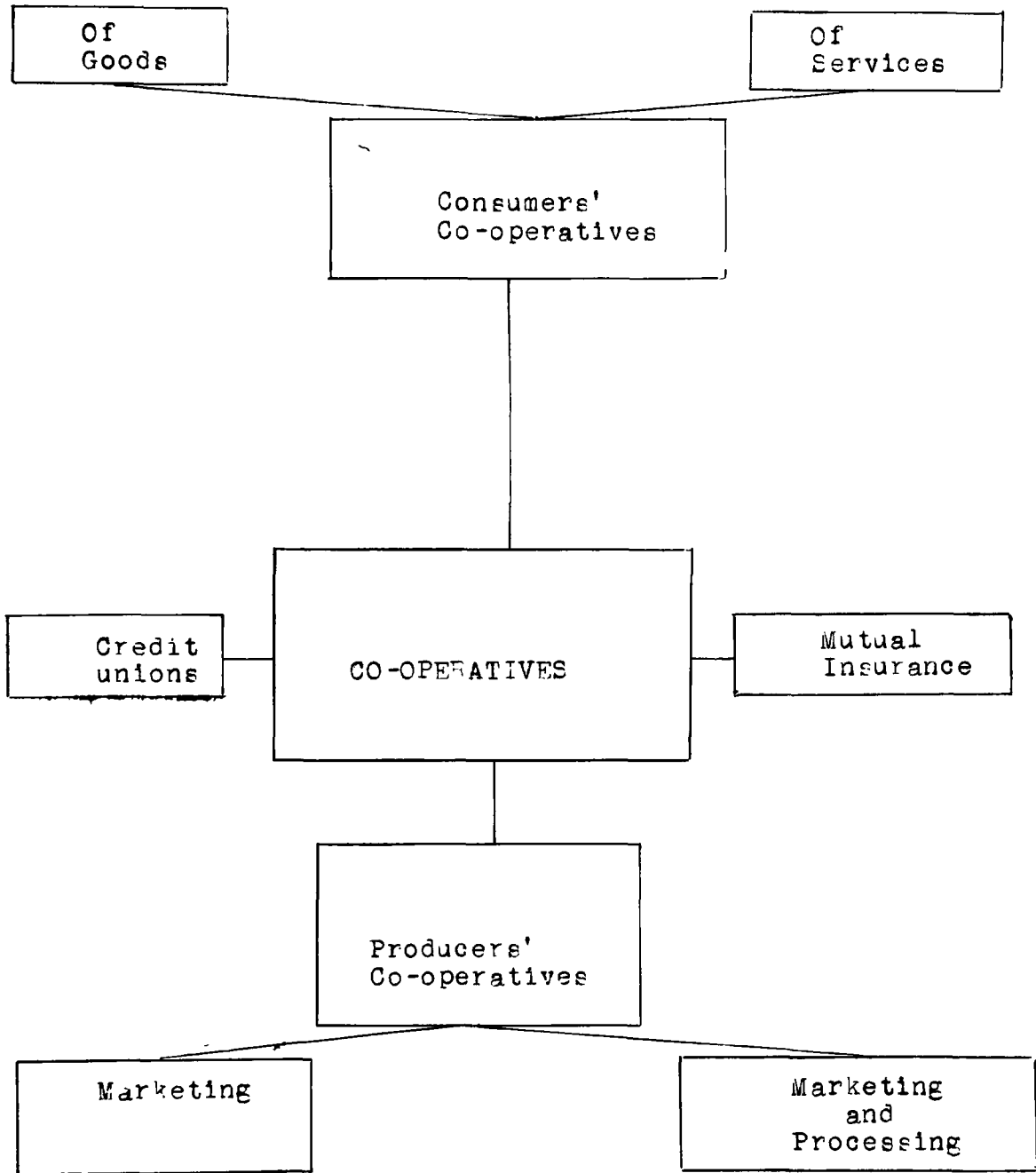
LOANS OF THE QUEBEC CREDIT UNIONS FOR THE YEARS
1915 , 1920 , 1925 , 1930-37



(refer to table 3)

Chart 6

CLASSIFICATION OF CO-OPERATIVES



CHAPTER IV

CLASSIFICATION OF THE TYPES OF CO-OPERATIVES.

Co-operative technique can be applied to any business or enterprise where economic goods are exchanged and economic services are rendered. It naturally follows that we can have as many types of co-operative enterprises as there exists types of business. Every channel of economic activity has not yet been organized co-operatively. However a great many have since the beginning of the movement. Some sort of classification is necessary whereby the co-ops could be grouped according to the types of business they represent. The following classification is the orthodox one. It will be noticed that there is disagreement on what should be defined as a producers' and a marketing co-operative.

1. Co-operative Banks--Credit Unions--sometimes called financial co-operatives.
2. Consumers' co-operatives of goods and services.
3. Producers' or marketing co-operatives.
4. Mutual Insurance.

Each of the above classes will be treated in the order that they appear in the classification.

1. CO-OPERATIVE BANKS OR CREDIT UNIONS.

Definition-- A credit union is a savings bank organized on a co-operative basis whose main purpose is to grant credit at a low rate of interest to the members of the society who may repay the loan by small instalments.

Purposes--From the definition we may say that the purposes of a credit union are as follows:

A. General purposes:

- (1) As before said to eliminate usury by granting credit to members

- (2) To encourage thrift and systematic savings among its members by providing a safe and convenient medium for investment.
- (3) To train its members in business methods and self-government.
- (4) To help those who are really in need for money for a useful and beneficial cause.
- (5) To develop the christian spirit of brotherly love between men and show them the value of co-operation.
- (6) To furnish the functions of granting credit not performed by consumers' or producers' societies.

B. Particular purposes:

As we find credit unions in agricultural as well as in urban centres, the particular purposes of the credit unions may be different.

- (1) To help the agricultural industry by granting loans to needy farmers already established or to ambitious young men who aim to begin farming.
- (2) To help the labourer in need, but especially to permit him to become a property owner.

From its definition a credit union is a savings bank. However it resembles as well as differs from an ordinary commercial savings bank.

The points of similarity between them is as follows:

- (1) Shares are sold on which dividends are paid.
- (2) Deposits are received on which interest is paid.
- (3) Loans are made from the accumulated funds derived from the sale of shares plus the deposits received.
- (4) Part of the balance between loans and accumulated funds is invested in high grade securities.

Here end the identical features of commercial banking and credit unionism.

The points of dissimilarity between them are the following:

- (1) Only shareholders can deposit or borrow money from the credit union, thus making all customers share in the profits of the organization. There are notable exceptions to this rule. Some credit unions accept deposits from non-members and pay interest on the money at the same rate as do commercial banks.

In this case they are considered as mere depositors as in ordinary savings banks.

- (2) Credit unions lend money for useful purposes only, irrespective of whether it is certain the borrower can repay the loan or not.

This is a rule that should be applied in all co-operative banks. However it is very often disregarded through sentimental and other reasons. In a 1939 issue of the periodical "La Caisse Populaire' Desjardins"--a writer relates a true story concerning this principle of credit unionism. Alphonse Desjardins, the father of co-operative banking in America, being the manager and director of the loan committee of the Lévis Peoples' Bank, was approached one day by a friend who wanted a loan of a few hundred dollars. The borrower's request was investigated into by the committee. It was decided unanimously, that without doubt the said borrower could easily repay the loan. However, the request was refused through Mr. Desjardins determination. Even though the applicant was an intimate friend of Mr. Desjardins, he saw it to refuse, the loan because he considered it a transgression of one of the basic principles of credit unions. The loan was not wanted for a useful purpose and so was rejected.

- (3) The service rendered by a credit union is more personal, more flexible and usually more convenient to the borrower. For example even a penny is accepted as a deposit and loans may be repaid with amounts as low as five cents a week.
- (4) The number of shares one member may hold is usually limited in

a co-operative bank. The purpose of this share limitation is to preserve the democratic control of the credit union. Even though a member has only one vote regardless of the number of shares he may hold, the fact of being a particularly large investor much greater than the rest would permit him to influence the general operations of the business under special circumstances. For example, by threatening to withdraw all his money invested if a certain policy or program was not adopted. Moreover since credit unions practice the open door policy, whereby a member can withdraw his deposits or shares upon short notice, a very large investor could practically ruin the bank by an unsuspected withdrawal. Therefore the principle of credit unionism has been; "fewer large shareholders, more small shareholders."

There are other points of dissimilarity between co-operative and commercial banking. However they will be treated under a more positive aspect in the outline of the Raiffeisen principles of credit unions.

As consumers' co-operation in its beginning was based on certain principles called the Rochdale principles or methods, co-operative banking had its own, called the Raiffeisen principles. The name is derived from the creator of the world's first credit union in Germany in 1849, who was also the first to put them into practice.

1st Principle:- A credit union should consist only of members having a community of interest and situated within definite and limited region of territory. To admit members who have nothing in common and who are scattered geographically would endanger the life of the union. The bonds that binds members of people's banks together, is just that community of interest, that spirit of brotherly love which exist between all human beings but which does exist only between members of the same community, parish or occupation. Another reason and perhaps the most important, why credit unions should be composed of members having a community of interest

is because it permits the members to know one another. By knowing one another their faults and qualities such as their honesty and integrity there is much less danger of making a bad loan. It is surprising to note how little money, credit unions lose through bad loans. To take a true example the "Caisse Co-operative de Notre Dame d'Ottawa Lté." established by Desjardins himself in 1913 has lost less than \$300.00 on one and half million dollars of loans since its foundation.

We must admit that there are other factors which help to reduce the loss on loans but this first principle is an important one. It matters little what the community of interest is as long as there is one. Circumstances at hand would influence the choice. In cities credit unions may be organized by the workers of the same factory, by occupational groups, by civil servants or on a parish basis. This credit union organization on a parish basis has been the cause of the success of "Peoples' Banks" in the province of Quebec (the cradle of credit unionism in America) and in parts of Ontario bordering Quebec. It is practical however only in Catholic Communities for reasons that are clear to everyone. However in villages and towns where the parish basis would be impossible the organization of a credit union is still feasible and recommendable. It may be established on a mere town and village basis admitting everyone or it may be purely in agricultural union organized for the purpose of serving farmers.

2nd Principle: The liability of the members of a credit union is unlimited. For a long time however there was the double liability clause whereby a shareholder would be responsible for and would have to pay double the amount of his investment if the financial state of the bank required it. This clause has been abandoned by most commercial banks. Likewise many credit unions notably the Luzzati type in Italy, the Desjardins type in Quebec and the Schultze-Delitzsch in Germany have abandoned wholly or partly the principle of unlimited

liability of the shareholders. The Luzzati and Schultze-Delitzsch credit unions are now organized as limited liability associations. However Desjardins retained in his "Caisses Populaires" the unlimited liability of the directors of the credit unions in the case where the financial difficulties of the union can be traced to grave negligence or dishonesty on the part of the directors. However the directors are not held liable for any economic distress that may come upon the bank owing to unforeseen or uncontrollable circumstances. To this day both the Raiffeisen credit union serving agricultural communities in Germany and the Durand type in France have retained the unlimited liability clause.

3rd Principle: The principle of gratuitous services on the part of those administering the affairs of the credit union is an important factor for the success of co-operative banking. Generally speaking the manager and assistant may be paid especially in the case where they work full time or where at least they give most of their time to that work. Such sacrifices on the part of men for a common cause i.e. for the good of the community shows the spiritual value of co-operation. Credit unions as any other co-operative must not be organized for the sole purpose of economic advantages or privileges. They must be founded and for ever operated on the Christian principle, "All for one, one for all". Durand, Schulze, Raiffeisen and Desjardins all applied this third principle to their types of credit unions.

4th Principle. In a preceding paragraph, in the discussion of the points of dissimilarity between co-operative and commercial banks, mention was made of the fact the credit unions lend money only if good use was to be made of it. This requisite is really part of their fourth principle. Members to obtain a loan from a credit union must declare to the credit a loan committee of the union, the purpose

for which the money is to be used and besides, their honesty and integrity must give some reasonable assurance of repaying the loan.

5th Principle: Credit unions are not organized for the primary purpose of making money for its members. They must be founded for the fundamental purpose of granting loans to members who can not afford to pay a high rate of interest and to those thousands who can not borrow under any circumstances from the existing credit sources. However this does not mean that capital investments are not considered to be productive. Invested capital almost always deserves some sort of remuneration owing to the part it furnishes in the production of earth's goods or services. But during this age of large corporations, the capital element has become too powerful in its action and too greedy in its demands for remuneration. Co-operatives in general, and credit unions in particular pay only a reasonable rate interest on money invested in shares and deposits. The rate is usually the current one. A greater part of the profits is distributed to the borrowers in the case of credit unions by a reduction of the rate of interest charged for their loan. The balance is transferred to reserve funds.

Peoples' banks of the Desjardins type are not organized on the so-called common stock plan. Apart from the money received from members depositing their savings, these credit unions require capital through the sale of shares. The shares differ from the stock of all commercial enterprises since apart from not being transferable, they are repayable by the credit union upon demand. Naturally, reasonable time must be given to the credit union before it can refund the money.

These qualities that bear the shares in a credit union of the "Caisse Populaire" type have won for the shareholders exemption from paying the federal income tax on such revenue as

well as exemption from taxation by provincial and municipal governments. The qualities are as follows; one vote regardless of the number of shares held, no personal liability for the society's debts and no right to the warranty fund. Such exemptions are proof enough of the fact that credit unions in general and especially the People's Banks of the province of Quebec are not founded for the purpose of profit making.

Since the Desjardins credit union is a combination of the Schulze and Raiffeisen type and is the one essentially found in Canada and in the United States a short summary of how it is organized and operated would be of great interest.

ORGANIZATION At least twelve adults able to contract must sign a document which declares the formation of the co-operative credit society. A copy of this document together with a copy of the by-laws of the society must be forwarded to the clerk of the municipality as well as to the Provincial Secretary. A third copy of above is retained in the safe-keeping of the credit union. To become a member of a union one must purchase at least a share. The shares are usually of \$5. denomination which may be paid in cash or by weekly or monthly instalments extending over a year's period. The number of shares one member may hold is usually limited and fixed by the directors at first, but later by the members themselves in a general meeting. The maximum number of shares has usually been of one hundred for each member. A study of the total number of shares capitalizing the 284 People's Banks in Quebec in 1936 shows that the number of shareholders were 55,000 while the total number of shares was 350,000 thus giving us an average of less than seven shares per member or a slightly under \$30.00 investment per member.

A small entrance fee is charged, usually of ten cents at the beginning for new members entering the credit union. The fee is increased as the society's volume of business expands.

OPERATION AND REGULATION Responsibility or liability of the shareholders is limited to the amount of shares subscribed for by each one. As before mentioned the liability of the directors is unlimited if the economic state of the credit union is jeopardized by gross negligence or willful action on their part.

Shareholders may retire at any time from the society and have their money refunded on the shares bought after a reasonable notice has been given, if they owe nothing to the bank on a loan or if they have not endorsed or guaranteed another member's note or commercial paper. There was a purpose for establishing credit unions on this principle. Mr. Eugene Poirier expresses it well in the following lines.

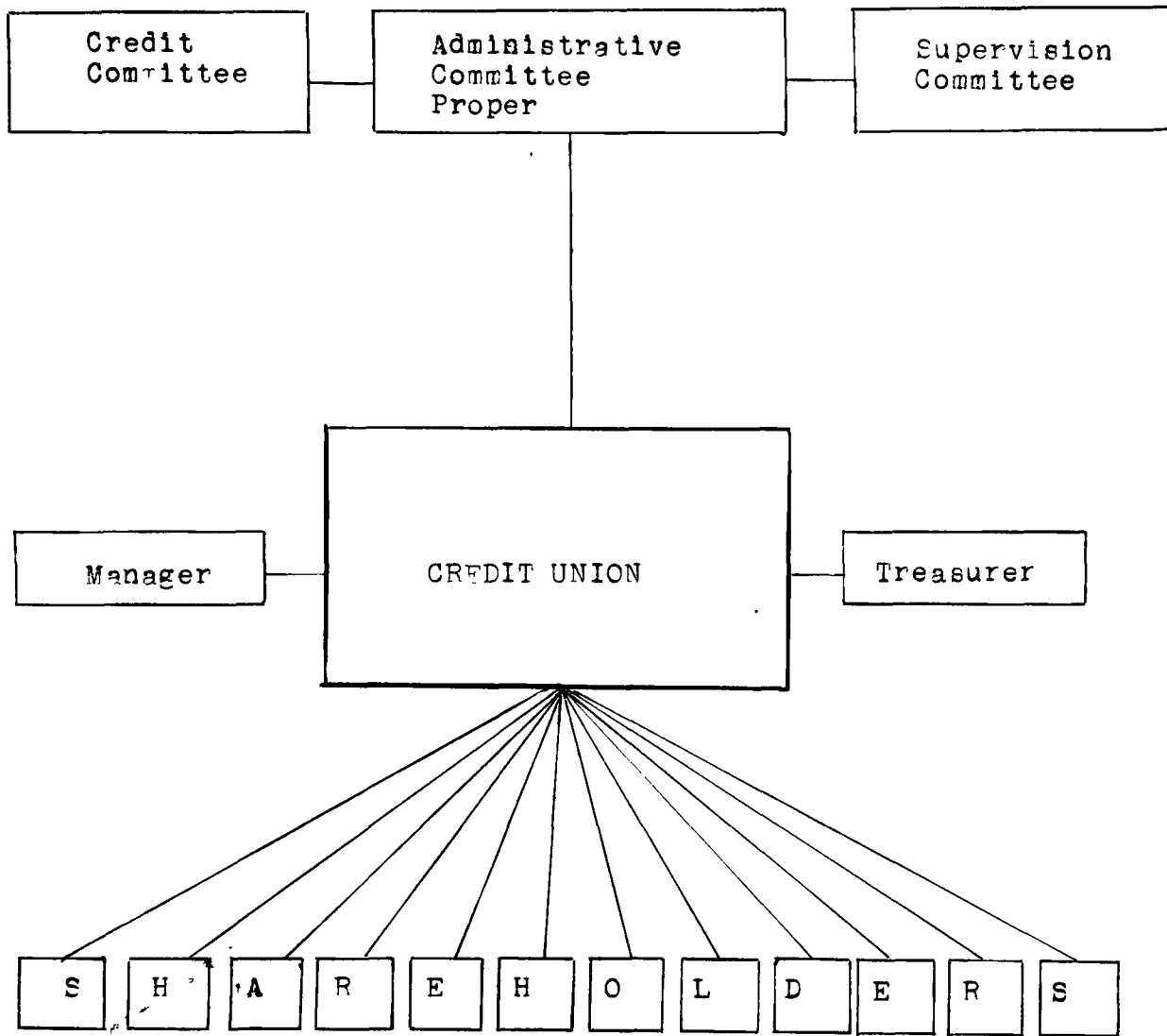
"Desjardins eut un trait de génie en établissant le caractère variable du fonds social par l'apport incessant de nouvelles parts sociales et la sortie contrôlée des parts acquittées. Il facilita ainsi la diminution du service des intérêts à payer par la société. Lorsque les dépôts à l'épargne diminuent en général, pour des causes de crise financière ou de gêne économique plus grande, la diminution du nombre de parts sociales participant à la distribution du boni assure un équilibre indispensable des charges financières de la caisse.

Combien de grandes entreprises aujourd'hui sur capitalisées envieraient à bon droit cette soupape de sureté." (1)

(1) Eugene Poirier "La Co-opérative de Crédit; les Caisses Populaires" lecture delivered in St. Hyacinther 1937. General report page 183.

Chart 7

ADMINISTRATION OF A CREDIT UNION



Any person who has been a member of the union for at least three months may apply for a loan. The applicant must declare to the manager the purpose of the loan, which fact is later discussed by the credit committee who approve or disapprove of it. Loans are granted only to honest, well meaning members for a useful purpose. Borrowers may repay in part or in full at any time before the set limit and save the interest.

Each member has only one vote regardless of the number of shares held. There is no voting by proxy. The general assembly of all the members has absolute power and authority and may decide on everything relating to the operations of the society. Usually however, the presence and vote of ten members is sufficient at ordinary assemblies.

Administration: Administration of the credit union is in the hands of three committees. They are three in number and are described below.

- (A) Administration committee proper: It is composed of at least five members but usually of nine persons whose duties are of a general administrative nature such as deciding upon the entry of a new member or of the resignation of another.
- (B) Credit committee: It consists of three members usually including the president. Its functions are to inquire and decide upon the loan requests of the members.
- (C) Supervision committee: It is formed of three members whose task is to supervise all the operations of the union such as going over accounts and checking them etc.

Members of the different committees are elected by the members at a general meeting for three years one third of whom are placed every year. For the first two years outgoing members are picked by choice and chance. Old members of committees may be candidates for re-election.

Inter-credit union organization:

As individuals unite to form local credit unions the latter group themselves into sectional or regional credit unions. These sectional credit unions are now organized in the Province of Quebec into a federation which becomes a sort of head office of the 284 local unions and five regional credit unions. The five regional unions regulate the flow of loans and deposits into the numerous local unions as demands for loans and the quantity of deposits vary with the season of the year and with the type of industry existing in a community. The central credit union is the intellectual or technical centre. Through it, co-ordinated educational effort is possible. It also furnishes technical advice and inspects the affiliated credit unions to see that the operations are carried on according to true co-operative principles.

CHAPTER V

CONSUMERS' CO-OPERATION

Definition: A consumers' co-operative is an association joining several persons freely, organized on a democratic basis with the aim and purpose of providing them with goods and services at a minimum cost.

Consumers' co-operation is the form of organization which has the widest field of application. It may be divided into two great classes, co-operatives handling goods and service co-ops. A short list may be given to classify the common ones:

A. Societies handling goods.

1. Co-operative groceries, bakeries, butcher shops.
2. Co-operative dairies and creameries.
3. Oil and gas co-operatives.
4. Co-operative housing.
5. Co-operative restaurants.

B. Service co-operatives.

1. Co-operative hospitalization.
2. Co-operative medicine and health service.
3. Co-operative beauty parlors.
4. Co-operative garages.
5. Co-operative telephone and electric service.
6. Transportation service (co-operative)
7. Co-operative insurance.

All these forms of co-operative bodies can not be treated in a work of this kind. Consideration will be given only to co-operation in the retail field and to mutual insurance.

PRINCIPLES: The principle of consumers' co-operation have already been given in chapter II. In fact the Rochdale principles are those of consumers' co-operation for it is in that field that they were first formulated. Therefore they need not be repeated here.

THE SUCCESSIVE STEPS IN THE ORGANIZATION OF A CO-OPERATIVE RETAIL STORE.

We must first get a sufficient number of people interested in

the project. It is always better to exceed the number required, for it is certain some will drop out before the realization of the scheme. Once a reasonable number has been obtained, the interested should get together in study clubs and meetings in order to thrash out all difficulties and discuss all the phases of the project.

The next step is the creation of a co-operative buying club. This buying club is not a store but is a step towards it. A buying club has no regular employees, no permanent place of business, therefore practically no expenses. It is an organized group of consumers who want to participate in the consumers' movement, but who are not ready to start a co-operative store.

ORGANIZATION OF THE BUYING CLUB.

- (1) Members, at first, are taken from the middle class. The very wealthy are not interested in its penny savings while the too poor may be interested but have not the cash on hand to co-operate.
- (2) The director and committees should be elected at an early date. Naturally, members of the purchasing society alone, should be chosen.
- (3) The directors and members of the committees should be chosen on the basis of their capacities to fulfill the functions required of them.
- (4) As soon as possible, the different budgets of the members should be presented at a meeting and discussed thoroughly. Moreover, lists should be distributed to the members on which they would indicate their expenditures for goods and services of current use and the quantity of goods consumed monthly. Members then indicate

the goods they wish to buy co-operatively.

(5) Once the quantity of goods to be purchased co-operatively is known, the next step is to decide on the source of provisions.

At first, the goods may be purchased from the local retail store.

But if material savings are to be made, the sources of supply must be pushed backward eliminating more middlemen as they go along.

From the retail store they may then turn to buying from the retail store's purchasing agent or wholesale house, then from the producers and finally from the co-operative wholesale if there is one.

OPERATION OF A BUYING CLUB.

- (1) All business is done for cash i.e. all sales and purchases of the society.
- (2) Goods are sold to the members at current prices.
- (3) After certain regular periods the profits of the organization are distributed to the members pro-rata in patronage dividends. However 5% is retained for the educational program and 10% is placed in the reserve.
- (4) Every month, the manager of the society should distribute the list of goods that he will be able to buy directly from the wholesale.
- (5) At first members give in monthly orders. As business expands weekly orders may be taken.
- (6) Two copies of the members purchasing order should be provided to the manager with full payment. Both copies must be signed by the purchasing member. One copy remains with the manager. The other is signed by the manager and is returned to the buyer.
- (7) The homes of the buyers are used as warehouses.
- (8) At an early date a type committee is elected whose function would be to study the different brands of commodities offered and declare their findings as to those that offer the most savings without sacrificing quality. It stands to reason that for a

buying club to work there must not be too much disagreement as to brands. For example there would be practically no saving possible if one third of the group wanted exclusively one brand of baking powder another third a different brand and the remaining group still another brand.

When the members of the buying club are of the opinion that they are able to operate a retail store they may do so. As a rule, the members find it much easier to establish a real store after this initial step of the buying club has been made, for the society already has a great many assured customers and has moreover acquired experience in the handling of its own affairs. The history of consumers' co-operation shows that many retail stores were formed without the initial steps of the buying club. Which method is preferable?

Particular circumstances would decide that issue. One sure thing is that if a well operated and well organized purchasing society does not work in a community there is all the more reason why a co-operative retail store will suffer the same fate, but with this difference, that the failure of the latter will retard much more the co-operative movement in that community.

To organize a co-operative retail store requires capital. The number of shareholders is unlimited. To preserve democratic control however, the number of shares one member may hold is limited. A competent manager has to be hired and paid. Premises have to be rented or purchased. The ideal would be to have a manager who is competent in his work and also a co-operator at heart. Co-operatives in Europe have had the good fortune of acquiring the services of extraordinary capable men at very small salaries. E. P. Harris speaking of the absence of this very co-operative spirit on the part of America's captains of industry says:

"Perhaps nothing impresses an American as more striking about this great business than the oft-cited fact that William Maxwell, who was for thirty years the president of the Scottish Wholesale, conducted its fifty-million-dollar-a-year business and never demanded a higher salary than \$38. a week." (1)

THE RESULTS OF CONSUMERS' CO-OPERATION.

- (1) Consumers' co-operation performs its part in the restoring of private property to the poorer classes this crying need of our age so well depicted by Pius XI in Quadregesimo Anno.
- (2) Consumers' co-operation combats the evils or abuses of capitalism by substituting human dignity to money power, by replacing profits on capital by patronage dividends.
- (3) Consumers' co-operation prevents speculation. It assures investors of a reasonable rate of interest but no more.
- (4) Consumers' co-operation increases the purchasing power of those classes who need it most.
- (5) Consumers' co-operation benefits labour by paying just wages to all and excessive salaries to none.
- (6) Consumers' co-operation abolishes the secret system of accountancy and the fraudulent presentation of balance sheets and profit and loss statements which have become characteristic of modern capitalism
- (7) Consumers' co-operation stimulates thrift by discouraging credit purchases, basing itself on the axiom that "credit is slavery".
- (8) Consumers' co-operation is concerned with only first quality products.

(1) E. P. Harris "The Hope of the Consumer" page 225 (1918)

- (9) Consumers' co-operation does away with misleading and fraudulent advertising and publicity. Since it is organized by the consumers themselves for their own good, such advertising as we find in most magazines nowadays has no place in its program.
- (10) Co-operation by consumers abolishes duplication of services and unnecessary competition.
- (11) Co-operation by consumers prevents overproduction by producing for needs and not for profit. There is overproduction in the world to-day of many products, because the producers (generally spurred on by the shareholders who want dividends) are seeking profits and not the satisfaction of human needs as such. They may strive to satisfy human needs in as much as they reap profits by doing so.
- (12) Finally consumers' co-operation by the combination of all the above beneficial results, solves the anomaly of the present machine age, scarcity amidst abundance and starvation side by side with overproduction.

CHAPTER VI

PRODUCERS' CO-OPERATIVES

The third class of co-operatives to be discussed are the producer's marketing co-operatives. A producers' co-operative is a society or organization formed along co-operative principles by which a number of producers perform collectively either the functions of marketing, processing or manufacturing their products or all of them combined. Distinction must be made at the outset between agricultural producers' co-operatives and the industrial societies whose membership consists of workers exclusively. The latter form of co-operative, groups labour together. Dividends are paid pro rata according to the amount of work performed by each member. Many such organizations have been formed since the first unsuccessful attempts of Robert Owen and Dr. William King. In fact so many of these societies have failed, that one can conclude without a doubt, that the plan itself is not practical. There was however, in the world in 1937 according to Table 12, page 132 of this work 2,398 co-operative societies organized and operated by workers. The total membership of the society was estimated at 193,000 and their total volume of business \$145,000,000 for the same year. (Table 12, page 132)

A particular type of producers' co-operative which deserves our attention owing to its originality and partial success is the Delta Co-operative Farm in Mississippi, U.S.A. It is an experimental project set up by Sherwood Eddy in 1936. On this 2,000 acre farm there are 28 families who live and work together cultivating the soil. Owing to its success another similar project was set up at the Providence co-operative Farm also in Mississippi. Eventually it is hoped to establish a whole chain of such farms. Despite the

initial success of such a plan we must frown upon the idea as it smacks of socialism and communism with its abolition of private property.

Notwithstanding the few successes realized in the other type, producers' co-operatives must never enter into the industrial field but must remain within the agricultural and fishing industry. Agricultural and fishing being small specialized industries composed of thousands of participants, there must necessarily organize if they want to protect their own interests. Nevertheless it must be repeated, that the ideal form of co-operation remains consumers' co-operation, because no one is excluded from its membership since all human beings are consumers. Here again we must not confuse consumers' co-operatives in the field of production with a producers' co-operative proper. In the first case it is production for co-operation, in the second co-operation for production.

A consumers' co-op may produce, it may manufacture all sorts of commodities but it still remains a consumers' society in as much as the members are grouped in the basis of being consumers. In a consumers' co-op which produces goods or services the aim of the organization is to give the members the best goods possible at the lowest possible cost i.e. ultimately at the lowest selling price. In a producers' society, the main purpose is to obtain for the members the best possible price for goods sold by marketing them collectively. In the first case, all of humanity without distinction of class or occupation may be benefited, in the latter a certain group only, i.e. the producers are helped. Owing to this characteristic some writers philosophising on the theoretical aspect of co-operation so as far as to say that only consumers' co-operatives (including credit unions) are deserving of the name co-operative. However most people are not of that opinion but concede

the fact that there is opposition between the aims of the two forms of co-operation. This difficulty will be dealt with in another chapter. (Chapter 10)

Coming back to the definition of a producers' co-operative we discover that the purpose of this type of co-op is to market or process their goods collectively by eliminating the middleman. The marketing function may or may not be included in production depending upon the definition taken of production. To many economists the creating of utilities such as those of substance, of form, of time and place is production. In this definition, marketing which is the creating of time and place utilities is a phase of production. However in a narrower sense production consists in the creation of substance and form utilities alone. Marketing in the latter case is a completely separated function. In some cases, as in co-operative dairies and creameries owned by farmers, they are united to produce as well as to market their milk in a raw state. It is debatable whether co-operative dairies and creameries should be owned and operated by farmers or by the consumers themselves. We find both forms of organization but the farmer owned dairy plants are more numerous and found exclusively in some countries such as Denmark. We find a few consumer owned co-operative dairies in the United States.

In this chapter on producers' co-operatives we shall deal mostly with the agricultural producers and marketing co-operatives. The whole scope of agricultural co-operation will not be treated here since many of these are organized on a consumers' basis such as rural co-operatives stores, credit unions and mutual insurance societies. These will be discussed in their proper place under the types of organization they represent. To avoid needless repetition in this chapter, agricultural co-operation will be taken to

mean marketing or producers' co-operation.

Principles:- The principles of agricultural co-operation are as follows:

(A) To become a member of one agricultural society one must be a bona fide farmer. Since the aim of the society is to permit the farmers to co-operate in the sale of their products or in their processing as in the case of creameries and dairies, it naturally follows that only those who are producing for sale can co-operate with the society. Anyone may help the organization in many ways but he does not become a member on that account.

In many countries where the co-operative spirit is not sufficiently developed agricultural co-operation have adopted the contract method of delivery. In this way the farmer is bound by contract to sell to the society all of his products or all of a particular line depending upon the agreement. If the contract is broken a fine is imposed.

(B) Members have only one vote irrespective of the number of shares held. We find the same thing in consumers' societies. The advantages of such technique have already been mentioned and need not be repeated here.

(C) As a rule there is no interest nor dividends paid on the money invested by the members of the society. The fixed capital of the organization is considered by some to be a public good comparable to our highways and bridges. Therefore on that account they say no dividends nor interest should be expected from its use and that the benefits such as savings that the members receive directly or indirectly from the co-operative should be sufficient. Another argument brought forward is that by paying dividends on the capital invested, the amount of patronage dividends must be reduced proportionally.

For example in the case where two members have an equal number of shares but whose consignments to the enterprise are different, both would receive the same dividends on their capital although one would have helped the Co-operative much more than the other by his patronage. Evidently one would still receive a larger share than the other of the patronage dividend but if no interest is paid on the shares the proportion received by both would be still more equitable and more co-operative in principle.

This has been the rule in most agricultural co-ops in the province of Quebec. Other types of co-ops, notably the Civil Service Co-operative Credit Society of Canada pays no interest on dividends or shares. Others consider as a fundamental principle that the current rate of interest should be paid on capital invested. Reference was made to this in the discussion of the Rochdale principles.

(D) The profits of the enterprise are distributed to the members pro rata to the amount of business each one does with the enterprise. It is the same principle as applied in consumers' societies except that in the former case it is the amount of the farmer's sales to the society instead of his purchases from the consumers' society. Much discussion has been raised on the point whether a flat rate of patronage dividend alone on the volume of business with the society renders justice to all members. A great many claim that a differential rate should be used. George Keen is of that opinion. He has endeavored to have the Ontario legislation amended in that regard. Refer to page 28 for his quoted opinion.

(E) The current interest rate is paid on loaned capital or preferential shares. Unlike a consumers' society which can include all persons within its fold, the agricultural co-operative admits only bona fide producers. As a result it often happens that the farmers of a

community have not sufficient capital to operate or organize a co-op. In that case they may borrow from outside sources by issuing preferred shares. In a common stock enterprise, shares either common or preferred are considered part of the net worth of the enterprise and appear in the balance sheet under the ownership interest heading on the asset side. Co-ops consider preferred shares a liability to be wiped off the books as soon as possible.

As the preferred shareholders of a co-op are not members of the society, they have no right to vote. Preferred co-operative shares may be purchased from brokers as there is a market for them.

If a member withdraws from the society either because he is no longer a producer or for other reasons his common share may be transformed into a preferred share.

(F) As a rule all shipments of goods of the members to the co-operative society are made on consignment i.e. the producers receive their money only after the goods are sold and not upon delivery. If the society paid cash upon receipt of goods it would have to set a price. No real co-operator should expect this from any co-op. There are many reasons why co-operative societies should not pay cash upon delivery. First, the setting up of a price is a dangerous policy, since there is always a risk involved of sudden lowered prices. The organization knows what the selling price should be, only after the commodities have been sold. Furthermore the paying of much cash before having sold the goods necessitates the use of much working capital. This working capital could most often have to be borrowed at interest. In some cases where the member is in desperate need of cash some money may be advanced him before the sale of the goods has been effected.

CLASSIFICATION:

Producers or marketing co-operatives may be classified in several ways such as, according to the commodities handled, or the plan or organization etc. Most countries have adopted the specialized type of co-operative which handles only one or a few similar products. For example some may sell butter and eggs, butter and cheese milk and cream, livestock and grain, oranges and lemons; but many other associations handle but one commodity such as wool or cotton. At the beginning of the co-operative movement one co-op handled all agricultural products but with the expansion of the movement specialization became possible. Experience proved that this specialization was desirable. From the 1952 report of the International Institute of Agriculture of Rome we read:

"Lorsque les co-opératives d'achat et de vente commencèrent à être fondées, il n'y avait pas encore de commerce en masse d'oeufs de légumes, de fruits, etc. en ce qui concerne le détail, les rapports entre commerce et agriculture avaient encore une forme tout à fait différente. Avec l'extension de l'aviculture des cultures fruitières et maraîchères, la nécessité se fit toujours plus sentir pour les agriculteurs de renforcer leurs positions comme vendeurs pour obtenir de la sorte des prix plus rémunérateurs.

Quant aux nouvelles co-opératives créées, elles ont pour caractéristique spéciale, qu'une co-opérative particulière est instituée pour chaque produit. De la sorte l'activité co-opérative est singulièrement facilitée, et chaque co-opérative peut ainsi acquérir une plus profonde connaissance de sa branche spéciale et une plus grande mobilité.

ainsi on peut compter pour l'avenir sur une forte extension de la co-opérative de vente non seulement des ventes effectués par les co-opératives d'achat et de vente, mais surtout de celles qui

sont effectuées par les co-opératives spéciales." (1)

Mr. Fillion quotes those few paragraphs as arguments favoring specialization of producers' co-ops in the province of Quebec which he believes has been lagging behind in that regard.

As before referred to, producers' co-ops may be classified according to the function accomplished. Marketing and processing societies came within this classification. Organizations for the sale of grains, fruit vegetables, as such are marketing co-ops. Processing co-ops include flour mills, apple cider presses, canneries, creameries and dairies.

The third classification is according to the plan of organization. In this group there are three distinct types of co-operative association (a) local, (b) federated, (c) centralized. The three types will be treated in order.

(a) Local co-operative associations are composed of producers in a single community. Their activities are mostly confined to local shipping points, where they have no connection with or are not affiliated to a wholesale society. They usually perform all the marketing functions that may be performed locally such as assembling the product, grading and packing, transportation and collecting and distributing the proceeds. Independent local marketing agencies may accomplish the same functions as the local co-op, but the difference lies in the management control and the aim of the organization. Instead of being controlled by one or a few persons who have only their own economic advancement as an aim, local co-ops are owned and operated by the producers themselves for the good of the whole class.

Local co-operatives undoubtedly render valuable service to the farmer in giving him higher prices for his products and greater remuneration for goods of higher quality. However, the benefits of local co-ops are necessarily limited and compare with the advantages of retail consumers' societies before affiliation with a co-operative wholesale, they are both advancements towards economic democracy but only one step toward the ideal.

(1) Requoted from L'Actualité Economique Octobre 1937, page 43, from article by Gerard Fillion "La co-opérative agricole dans Québec."

Federated Associations:- Federated associations are formed by the voluntary association of a number of local co-operative groups. The federated society has only such power as delegated to it by the local groups. Individual members usually have no direct connection or legal relationship with the central organization. The local groups deal with the central and the individuals with the local association. The locals usually accomplish all those activities which they can efficiently carry out, as enforcement of contract with members, assembling, grading and packing while the central organization is left with the functions of selling the product, establishing grades, carrying on research and advertising etc. We find the federated type of association particularly in the dairy industry and in the marketing of fruits and vegetables. The California Fruit Growers Exchange which markets the Sunkist citrus fruits is one of the most important federated co-ops in America.

The California Fruit Growers Exchange is the federated association of over 200 locals of from 40 to 200 members each. There are about 11,000 citrus fruit growers included in the picking, grading and packing of the fruit which is prepared for shipment. All the fruit is labelled with the brand of the Central Organization namely Sunkist. There are 22 district exchanges which are the means of communication between the central and the locals. The locals elect the managers of the several exchanges. The latter are in charge of sales, receive and distribute returns among the local associations. The central exchange deals with functions of a larger scope such as advertising and studying the market situation. It publishes a daily bulletin and has charge of educational activities. It has sales agents in the most important cities of the United States and Canada who create a demand and sustain it throughout.

The C.F.G.E. in the 1928-29 season handled 40 per cent of the total citrus fruit products of the U.S.A. and 75% of the total production of the state of California.

CENTRALIZED ASSOCIATION:- There are co-operative associations composed of many individual members who deal directly with them. There are usually no locals in that form of organization and if there are, they are usually unincorporated groups possessing the small powers transmitted to them by the central. The members contract with the central to market their products through it for a term usually from three to five years. The centralized associations enforce their contracts by law much more often than does the federated type since the contract is considered indispensable for the proper functioning of the centralized type. Formerly no provision was made for recalcitrant members to withdraw within the terms of the contract but later, provision was made for such withdrawals after a year or so. Mention was not made in the former type of "La Co-opérative Fédérée de Québec." It is called a federation but it dominates to such a great extent the policies of the locals that it resembles more a centralized association than a federated one. Firstly, all producers' co-operatives in the province must be affiliated with La Co-opérative Fédérée. This factor alone excludes "La Co-opérative Fédérée" from being of the federated type. This domination on its part has been the subject of much criticism. Let us again quote Gérard Milion secretary of l'Union Catholique des Cultivateurs. A good portion of the paragraph is quoted as it is most timely and to the point. "Notre système actuel de co-opération avec une centrale qui tend à dominer l'activité régionale et parfois même locale, est un non-sens, une profonde erreur psychologique, géographique et économique. Erreur psychologique parce qu'on détruit de la sorte chez les membres le sens de

responsabilité qui doit se faire sentir à jet inconnu de la locale à la régionale, de la régionale à la central. Erreur géographique parce que la province de Québec, différente en cela de la Belgique sur laquelle on a pris modèle un peu trop servilement, est un pays trop vaste et trop varié pour qu'on puisse y mener efficacement un système de co-opération à deux degrés." (1)

Later on, in the same paragraph he continues, "En co-opération il faut laisser aux intéressés c'est-à-dire aux co-opérateurs, le soin de régler leurs problèmes et cela à tous les degrés. Bref, notre co-opération de produits agricoles devrait s'organiser sur le même principe que les Caisses Populaires; co-opérative régionales. C'est la seule méthode logique, la seule qui au surplus, respecte les principes de la co-opération. Il y aurait place au Québec pour une bonne dizaine de centres co-opératifs correspondants à autant de régions naturelles." (1)

RESULTS OF AGRICULTURAL CO-OPERATION:— Co-operative marketing and processing has helped the farmer a great deal. The following have been its most important benefits.

(a) The marketability of farm products has been improved. Standardization, grading and uniform packaging become possible only when a large group of producers market their goods collectively. An individual producer marketing his own products finds the above functions too costly to accomplish by himself. Co-operative associations by assuming the marketing functions of many individual farmers can accomplish them at much lower cost. The results are beneficial to both producer and consumer. When products are

(1) "La Co-opération agricole au Québec" by Gerard Filion published in *Actualité Économique* Octobre 1937, page 435.

graded efficiently and priced accordingly the farmers are paid according to the quality of goods they produce while the consumer is assured of goods of a good quality at a just price.

(b) As a corollary of the first, co-operative marketing and processing improves the quality of the goods produced by favoring grading. When goods are not graded accurately, justly and universally the farmers are not tempted to produce goods of first quality as many complain that customers are not willing to pay more for first quality goods. Grading must be compulsory for all producers of one market at least, for this benefit to accrue.

(c) Co-operative marketing assures top prices to the producers. Independent marketing agencies whose primary interest is profit making for themselves necessarily pay less to the farmer than would a well operated co-op under ordinary circumstances.

(d) The association of many farmers into one organization tends to develop a community spirit in the locality. From pure economic co-operation it spreads into other domains and activities where co-operation is essential. Thus individualism is modified.

(e) Farmers by administering their own affairs develop business acumen and sound business methods.

CHAPTER VII

MUTUAL INSURANCE

All the types of co-operative business can not be treated in this work. However, the great progress made by co-operative insurance in many countries of the world makes this type of association very important.

It is said that all insurance is co-operative in as much as it results from the association of many policyholders whereby the risks are lowered as the number of insured increases. It may be co-operation in the wide sense of the word but it is not co-operation as defined, a few chapters previous. The definition of mutual insurance would bring out the difference.

Definition:- A mutual is the association of many persons in a co-operative society whose aim is to furnish the members with insurance protection at the lowest possible cost. In a mutual the aim of the society is to furnish insurance at the lowest possible cost. It is not profit making. Moreover, mutuals have this characteristic that the insured are all shareholders of the company.

It is then easy to conceive the difference between a genuine mutual and the ordinary insurance company organized on a capital stock basis. The aim of ordinary insurance company is to make profits for its shareholders. The shareholders and insured are not identified. The number of persons holding the majority of shares may be a handful while the number of insured may reach the millions. The shareholders of capital stock insurance companies consider the shares they own in the company as an investment on which they expect dividends. It naturally follows, that the cost of the insurance in a well administered mutual will be lower than that of an ordinary company. This fact is admitted even by those who handle insurance of the capital

stock variety exclusively. In reality, the only argument they can offer against the mutual is following; they say mutual insurance companies are not as financially stable as the capital stock organization. They try to convince the potential policyholder that only the common stock insurance company can offer protection with safety.

Co-operative insurance has entered the fields of life, fire, hail and accident protection. In Canada and the United States however, we find mostly mutual fire insurance. But the mutual assurance technique as a matter of principle can be organized as a protection against any hazard, as long as the number of insured would be great enough to level off the risk. For example it would not be wise for co-operative insurance to offer protection against unusual incidents of which Lloyd's of England make a specialty.

Principles of mutual insurance:

The principles of mutual insurance are as follows:

- (1) A genuine mutual insurance company does not operate for the purpose of making profits. It may pay dividends to its shareholders or insured, but these are comparable to the patronage dividends paid in a consumers' society. They are savings on the original charge made for the premiums.
- (2) In a mutual the shareholders and insured are the same persons. Every person by taking out a policy with the organization becomes ipso facto a shareholder of the said society.
- (3) Mutuels should not operate without a reserve. In other words, its members should pay an annual premium as in other insurance companies. Some mutuels made the blunder of organizing without any capital or reserve at all and called upon each member to pay so much money each time one of their associates suffered a hazard against which he was insured. Such a policy is psychologically speaking bad technique, for most people do not like to be called upon to pay something which

they do not expect even if it is less than they would have to disburse otherwise. It is a much safer method to have a fixed premium which would have to be paid yearly, hazard or no hazard. Many co-operative insurance societies have failed or lost a great deal of their members by not enforcing this third principle.

(4) Mutuels should not as a rule fix its rates to a too low a level below that of the competing common stock companies. The same rule applies in consumers' societies. The initial cost of insurance for its members may be equal or practically so, to that of ordinary companies but by returning their savings to them in patronage dividends their premiums in their last analysis will be much lower. In this way the society keeps on the safe side by accumulating a substantial reserve.

(5) Mutuels are usually local in character protecting a definite group. They resemble credit unions in this respect as the mutual underwriters know the people with whom they are dealing and the properties they are insuring. By so doing, losses sustained are much lower.

BENEFITS ACCRUING FROM CO-OPERATIVE INSURANCE:

The benefits of mutual insurance are both social and economic.

- (1) Its members are able to obtain insurance protection at a reasonable cost.
- (2) The capital owned by a mutual is owned by thousands of insured having a common interest. We do not find in real mutuels the evil of having shareholders of foreign countries reap the profits of the enterprise such as we have in Canada in many common stock companies. In this way the prosperity of a mutual benefits the members of a same community.
- (3) Mutual insurance is beneficial to society in general and to a community and to the individual in particular by leveling off the risks and hazards which could not be protected from otherwise.
- (4) Co-operative insurance develops the co-operative spirit aimed for by the co-operative movement in general.

- (5) Mutual insurance by making shareholders of its insured helps to realize to some extent the extension of ownership of private property to the poor or financially weak. By so doing it gives men that sense of responsibility and dignity so necessary to society.

CHAPTER VIII

CO-OPERATION IN OTHER COUNTRIES.

This chapter on co-operation in other countries will evidently have to be a short treatise. It will deal only with those few countries where co-operation has reached an important place in their economic activity and will outline principally, the distinguishing features of the types of co-operatives found in these states.

(1) SWEDEN: Sweden has reached a high degree of co-operative development. Its co-ops have been noted for their trust-busting activities which have proven more efficient than all the anti-trust legislation in the world. Monopolies of oleomargarine, flour and galoshes have been broken forcing the firms to sell these goods at prices nearer costs of production.

about 590,000 Swedes representing one out of every three households in the country belong to the different co-operatives. The members come from all classes of society and may be classed as follows: Corporations 1%, small workshop owners 2%, workers 6%, traders 4%, white collared men 14%, farmers 15%, farm workers 4%, other workers 15% factory workers 28% and others 11%.

It may thus be seen that co-operation in Sweden is not predominantly agricultural such as that which we find in Denmark. Sweden maintains political neutrality and favors government supervision only. The country has rejected one of the secondary principles of co-operation by refusing to sell at current prices, especially if they were grossly unjust. The method has worked remarkably well there. This proves once more that the co-operative is a flexible kind of business whose primary or basic principles may be kept intact but whose secondary principles may be changed to meet different conditions. Whereas most co-operatives in the world prefer to sell at current prices and to pay greater

patronage dividends the Swedish co-ops adopted the opposite policy of low selling price and therefore low patronage dividend presumably because the crying evil of monopolies was more acute in that country.

Sweden is far advanced in public utility co-ops such as those that furnish electric power and telephone service. Great strides have been made in co-operative housing as well. It is claimed that there have been over 20,000 houses built in this manner in Sweden.

(2) DENMARK: Denmark, as her sister Scandinavian country, is far advanced co-operatively. But Denmark being an agricultural country her co-operatives are principally agricultural marketing bodies and those consumers' societies existing cater to an agricultural community. Denmark can veritably be called a co-operative democracy for it is in this country where the percentage of the members of the co-ops to the total population is highest in the world. Much advancement have been made in the co-operative marketing and processing of milk. For example of the total 202,000 farmers in the country, 192,000 of them market their milk co-operatively. In ascending order $2\frac{1}{2}\%$ of the poultry products, 4% the seed, $4\frac{7}{8}\%$ of the butter, $6\frac{7}{8}\%$ of feeds and grains, $7\frac{1}{4}\%$ of the packing plants, $7\frac{1}{2}\%$ of the hay industry, and $9\frac{1}{2}\%$ of the cattle and dairy industry, apart from butter, are in the control of co-ops.

In 1933 of the total 7,916 co-ops in Denmark, 5,015 were agricultural producers' co-ops, 1824 consumers' societies and 1,077 divers co-operative bodies. All these societies together counted 1,662,962 members of a total population of 3,550,656 people. The proportion is very high, when we consider the fact that the total population of over $3\frac{1}{2}$ millions includes many who are too young or otherwise incapable of becoming members of a co-op.

Approximately 81% of the gross total of the agricultural business is handled co-operatively i.e. about \$500,000,000. Of this total

385,000,000 is handled by producers' societies. It must not be forgotten that dairy products, eggs and bacon make up $\frac{2}{3}$ of the country's industrial and agricultural exports.

Characteristic traits of Danish co-operation are: its financial structure of non-limited liability of the shareholders and secondly the fact that its agricultural societies perform very specialized functions i.e. handle but one line of farm products. The non-limited liability of the shareholders renders them jointly and severally liable for the society's debts.

(3) FINLAND: The co-ops of this country are mainly rural and not so far advanced as those of Denmark and Sweden principally because of its long period of political bondage. Her sovereignty was restored and recognized only after the last war in 1919 and as these words are being written, her freedom is threatened again and will probably be crushed within a few months by the Soviet invasion.

Credit unionism has reached a high degree of development in Finland. In fact these co-operative banks have saved from chaos and restored agriculture to a stable degree by granting long term loans at a reasonable rate of interest to farm owners in distress and to others who purchased farms with the proceeds of these loans. The following data may prove interesting. Between the years 1925 and 1935 the rural credit unions granted:

(a) For the clearing of land and for its improvement, 329.6 million Finnish marks in 215,415 loans. This permitted 120,471 hectares of land to be cleared or improved. (hectare--about $2\frac{1}{2}$ acres)

(b) For the purchase of land 16,214 loans making the sum of 99.8 million marks. With this money 15,706 farms were bought which covered 135,933 hectares.

(c) For the clearing and improving of land to make new farms 4,509 loans or 34.3 million marks. The total farm areas reached 60,548 hectares.

(d) For the construction of buildings on the new farms 12,931 loans making a total of 64.3 million marks. The proceeds permitted the construction of buildings on 12,174 new farms.

Finland's export market has not reached that importance which we find in Denmark. However of its export trade in evidence, co-operative marketing plays an important role. In 1937 nearly 100% of the butter exports, 77% of the cheese, 60% the eggs and 96% of the pork exports were handled by the co-ops.

Of Finland's inland trade 60% of the milk marketed, 65% of the pork and beef and 70% of the eggs are handled co-operatively.

Finnish co-operatives observe strict political neutrality. Great progress has been made in the organization on a co-operative basis of public utilities such as electric power lines and telephone. THE SCANDINAVIAN CO-OPERATIVE WHOLESALERS: Of particular interest, is the great step made towards international co-operation by the Scandinavian Co-operative Wholesale. This society was formed in 1918 during the last war by the four Scandinavian countries of Sweden, Norway, Denmark and Finland. These countries had difficulty during the war to import the goods they needed. The Scandinavian Co-operative Wholesale was formed for the purpose of supplying those needs. They soon discovered as did the Rochdale pioneers some years before, that if many advantages accrued from international co-operative purchasing, greater advantages would result if they entered the field of production. One noteworthy accomplishment of the Scandinavian Co-operative Wholesale was to break the international light bulb monopoly of the International General Electric. Observation proved that this monopoly actually fixed prices far removed from costs of production, and varied these prices in the different countries, however always keeping them as high as they thought the traffic could bear. For example in England the price was 57 cents, in Sweden 37 cents, in Holland and Germany 30 cents, in Denmark 27

and in Hungary 18 cents. The Scandinavian Co-operative Wholesale entered in the production of light bulbs with their factory at Stockholm. The international cartel had to meet the co-operative price of 22 cents for a 25 watt light bulb.

The stock of this international co-operative wholesale is owned by the co-operative societies of the four countries. Democratic control exists since the four states have equal voting powers. The head office is in Copenhagen.

The creation of such an international co-operative is a milestone in the history of the development of the co-operative movement in the world. It must be admitted that conditions lent themselves to this result, first of all because the four countries participating have so much in common in ideals, customs, etc. and secondly because of their geographical proximity. But nevertheless, it proves that international co-operation is possible. Universal international co-operation in the economic sense is utopian, as is for that matter general and universal co-operation within the same country. The fact remains that there could be a much greater degree of international co-operation than we actually find in the world to-day. But again, to be logical, we must start at the source of international co-operation i.e. co-operation between the individuals of the same country. As the Swedes, the Danes, the Finns and Norwegians evolved into real co-operators, within their own country, they were paving the way for co-operation in a greater sphere but bound by the same rules of brotherly love and self-denial for the common good; the only difference being that for international co-operation one more human passion has to be quenched i.e. the passion of national pride. National pride or nationalism is a natural right and often a duty of man but too much significance has been given to it in the past.

(3) GREAT BRITAIN: Co-operation as we know it today first came to being in Great Britain and since the year 1844 when the Rochdale pioneers first opened their store on Toad Lane, the movement has not ceased to progress in that country.

The greatest advancement was made in the field of production by the consumers' co-ops. The 12,000 local distributive co-operatives are federated into the Co-operative Wholesale Society, (C.W.S.) and the British Co-operative Union (B.C.U.). The British Co-operative Union is distinct from the C.W.S. and its functions are to look after the publicity and educational program of the co-operative movement in Great Britain. This dual organization with separately incorporated educational and business organisms is one of the distinguishing feature of British co-operation. Co-operatives throughout the world, and in fact many of those participating in the movement in Great Britain itself brand the dual system as cumbersome, inefficient and costly. Sweden rejected the dual system after having tried it out and replaced it by the unit organization. The unit organization consists of one general co-operative body performing the functions of educating, wholesaling, production, insurance and finance. At the beginning, committees elected by the shareholders may be in charge of the different functions. Later on, managers are elected by the directors to deal with each function as growth of the co-operative organization requires greater specialization and efficiency.

There are about eight million Britishers in the co-operative movement in Great Britain. In 1937 one eighth of the country's retail business was handled by co-ops. Co-operative establishments sell one seventh of all the food sold. The banking department of the C.W.S. has assets of more than \$450,000,000. and does a business equal to that of the fourth largest bank in England. According to deposits of 1935, the following six banks were the most important in England,

they are in descending order of importance: Midland, Barclay's Lloyd's, Co-operative, Westminster, Nationale Provincial.

The C.W.S. owns and operates 150 factories manufacturing hundreds of different commodities. It owns a coal mine, 30,000 acres of cultivated land and 33,000 acres of tea plantations in Africa. Between 1929 and 1934 a depression period \$600,000,000. was returned to its members in patronage dividends.

Characteristic features of Great Britain's co-operation are as mentioned before, its dual organization for publicity and business, its tutorial system of training members and employers, its mingling with politics and its promotion of credit business. England does not use generally the study club method of training new and old members which we find in Sweden and in Nova Scotia. It is claimed that if Great Britain used the round table discussion group method, the number of co-operatives would increase rapidly.

Of particular interest is the co-operative political party which has nine members of Parliament. Many co-operative enthusiasts frown upon the delving into politics by the co-ops. Apparently it has not proven disparaging to the British movement but it certainly is not a policy to be adopted generally. The reason given by those who favor the policy, is that, only by having co-operatives taking an active part in the affairs of the nation and in the passing of laws will justice be given the co-ops.

Finally what strikes us as being unusual, is the policy of British co-operation of promoting credit business by the co-operative purchasing or selling organization itself, instead of having the function performed by the credit union.

(4) BELGIUM: Belgium is noted for its agricultural, as well as for its public utility co-operatives. Two separate organizations take care of the agricultural co-operatives. The "Boerenbond" and the "Agricultural Alliance". The former is the Catholic body formed in 1890 to combat the socialistic inclinations from which co-operation was suffering at the time. The Boerenbond grew to be the more important organization of the two. In 1935, there were 115,607 families who were members of this vast society. The local co-operatives comprising the Boerenbond are usually grouped on a parochial basis. These local bodies perform all functions that may be of interest or of utility to agriculture in the district. The functions of marketing and the purchasing of supplies for the farmer are performed by the central organization of the Boerenbond. In 1935 alone, this society purchased 175,777 tons of chemical fertilizers and 281,434 tons of organic fertilizers for its members. During the same year, to mention only a few products, the central organization of the Boerenbond sold for its members 24,375 tons of potatoes, 7,071,137 lbs. of butter and 5,732,025 dozens of eggs.

The Boerenbond has gone into the mutual insurance business to a great extent. On December 21, 1935 it had, taking the insurance against all hazards, 219,149 contracts which represented total premiums of 55 million francs. Of these insurance policies, 132,762 were contracts insurance against fire, 75,323 against accidents and 2,586 against hail.

An innovation in co-operative enterprises is the Belgian type of co-operative, having as members legal persons such as municipal corporations, provincial governments or the state itself. The first of these enterprises was created in Belgium, in 1860. It was a credit society. Since that time this type of co-operative

organization has been applied with success to other kinds of business but primarily to public utilities. For instance 5,216 kilometers of railroad and operated co-operatively in this manner. In 1932, the receipts of this railroad line reached 24½ millions. In 1918 a water supply and distributing organization was formed on this plan and by 1935 capital subscribed by the different municipalities reached 204 million francs. A co-operative housing society was created in 1920. By 1932, 54,095 new homes were built.

Some doubt exists in the minds of many as to whether this type of business organization should be termed co-operative or not. This doubt is justifiable at first, owing to the originality of its capital structure and to the fact that the state, and provincial governments may be shareholders or members. But we must stress the point that municipalities alone can form the organization without the association of the federal or provincial governments. Careful observation and analysis however of the dissimilarities of this type of body as compared with the ordinary capitalistic enterprise (e.g. the Bell Telephone) or the state owned public utility (e.g. C.N.R.) or provincially owned public utility (e.g. Hydro-Electric Co. of Ontario) clearly outline its co-operative features.

The Belgian type has the following co-operative features. It admits as members, only bona-fide consumers of the products or services which it renders. Secondly, the open door policy is practiced. All new members must be accepted save in the case where it is known that their purpose of entering the body is to do it harm. Finally its aim is to help the consumer by giving him goods or service at a lower cost either by selling at immediately low prices and granting a small patronage dividend. The aim of this type of co-operative, being to help the consumer member by giving him lower prices, it follows that this kind of organization is radically different from

the ordinary capitalistic body.

(5) FRANCE: Co-operation in France was long time retarded owing to political interference and disputes over the theoretical aspect of co-operation i.e. its basic principles and methods. Different schools were formed according to the principles of co-operation they favored. Finally the Nimes school upholding the Rochdale principles superceded all others. Co-operation from that day on, advanced in France.

In 1935 there were 847,636 farmers, members of co-ops, of a total rural population of 19,616,000 people. To this number may be added many of the 850,000 who are members of 27,116 mutual insurance societies. There are also 5,900 rural credit unions with a total membership of 433,000. France is not advanced very far, in the field of co-operative production for consumers. However one step has been made towards that end at least, since all the co-operative consumers' societies are now federated in "La Federation Nationale des Co-opératives de Consommation", Co-operative interests are represented by delegates on all French government bodies except parliament. The "Fédération Nationale des Co-opératives de Consommation" has a body which handles the problem of publicity and the educational movement. One of the aims of that body is to strive to have the French Educational council admit the teaching of co-operative principles in the public school curriculum

(6) THE UNITED STATES: Our southern neighbour has not made great strides in the development of co-operation. Several reasons have been advanced to explain this lack of progress, but as they resemble so much the obstacles and causes of Canada's slow development in that field they will be dealt with in another chapter. (Chapter XI)

There were in 1935, 3,660,000 farmers members of co-operative societies in the U.S.A. of a total rural population of 58,820,223.

In the same year there were 6,500 consumers' co-operative societies with a total membership of 1,800,000 doing a business of about one million dollars a day. These consumers' societies include agricultural as well as urban consumers' co-ops. During the 1936-37 marketing season agricultural co-ops in the U.S.A. did a purchasing business of \$400,000,000 of which \$68,000,000 were gas and oil purchases for farmers made by the ten thousands gas and oil co-ops. It is claimed that over \$5,000,000 was returned in patronage dividends on the gas and oil purchases. In 1937 there were 26 wholesale societies doing a business of over a million dollars a year. In Superior Wisconsin, we find the largest wholesale grocery co-op in the country. It distributes groceries to 130 co-operative retail stores in the state of Minnesota, Wisconsin and Northern Michigan. Its business amounted to about \$3,500,000 in 1937. In fact the co-operative movement is more advanced in the States of Wisconsin, Minnesota as well as in the other Central States than it is elsewhere in the country.

In Minnesota "the Franklin Co-operative Creamery Association" is a single retail society with a membership of 5,000 consumers and with a normal yearly business of \$3,000,000. What is peculiar about it, is the fact that it is a consumers' co-operative not a producers' co-operative creamery such as we have in great numbers in Canada.

In the Central States of Illinois, Indiana, Ohio, and Lower Michigan there were in 1937, 22 societies organized into the Central States Co-operative League. The 22 societies have a membership of 7,000 and annual sales of over \$3,000,000.

In the Eastern States, 35 societies are organized into the Eastern States Co-operative League and the Eastern States Co-operative Wholesale. The thirty-five societies do an annual business of approximately \$5,000,000.

In New York City co-operative housing had made great progress. There exists five co-operative housing associations in the city. In apartment housing alone \$5,000,000. of apartment buildings have been constructed. There is also in New York City "Consumers' Co-operative Services" operating 12 restaurants. Its membership exceeds 5,000 and its annual volume of business is well over \$500,000.

Throughout the U.S.A. over 200,000 farms are using electricity developed by co-operative power plants. In the State of Ohio more farms have been electrified by co-operatives since 1935 than had been electrified since the first appearance of electric power in the state.

There are seven thousand credit unions with a total membership of over a million and half shareholders in the U.S.A. We find them in every state of the union. They are all members of the (C.U.N.A.) Credit Union National Association of which Ray Bergengren is the director.

There exists since 1915 the Co-operative League of the United States. This organization is concerned only with the educational and publicity aspect of co-operation. It publishes since its foundation, the magazine "Co-operation".

As a summary of the characteristic features of American co-operation we could say that it is more agricultural and rural than urban and that even agricultural co-operation in that country limps far behind that of the great co-operative states of Europe. (See table 10)

CHAPTER IX

CO-OPERATION IN CANADA.

The development of the co-operative movement in Canada has already been treated elsewhere, (page 51). This chapter will be concerned with the present state of co-operation in Canada. It will be a short treatise dealing with producers' co-ops, consumers' societies and also with credit unions and mutual insurance societies for the whole of Canada. Whenever figures for the different provinces are available they will be given.

PRODUCERS' CO-OPERATION IN CANADA.

It is producers' co-operation which has made the most progress in Canada. The total amount of business done has reached a considerable figure. In Table 4 is given the total number of agricultural marketing and processing societies in Canada as at 1938.

We find the greatest number of associations 177, in the group marketing livestock, followed by those handling dairy products at 166. Grain and seed places of business by far exceeded all the rest with 2,155 almost four times as many as its nearest rival the co-operative dairy establishments with 593. The two same groups lead all the others in the number of shareholders participating and almost in the same proportion as the places of business, the grain and seed societies having 190,593 shareholders, the dairy products group 58,672.

In the total amount of business done, the grain and seed associations led with \$82,226,111, followed far behind by the co-ops handling livestock which did a business of \$19,425,605. and the dairy societies doing a business of \$19,420,505. for the same year.

Other pertinent facts to be noted in table 4 are the following: the number of shareholders of the grain and seed societies namely 190,593 farmers form nearly 50 per cent of the total membership of

TABLE 4

AGRICULTURAL, MARKETING AND PROCESSING CO-OPERATIVES IN CANADA

CROP YEAR ENDED JULY 31, 1938. (1)

Commodity handled	Number of associations	Places of business	Shareholders or members	Patrons	Paid up share capital	Sales of farm products	Sales of supplies	Total business including other revenue
Dairy products	166	593	58,672	77,824	2,140,132	19,004,148	518,328	19,420,505
Fruit & vegetable	94	128	11,066	14,007	727,389	8,278,176	1,708,058	10,077,112
Grain & seed	36	2,155	190,593	190,744	5,454,955	80,888,969	1,608,702	82,522,611
Livestock	177	206	59,430	54,225	651,281	18,913,484	465,710	19,425,605
Poultry	61	286	32,342	25,387	60,269	3,146,091	80,272	3,236,173
Honey	3	3	1,401	725	30,139	202,273	nil	202,873
Maple sugar	2	2	1,982	1,982	57,762	668,243	nil	668,243
Tobacco	5	5	979	753	80,719	511,581	nil	513,410
Wool	1	17	8,000	7,000	117,140	649,183	62,819	713,603
Fur	2	2	1,100	4,950	2	1,638,865	22,742	1,662,552
	7	19	20,425	20,425	620,780	161,379	nil	162,038
Total	554	3,416	385,990	398,022	7,940,566	154,062,992	4,266,691	138,604,725

(1) Not including co-operative telephones, credit societies, mutual insurance societies, farmers institutes nor purchasing societies.

(2) Not organized on a share basis.

TABLE 5 THE MARKETING, PROCESSING AND PURCHASING CO-OPERATIVE SOCIETIES
IN CANADA GROUPED BY PROVINCES FOR THE YEAR ENDED JULY 31, 1938. (1)

Province	Number of associations	Places of business	Shareholders or members	Patrons	Paid up shares capital	Sales of farm products	Sales of supplies	Total business including other revenue
Prince Ed. Island	15	70	10,291	11,003	\$ 10,800	1,197,784	170,032	1,370,553
Nova Scotia	99	99	7,444	11,802	395,859	1,745,205	1,732,176	3,499,358
New Brunswick	45	68	5,808	10,004	93,390	1,143,539	521,667	1,666,337
Quebec	451	891	50,355	59,980	907,772	11,160,106	4,392,800	15,641,666
Ontario	145	173	35,937	44,150	1,061,956	16,655,664	4,136,008	20,836,171
Manitoba	38	354	42,456	46,528	235,230	19,130,864	895,128	20,078,450
Saskatchewan	327	1,429	170,381	162,678	1,227,641	21,107,445	3,587,654	24,800,544
Alberta	57	557	61,810	70,691	419,975	33,293,509	835,240	34,251,273
British Columbia	54	61	12,915	16,621	1,557,040	8,062,848	2,052,840	10,175,420
Inter-provincial	6	463	40,152	17,680	5,507,728	20,996,982	1,743,348	22,750,503
TOTAL	1,217	4,125	435,529	462,937	9,265,591	134,493,746	20,091,893	155,080,455

(1) Does not include co-operative telephones, credit societies, mutual insurance societies or farmers institutes.

all the societies combined i.e. 385,990 shareholders. Whereas the percentage of business done by the same group of grain and seed societies to the total amount of business transacted by all the co-ops is still greater at about 60 per cent.

The group doing the greatest amount of business for the number of associations, the number of places of business operated and the number of shareholders participating is the group handling furs. In that class, two associations operating two establishments with 590 members did a total business of \$1,662,552. for the year ending July 31, 1938.

Table 5 groups all the marketing, purchasing and processing co-operative societies by provinces for the year ended July 31, 1938. The total figures do not agree with that of table 4, because in the former, the agricultural purchasing societies are included.

In Table 5 page 111 we find that Quebec has the greatest number of associations with 451, followed by Saskatchewan with 327. Saskatchewan leads in the number of places of business with 1,429 establishments followed by the province of Quebec with 891. The province of Saskatchewan has the largest number of shareholders at 170,381, followed by Alberta with 61,810 and the province of Quebec with 50,355 members.

Of the total amount of business done the co-operative societies in Alberta accounted for the largest proportion namely \$34,251,273. followed by those of the province of Saskatchewan at \$24,800,344. and Ontario with \$20,836,171. The Co-operative societies of the province of Quebec did a total business of \$151,641,666. for the same year.

Table 6 page 113 groups all the marketing and processing co-operative societies by provinces for the year 1933.

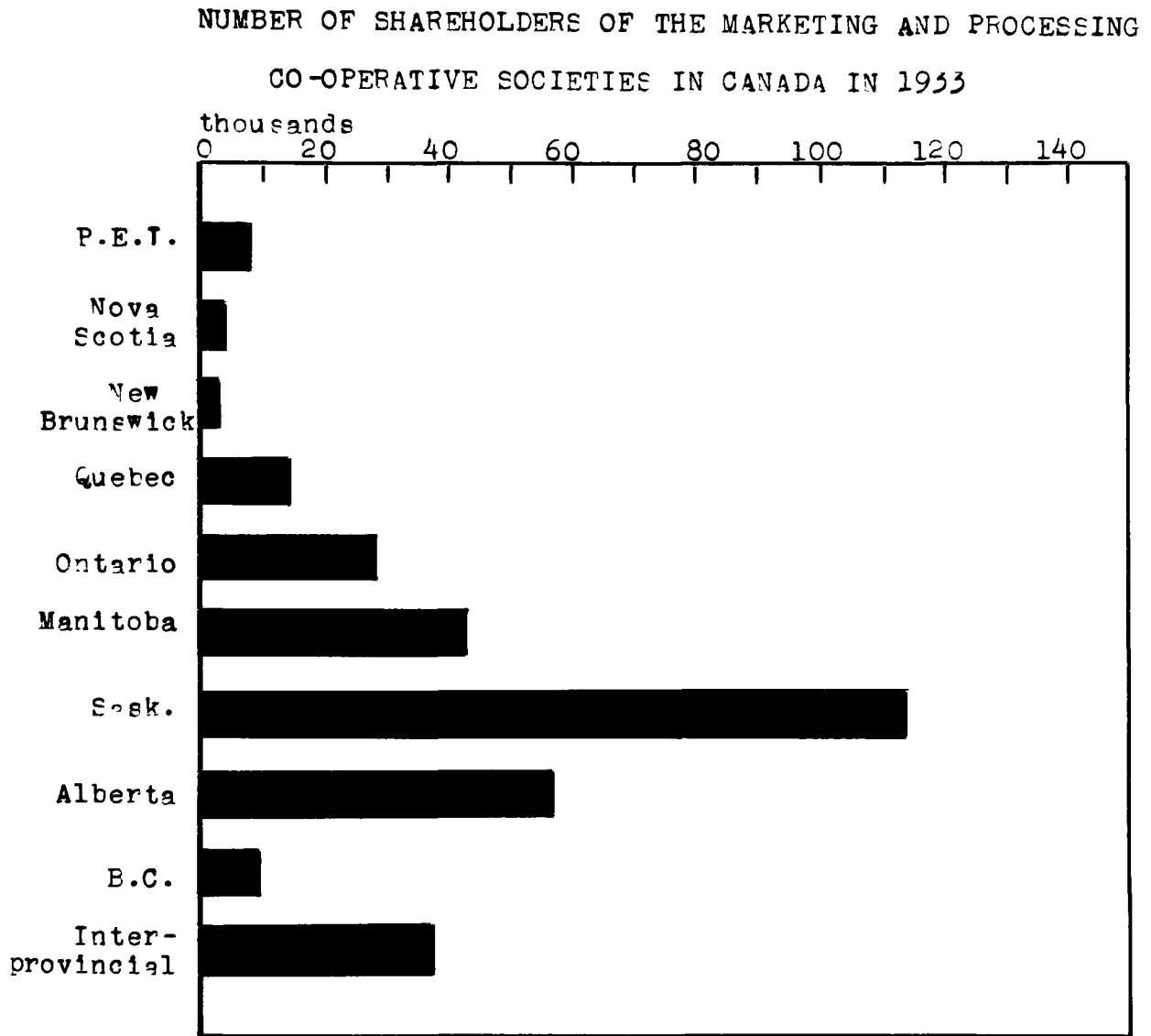
We find the greatest number of places of business at 1182,

TABLE 6 THE MARKETING AND PROCESSING CO-OPERATIVE SOCIETIES IN CANADA
GROUPED BY PROVINCES FOR THE YEAR 1933.

Province	Number of associations	Number of places of business	Number of Shareholders	Total of all business done
Prince Edward Island	14	103	8,988	1,283,504
Nova Scotia	37	68	4,324	1,616,839
New Brunswick	13	84	3,070	415,916
Quebec	115 (1)	115	14,602	6,071,394
Ontario	72	72	27,587	9,685,676
Manitoba	11	217	42,509	8,937,833
Saskatchewan	27	1,182	114,019	50,628,002
Alberta	19	466	56,722	27,508,751
British Columbia	65	65	9,347	7,524,597
Inter-provincial	7	497	35,267	17,025,987
TOTAL	380	2,869	316,435	130,748,054

(1) Includes the agricultural purchasing societies.

Chart 8

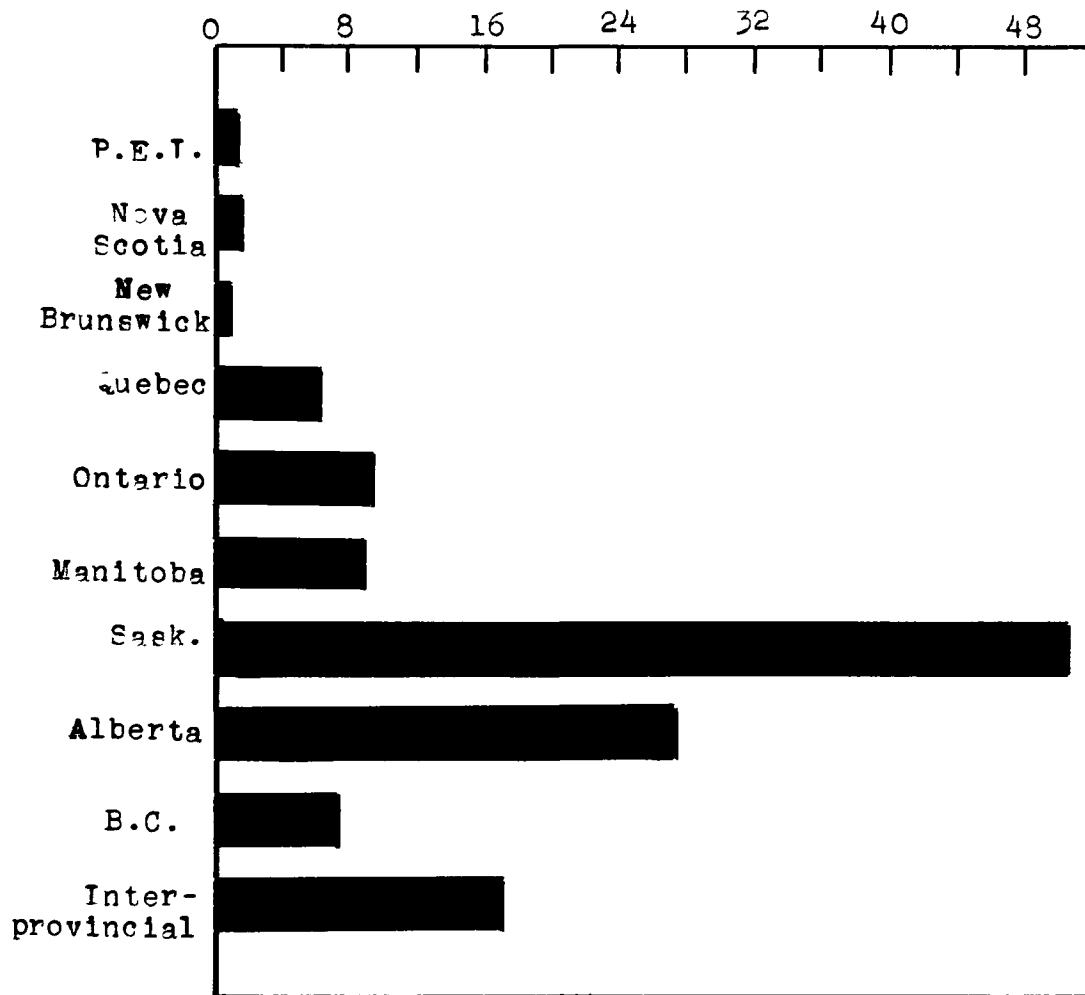


(Refer to table 6)

Chart 9

TOTAL BUSINESS DONE BY THE AGRICULTURAL MARKETING
AND PROCESSING SOCIETIES IN CANADA IN 1935

\$ millions



(Refer to table 6)

the greatest number of members at 114,019 and the largest volume of business done at \$50,628,002, in the province of Saskatchewan. Of the total number of 1182 establishments, 1070 are operated by grain and seed associations. Of the number of 114,019 shareholders of the marketing societies in Saskatchewan, 85,476 are of grain and seed societies and of the total of \$50,628,002, \$47,710,506. is handled by the same group (not shown in table).

The province of Alberta is second to Saskatchewan with 466 places of business, 56,722 members and with a total business of \$27,508,251. In Alberta also, the grain and seed co-operatives contribute the greater part of the development as it includes 44,238 of the total membership and 25,094,391 of the total volume of business done, (not shown in Table 6).

We find the smallest number of shareholders at 3,070 in New Brunswick and likewise the smallest volume of business at 415,916 for 1933. The interprovincial group is comprised of those associations whose membership belongs to more than one province. In 1933 there were seven in number. In 1938 the number dropped to six. In 1933 the names were the following: The United Dairymen Co-operatives, the United Grain Growers Limited, the Canadian Livestock Co-operative Limited, the Canadian Livestock Co-operative (Western) Limited, the Canadian Livestock Co-operative (Maritimes), The Canadian Poultry Pool Limited, and the Canadian Co-operative Wool Growers Limited.

In Table 7 the number of marketing and processing co-operative associations is given by provinces and by commodity for 1935. Quebec had the greatest number of associations with 140 and Ontario was a close second with 139 societies. Together

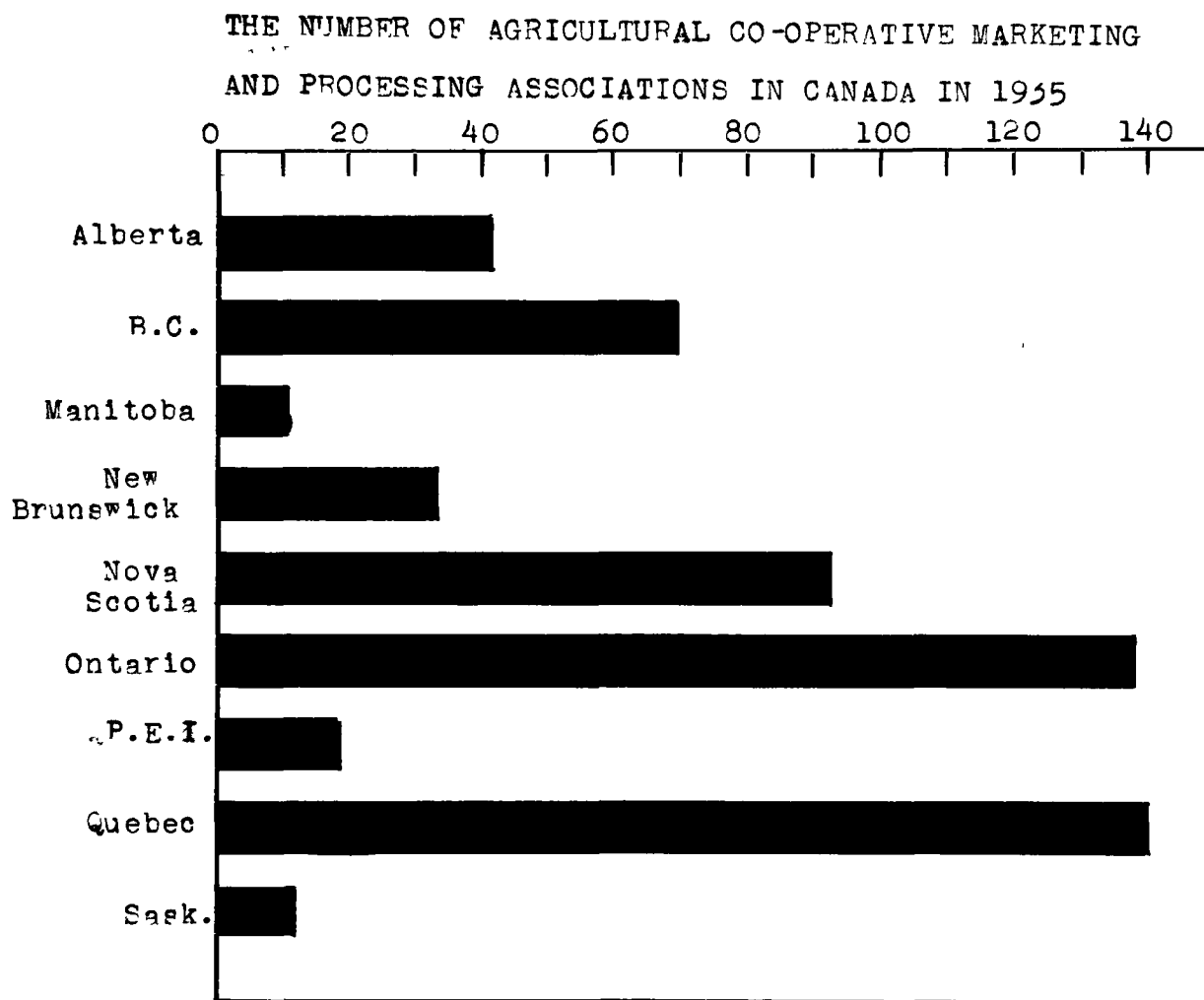
TABLE 7 AGRICULTURAL CO-OPERATIVE MARKETING AND PROCESSING ASSOCIATIONS.

In 1935 by provinces and by commodity.

Province	Total number of associations	Dairy	Fruit and vegetables	Grain and seeds	Live Stock	Poultry	Misc.
Alberta	41	9	--	4	23	2	3
British Columbia	70	12	53	1	2	1	1
Manitoba	11	5	1	2	2	1	-
New Brunswick	33	13	1	-	18	1	-
Nova Scotia	93	5	50	-	34	1	3
Ontario	139	50	33	11	29	7	9
Prince Edward Island	19	14	1	1	1	1	1
Quebec	140	58	25	17	11	18	11
Saskatchewan	12	3	-	3	5	1	-
TOTAL	558	169	164	39	125	33	28

Source of information: Directory of Co-operative Associations 1936, published by Department of Agriculture, Ottawa, Economic Division.

Chart 10



(refer to table 7)

their total number of producers' associations make up exactly 50 per cent of the total for all provinces.

The three most important commodity groups are the dairy co-operatives with 169 associations, the fruit and vegetable societies with 164, and the livestock co-operative organizations with 125.

Of the total number of 169 dairy co-operatives, 58 were in the province of Quebec and 50 were in Ontario. Of the total 164 fruit and vegetable societies, 53 were in British Columbia, and 50 in Nova Scotia.

Fishermen's societies;- Apart from the agricultural producers' societies Canada has a few fishermen's producers' associations. Exact figures are hard to obtain on the exact number of these associations. However, the following facts compiled from available figures may give us an idea of their distribution by provinces. The figures are not numerous enough to permit us to form a table. In 1936, in British Columbia, there were two fishermen's associations with a total membership of 348. The same year there was one society in Alberta with 20 members, one in New Brunswick with 700 members. This last society has its headquarters at Shippegan N.B. In 1936 also, there were 12 fishermen's marketing and processing associations in all of Canada.

Consumers' Co-operatives in Canada. Consumers' co-operation in Canada has developed very slowly and is still below the average of many other countries. The consumers' co-operatives we do find in Canada are mostly agricultural. The difficulty then arises in classifying the agricultural purchasing societies. Should they be classed as consumers' societies as such or as purchasing associations. The difficulty is greatly increased by the fact that many of these purchasing associations do not handle farm supplies alone but deal in household commodities as well.

Table 8 contains therefore the only available figures on this particular phase of co-operation in Canada.

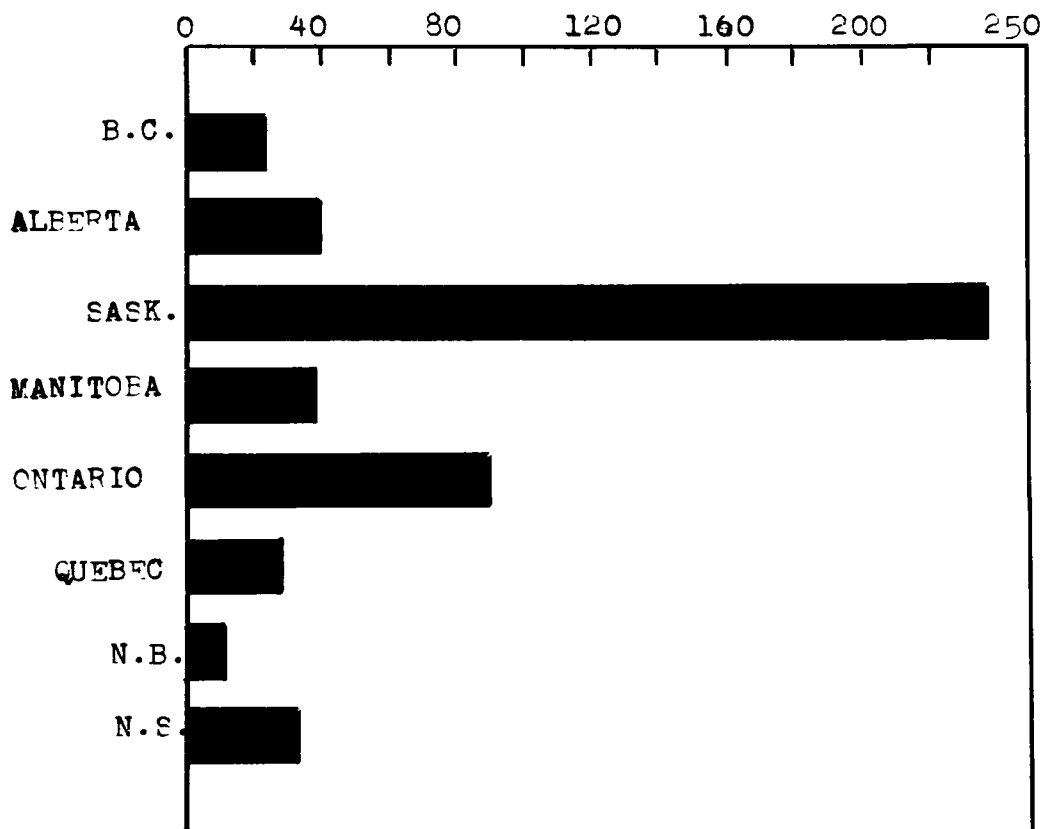
TABLE 8

CONSUMERS' CO-OPERATIVES IN CANADA BY PROVINCES INCLUDING
AGRICULTURAL PURCHASING ASSOCIATIONS AS AT 1935.

Province	Agricultural purchasing and consumers associations	Non-agricultural consumers' co-operative Associations.	TOTAL
British Col.	24	2	26
Alberta	40	-	40
Saskatchewan	238	--	238
Manitoba	49	4	53
Ontario	90	32	122
Quebec	28	-	28
New Brunswick	12	-	12
Nova Scotia	33	11	44
Prince Edward Island	-	-	-
TOTAL:	514	49	563

Chart 11

CONSUMERS' CO-OPERATIVES IN CANADA BY
PROVINCES INCLUDING AGRICULTURAL
PURCHASING ASSOCIATIONS as at 1955



(see Table 8)

As may be seen from the preceding table Canada can not boast of her consumers' co-operative development especially that organized by urban populations. In 1935, of all Canada, the province of Ontario had the greatest number of non-agricultural consumers' societies with 32 to which belonged 5,938 members. Of Ontario's large centers Hamilton had three consumers' societies in 1935, Toronto had 13, Ottawa had none. In 1940, Ottawa still had none.

However the consumers' societies that exist in this country are in many different kinds of business. We have co-operative groceries, bakeries, dry cleaning establishments, restaurants, boarding houses, coal, coke, wood and ice supplies.

In Table 2 of the chapter on co-operative development, we may see that in 1937 there were 45 retail co-operative societies in Canada affiliated with the Co-operative Union of Canada. The 45 societies had a membership of 16,364, a share and loan capital of 809,468. In 1937, the sales of these societies totaled \$5,041,328, and the net profits 229,270. Although these figures are concerned only with the retail co-operative societies affiliated with the Co-operative Union of Canada thereby excluding those societies not affiliated with the organization, it is still greatly representative of the consumers' movement in Canada.

Credit Unionism.

Credit unionism has reached a high degree of development in some of the provinces of Canada. On June 30th 1938, there were in the province of Quebec 399 credit unions with a total membership of 80,351. In the province of Nova Scotia, on September 20th 1938, there were 143 credit unions with a total membership of 25,000 and savings of over \$700,000. The loans made by the Nova Scotia credit unions between 1933 and 1938 amounted to \$1,750,000. People's Banks have not reached any importance in the other seven provinces of Canada. (Table 3 page 59)

Mutual or co-operative insurance in Canada, especially that organized by the farmers has advanced rapidly. In Table 9 may be seen the state of farmers' mutual fire insurance in Canada for 1933. The province of Quebec has the greatest number of companies with 243, owing to the fact of its mutuals being organized on a parish basis. Ontario follows with 68 companies covering risks to the extent of \$545,522,076. and for the same year net losses paid to the amount of \$1,506,306. In 1933, the 243 Quebec mutuals covered \$119,598,292. of risk and paid losses of \$281,229. The two Dominion companies, carrying on business in every province of Canada except the Maritimes had a net amount of insurance risk of 263,877,665. During the same period it paid losses of \$661,743.

It is estimated that about 85% of the total fire insurance protection carried by all farmers of Ontario is mutual insurance. In 1938 there were approximately 350 fire insurance mutuals with assets of over \$5,000,000. The net amount of insurance at risk approached one million dollars in the same year.

Of the total number of telephones in Canada in 1938 approximately 62,000 or 5% of them are operated by rural telephone associations. The total investment of these telephone co-operatives amounted to \$ 19,193,394. in 1938.

TABLE 9 FARMERS' MUTUAL FIRE INSURANCE COMPANIES IN CANADA 1935

Province	Number of companies	Unassessed premium note residue	Net admitted assets	Total liabilities	Net amount insurance at risk	Net losses paid 1933
Prince Ed. Island	1		(1) 111,855	21,999	9,212,065	55,000
Nova Scotia	4	132,112	219,374	71,351	12,829,878	24,231
Quebec:						
County	6	543,543	16,832	56,773	13,150,600	38,289
Municipality	55	45,044	50,278	9,891	16,438,261	26,207
Parish	182	4,289,770	138,497	101,040	90,009,451	216,783
Ontario	68	12,995,785	2,070,258	1,353,519	545,522,076	1,506,306
Manitoba	1	7,565	2,224	---	148,975	---
Saskatchewan	4	303,556	397,390	187,271	37,478,439	100,786
Alberta	1	---	1,617	---	801,085	4,213
British Columbia	1	113,313	54,209	15,104	---	14,759
Dominion	(2) 2	1,897,404	2,184,288	1,202,501	263,877,665	661,743
TOTALS:	325	20,328,092	5,246,822	3,079,409	989,468,495	2,648,517

(1) Includes unassessed premium note residue.

(2) Conduct business in all provinces except Maritimes.

(3) Source of information: Farmers' Business Organizations in Canada 1935, published by Federal Department of Agriculture, Economics Division.

Co-operation in Canada as compared to other countries.

Agricultural co-operation.-- It may be seen in Table 10 that in many respects agricultural co-operation is not lagging far behind. In this table agricultural co-operation includes the marketing, processing, and purchasing societies. The United States leads in the total number of members of agricultural co-operative societies with 3,660,000. But this great number is only 6.8 per cent of the rural population of the United States. In Denmark, the 590,853 co-operators in 1935 formed 29.6 of the total rural population. Canada's 366,885 members of farmers' business organizations are 7.6 per cent of the total rural population. Of the agricultural countries this percentage is the next lowest to the United States. France with its percentage of 4.3 and Great Britain with 1.6 have the lowest of all but they are highly industrialized countries not to be compared with Canada. We find the lowest percentage of members to the total number of occupied farms in France with 21.9 per cent, followed by Great Britain with 25.9, Canada with 50.4 and the United States with 58.2. Denmark has the highest percentage of members to the total number of occupied farms with 286.9 per cent.

America with its large farms and consequent greater volume of business per farm reflects this characteristic in its agricultural co-operative business per member. In 1935, the business per member for farmers of the United States was \$502.73, in Denmark \$469.99 and in Canada \$431.10. However, Denmark leads by a large margin in the business per occupied farm at \$1,340.22 exceeding its nearest rival the United States at 292.59 by over \$1,000.00 per occupied farm per year.

Consumers' co-operation

In Table 11 is given for 1936, the number of consumers' co-operative societies and the total membership of same with their total amount of business. The figures for Soviet Russia appear in the table as a matter of curiosity and will not be considered in the analysis. We find the

TABLE 10 AGRICULTURAL CO-OPERATION IN CANADA, UNITED STATES AND VARIOUS EUROPEAN COUNTRIES^x IN 1935.

NATIONAL TOTALS AND AVERAGES

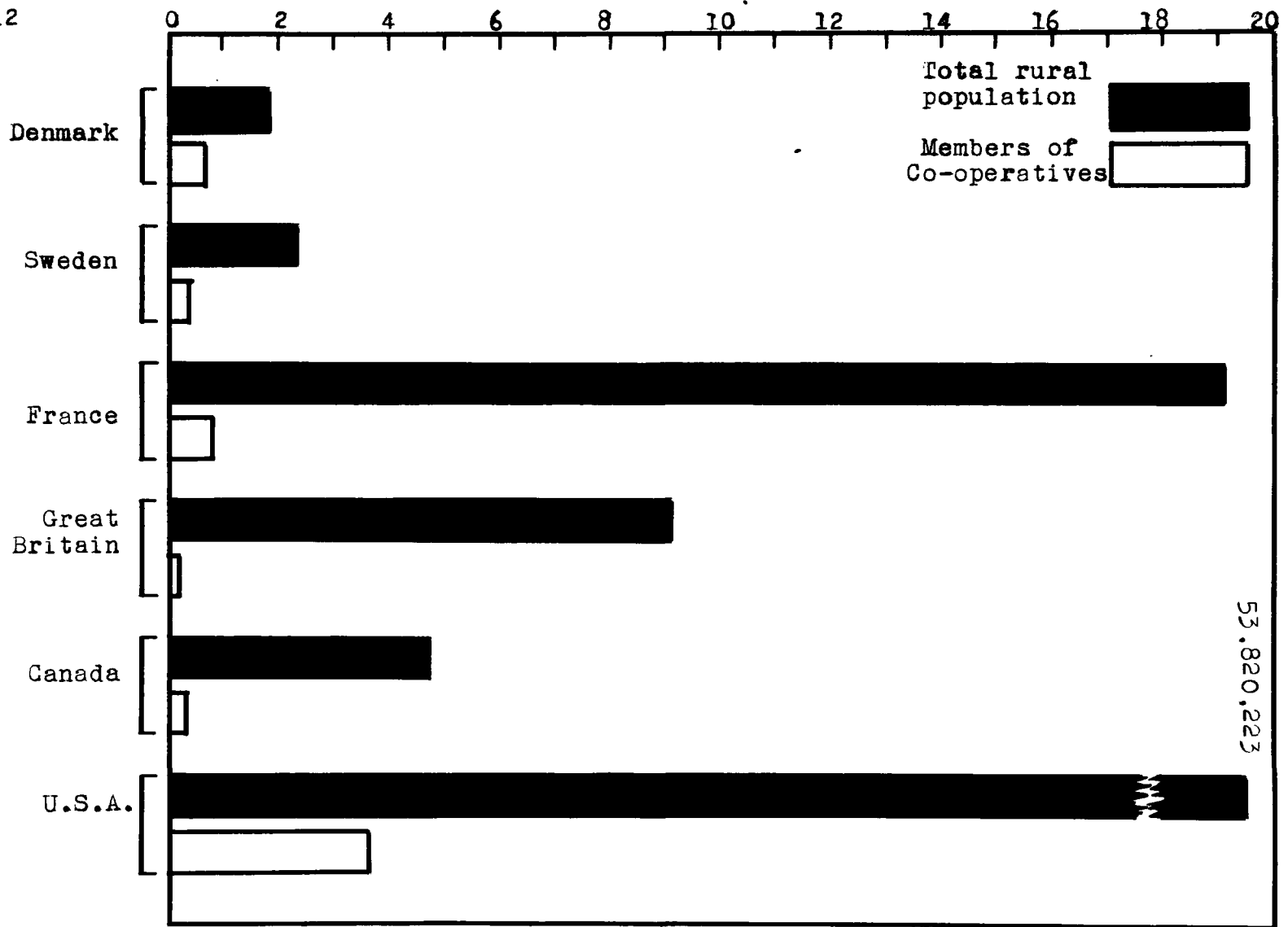
Country	Membership farmers' co-operative societies	Total Rural Population	Occupied Farms	Total business of co-operatives	Member as per cent of rural population	Members as per cent of occupied farms	Business per member	Business per capita rural population	Business per occupied farm
Czechoslovakia	no. 597,079	no. 7,687,864	no. --	87,744,823	7.8	--	146.96	11.41	--
Denmark	590,853	1,994,898	205,971	277,695,000	29.6	286.9	469.99	139.20	1,348.2
Finland	366,134	2,993,479	287,171	60,076,440	12.2	127.5	164.08	20.07	209.2
France	847,686	19,616,000	3966,330	--	4.3	21.4	--	--	--
Great Britian	150,016	9,216,400	579,706	54,119,154	1.6	25.9	360.76	5.87	93.3
Norway	204,356	2,013,000	298,360	36,083,466	10.2	68.5	176.57	17.92	120.9
Sweden	395,474	2,484,626	307,379	54,412,800	15.9	128.7	137.59	21.90	177.0
Switzerland	362,927	2,828,624	236,095	--	12.8	153.7	--	--	--
United States	3,660,000	53,820,223	6,288,648	1,840,000,000	6.8	58.2	502.73	24.19	292.5
Canada	366,835	4,792,135	728,623	158,165,565	7.6	50.4	431.10	33.00	217.0

x Not including trade of central federations.

Source of Information: Report of Inquiry on Co-operation Enterprise in Europe 1937, published in Washington D.C.

THE TOTAL RURAL POPULATION AND THE TOTAL NUMBER OF MEMBERS OF
THE AGRICULTURAL CO-OPERATIVES IN 1935

Chart 12

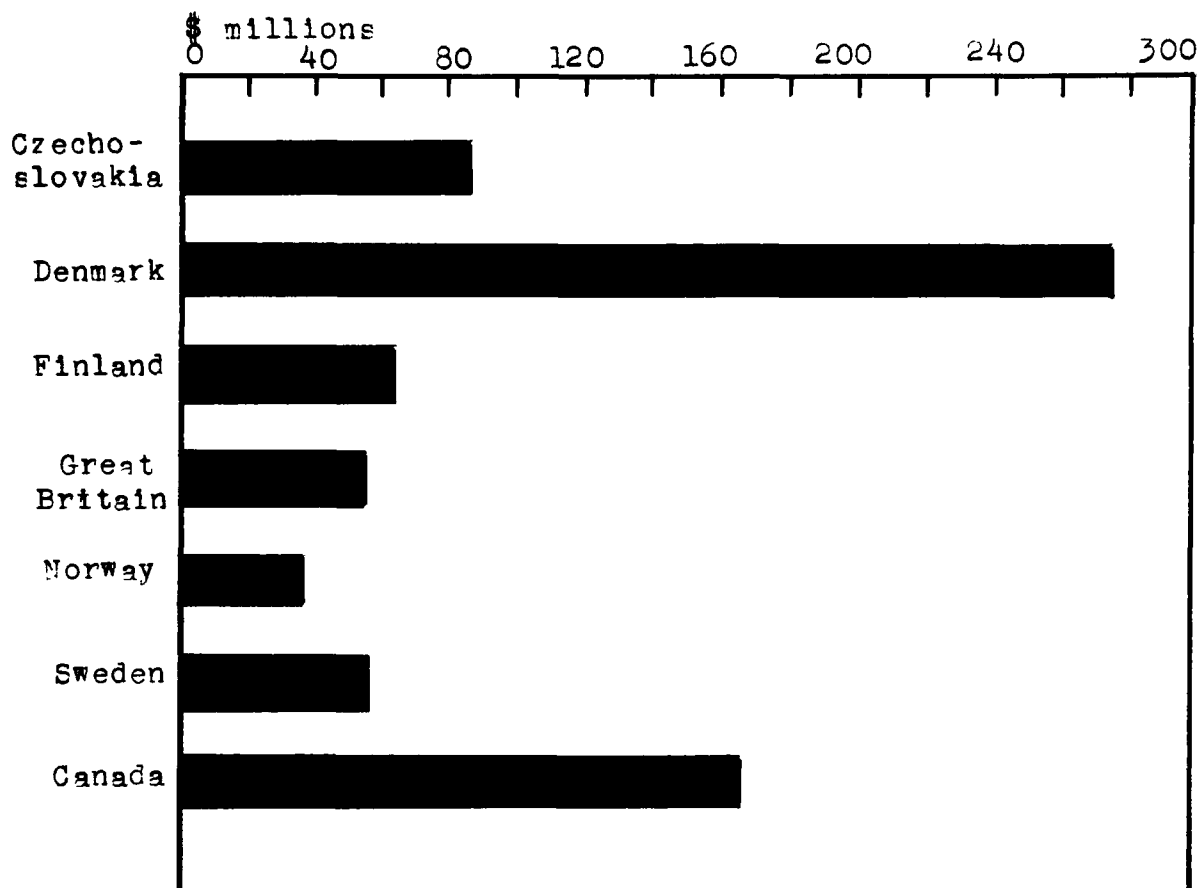


(Refer to table 10)

x Figures are expressed in millions

Chart 13

TOTAL BUSINESS OF THE AGRICULTURAL CO-OPERATIVES
OF SEVEN COUNTRIES OF THE WORLD IN 1935



(refer to table 10)

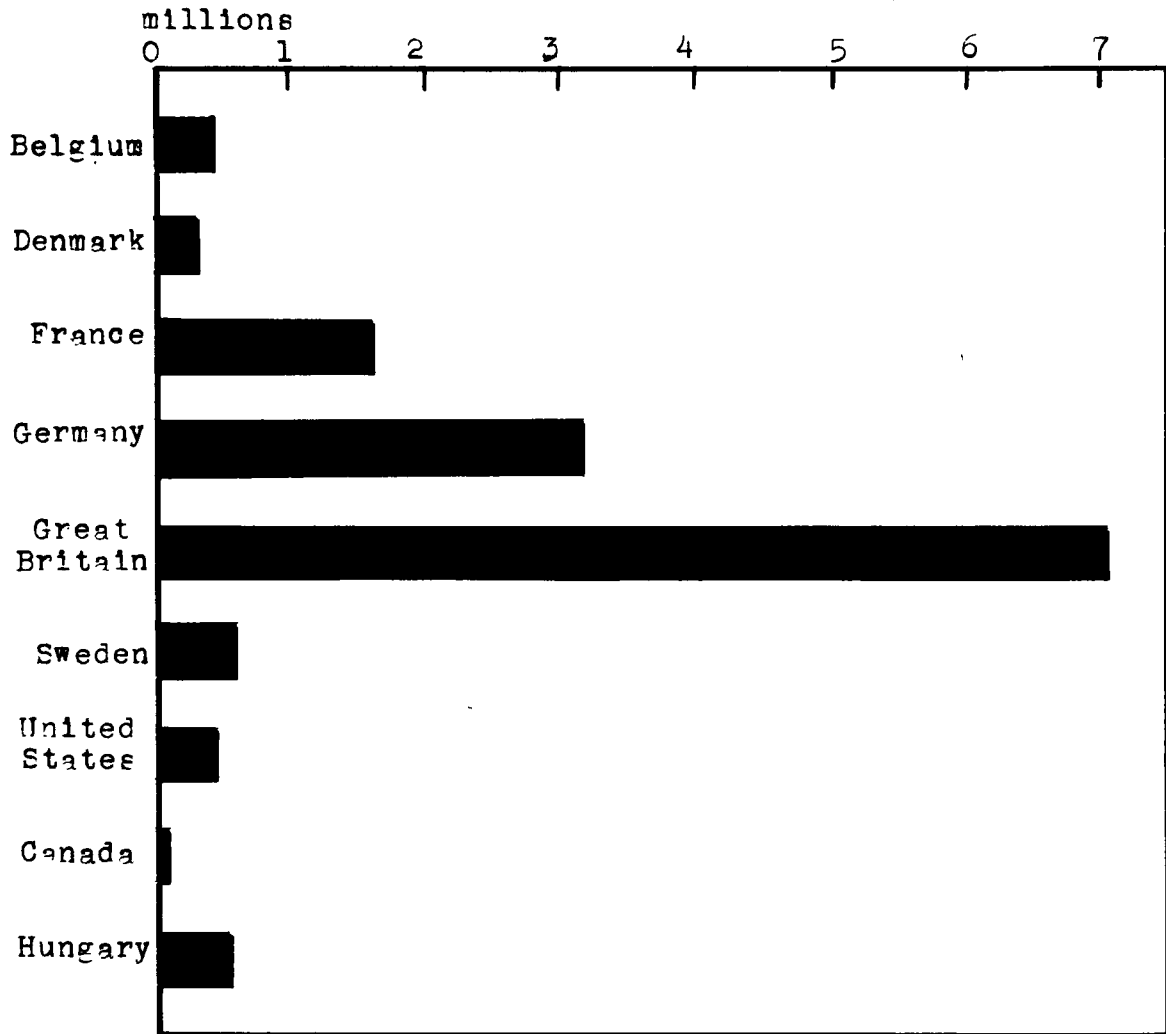
TABLE 11. CONSUMERS' CO-OPERATIVE SOCIETIES IN THE MAIN COUNTRIES OF THE WORLD IN 1936. (i)

Country	Number of societies	Total Membership 1,000's	Total of Business millions
Argentina	14	27.	0.3
Australia	15	35.	2.5
Austria	91	264.	22.
Belgium	90	468.	40.
Bulgaria	58	64.	4.4
Canada	122	16.	3.5
Czechoslovakia	769	816.	71.
Denmark	1,894	392.	68.
Estonia	180	35.	6.6
Finland	110	258.	28.
France	1,145	1,595.	178.
Germany	1,134	3,212.	264.
Great Britain	1,046	7,045.	1,049.
Hungary	1,527	595.	20.
Iceland	1	0.1	0.05
India	24	2.	0.1
Italy	3,465	775.	106.
Japan	552	30.	
Lettonia	204	27.	5.4
Norway	502	130.	31.
New Zealand	13	2.	0.06
Palestine	34	3.	0.8
Low countries	261	255.	38.
Poland	1,314	321.	27.
Portugal	19	15.	0.3
Rumania	373	74.	1.9
Spain	348	85.	10.5
Sweden	748	551.	100.
Switzerland	594	403.	96.
U.S.S.R.	45,764	72,000.	18,716.
United States	1,209	454.	12.
Uruguay	1	6.	
Yugoslavia	106	88.	6.3
TOTAL:	63,526	90,045	20,910

(i) Only those societies affiliated with a central organization are included in this table.

Chart 14

MEMBERS OF CONSUMERS' CO-OPERATIVES IN THE MAIN
COUNTRIES OF THE WORLD IN 1936



(refer to table 11)

greatest number of societies in Italy with 3,465, followed by Denmark with 1,894 and Hungary with 1,527 consumers' co-operatives. Canada has 122 and the United States 1209 such societies. As to be expected Great Britain is ahead of all other countries in the total membership at 7,045,000 and in the yearly volume of business at 1,049,000,000. Germany is second with 3,212,000 members of consumers' societies doing a total yearly business in 1936 of 264,000,000. The 122 consumers' societies in Canada in 1936 with their memberships of 16,000 did a business of \$3,500,000 for the year.

SUMMARY OF THE CO-OPERATIVE MOVEMENT THROUGHOUT THE WORLD.

In Table 12 is given a summary of co-operative development in the world. In this case the figures for Soviet Russia are not included. The following may be considered as the outstanding features of the table. There were in the world in 1936, 151,233 rural credit societies and 8,465 urban. For the same period there were 56,769 agricultural mutuals in the world. During 1936 the wholesale co-operatives did a total business of \$13,006,000,000. and had an invested capital of \$1,982,000,000. The fishermen of the world united to form 2,398 societies with a membership of 193,000 doing an annual business of \$233,000,000. There were likewise 62,761 co-operative housing societies with 14,350,000 participants doing a business of \$230,000,000. yearly.

TABLE 12

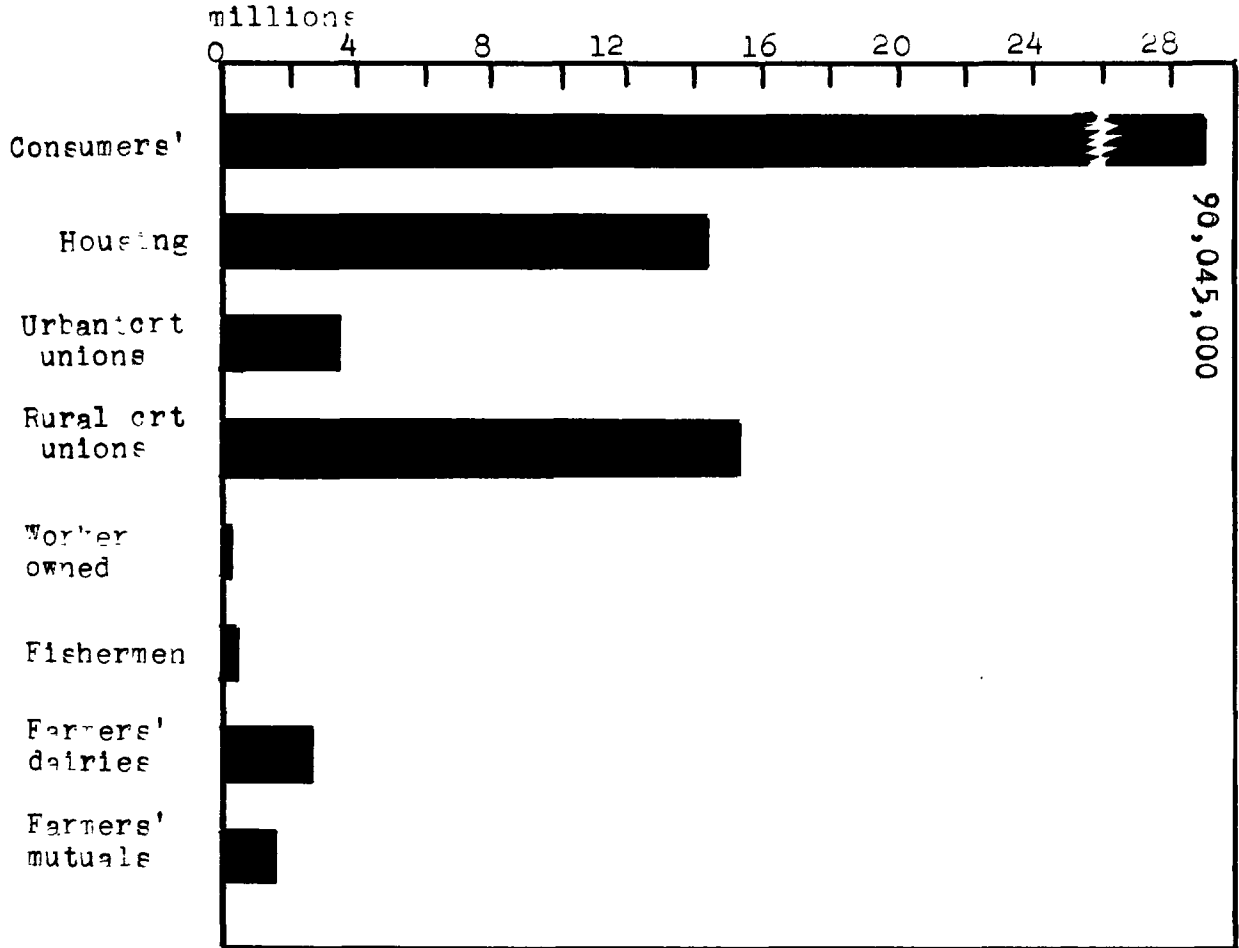
THE CO-OPERATIVE MOVEMENT THROUGH THE WORLD (1)

	Number of societies	Membership	Amount of business	Paid in capital	Subscribed capital
<u>Central organizations</u>		1000's	millions	millions	millions
Wholesale co-op stores			13,006	1,982	
Specialized federated Societies			22	2	
Central agricultural Societies general			935	28	
Central agricultural Societies specialized			764	20	
Occupational Group Central Societies			544	20	
Consumers' co-operative credit unions (Europe)			5,012	5	
Agricultural credit unions (world)			38,039	63	
Other co-operative Banks (Asia & Europe)			9,758	77	
Rural credit central societies (world)			15,690	90	
Urban credit central co-operative societies (Europe)			8,243	7	
Central rural mutuals			4		880
Mutuals			83.4		3,201.8
<u>Locals</u>					
Consumers' co-operatives	63,606	90,045	20,910		
Housing co-operatives	62,761	14,350	230		
Occupational group societies:					
Urban credit unions	8,465	3,340	2.5		
Small shop owners	17,093	1,612	6,425		
Workers' producers' co-operatives	2,398	193	145		
Fishermen's societies	2,258	294	233		
Others	1,492	255	660.5		
Agricultural Group:					
Rural credit unions	151,233	15,312	141		
Co-operative dairies	22,034	2,736	942		
General agricultural co-operatives	26,064	3,055	473		
Vine growers' co-operatives	780	70	9		
Co-operative Electric Power Plants	7,101	475	10		
Others	280,638	22,382	731		
Agricultural Mutuals	56,769	1,782	4		

(1) Includes only the co-operative societies affiliated with a central organization.

Chart 15

MEMBERSHIP OF THE DIFFERENT TYPES OF CO-OPERATIVES
THROUGHOUT THE WORLD IN 1956



(refer to table 12)

CHAPTER X

THE CONFLICT OF PRODUCERS' AND CONSUMERS' CO-OPERATIVES.

Without a doubt the ideal form of co-operation and the one which can benefit all members of society by being able to admit everyone within its fold, is consumer's co-operation. As before said, we are all consumers from the babe in the crib to the nonagenarian. But we are not all producers. Producers' co-operation therefore by its very definition and essence benefits, at least directly, only one class or group i.e. the producers. We are therefore in the face of a problem, a difficulty which is often brought forward by those who oppose co-operation. How are we to reconcile the two kinds of co-operation if both are to exist side by side and both to be developed as far as possible.

Producers' co-operation should be organized only for those groups of small scale producers such as farmers, gardeners and fishermen. These industries have the following characteristics in common. They are small scale businesses of specialized production very liable to irregularities of production and sale whose products can not be multiplied at will. Fred Clark in his book "Principles of Marketing" speaking of the size of the agricultural industry says: (1) Agriculture, in contrast with a prevailing tendency in manufacture, is a small scale industry; and unlike manufacture it is carried

(1) Page 36.

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."

The same may be said of the fishing industry. It is true that there are some fishermen who own many ships and have much capital compared to others. However a monopoly on a national scale of the fish production is impossible as it is for the farmers. It follows, then, that both industries will always be composed of thousands of scattered producers who stand unprotected against the marketing agencies of their products. Too long and too often have the fishermen been obliged to take the price offered them, even if it did not even cover the costs of production. Farmers have time and time again been forced to accept prices that they did not even cover their operating expenses. Why you may ask? For the very reason that they are small-sized businesses that have to deal individually with the middleman. Without union or co-operation among them it is easy for the powerful middleman to bring them to his terms since he deals with them one by one. By co-operation, the farmers can force the middleman to meet their terms or what is better still

they can eliminate him completely by selling directly to the consumers or to their own organized wholesale. We must conclude that co-operation among them by which their produce would be assembled and marketed co-operatively is their only means of protection and of warranting them a reasonable price for their goods. In fact, farmers and fishermen stand as weak towards the middleman as consumers do towards the retailer. Co-operative organization of their respective groups to defend their own rights is their only assurance of economic justice.

As a general rule however, there should be no overlapping nor intrusion of the one group into the affairs of the other. The consumers should be the owners and operators of producers' co-operatives in the industrial field such as bakeries, soap manufacture, and similar industries. The farmers as a matter of principle should own and operate the co-operatives producing or marketing agricultural products from which the consumers societies should buy. For example it is really up to the consumer to operate a co-operative dairy or creamery as it is for the farmers to organize a co-operative buying club for the purchase of twine. We find notable exceptions to this rule. Most dairy co-operatives in America and elsewhere are owned and operated by the farmers instead of by the consumers. Although as a matter of principle the above situation is not normal such an arrangement has ordinarily benefited both farmers and consumers alike. Co-operative dairies can undersell individually owned dairies thus giving the consumer more for his money and at the same time award the farmer a better price than the ordinary firm would give him for his milk or cream.

In Denmark from 85% to 90% of the total butter production comes from producers' co-operatives owned by the farmers and no one can deny the marvellous effects it has been upon Danish agriculture in general. In the United States there are a few notable consumer owned dairies, the most remarkable of which is the "Franklin Co-operative Creamery Association" with a total membership of 5,000 consumers doing an annual business of over \$3,000,000.

In the case where consumers' and producers' co-operatives are two, well developed and defined groups and are dealing with each other as they should, a committee of elected members from both bodies should be formed. This committee would then decide at which price goods would be sold, for justice to be done to both sides.

Attempts to combine both producers and consumers as such, within the same co-operative organization has always failed. European countries have abandoned this method years ago. We still find in Canada an organization which attempts to perform both functions of buying and selling. This is the "Co-operative Fédérée du Québec". However there is a growing reaction against this type of co-operative. Gérard Filion, secretary of the U.C.C. says:

"La co-opération générale d'achat et de vente, comme on la pratique couramment chez nous, est un anachronisme. En Europe on la considère comme une relique du passé. L'effet des vingt-cinq dernières années a tendu constamment vers la création des co-opératives centrales spécialisées dans la mise sur le marché de tel produit ou de tel groupe de produits. C'est la seule formule qui prévaut à l'heure présente en Danemark, en Allemagne, en Hollande, en France et en Italie." (1)

However it is possible to join both consumers and producers into the same co-operative society as long as the basis of their admission rests upon the fact of their being both consumers' groups. Thousands of rural credit unions, co-operative stores and oil and gasoline societies have both farmers and non-farmers as shareholders. And it works remarkably well because both groups have a common purpose or aim in view as consumers.

(1) L'Actualité Economique, October 1937 page 433.

CHAPTER XI

WHY CO-OPERATIVES FAIL.

The percentage of co-operative failures in most countries is not higher than that of the capitalistic enterprises. However all the co-operatives that have failed on the past and those who will not succeed in the future will result from the following errors.

1. Intrinsic Causes:

A. -- Educational and social causes.

- (1) We must not start a co-operative without sufficient co-operators. The members may be numerous but those who are really familiar with the basic principles of co-operation may be few. We find many of such societies where state help and grants are excessive. Very often enthusiasm rather than knowledge and convictions result in the formation of a co-operative. It is the opposite that should be.
- (2) Once an educational program has been begun, it must be continued, for as old members drop out, there must be new ones to replace them. Moreover there is always a tendency to become disloyal to the society after the initial enthusiasm has worn off. To allot nothing for education is to risk the loss of existing members and to lose the support of new members. Leaflets, periodical and papers are published regularly by many co-ops.
- (3) Some co-operatives fail because they neglect the social and cultural side of the movement. Friendly relations must be kept alive by recreational activities such as music, drama and art. Reading rooms and libraries are very useful.
- (4) The failure to admit women members or to appreciate the help they can bring may doom a co-operative. Women are great buyers. Economists have estimated that 75 cents of every dollar spent in America is either disbursed by women or decided upon by their

influence. Women's guilds should be organized. This rule naturally applies more to consumers' co-operatives and credit unions than to producers' societies.

B. -- Errors in Financial Policies.

- (1) Starting with too little capital and more particularly with too little cash capital is a great disadvantage. The capital required varies with the enterprise to be organized. Credit societies and buying clubs may be started with a few dollars but most co-operatives require more. The first Rochdale Society started with \$140. The first credit union in America at Lévis, Québec began operations with \$26.40.
- (2) The granting of credit too liberally or in the case young co-operatives the doing of one business on a credit basis has caused many failures. It is the omission of one of the secondary principles of co-operation. The co-operative stores organized by Dr. King in England failed one by one, principally, because they did business on a credit basis. Of the four hundred Unions shops founded by him only a few survived.
- (3) The purchasing on credit by the co-op itself. Credit is a necessary and indispensable service of modern business but its abuses soon develop bad habits in the recipients. Co-ops are no exception.
- (4) The use of a poor accounting system has jeopardized the advancement of many co-ops. Bookkeeping records are the barometer of business activity. How accurately this activity may be measured depends on the efficiency of the accounting system. The system of accountancy should naturally vary with the size and progress of the co-operative. The aim should always be to have a bookkeeping method which gives a complete account of the financial condition of the society. These records

become a tool of management which can be used in the proper administration of the business.

- (5) The possession of a good accounting system is not enough. Bookkeeping records must be audited by competent men at least once a year. The failure to have the records audited regularly often results in thefts, embezzlements etc. Apart from the auditing that may be performed by the regular accountants of the co-operative, the annual audit should be in the care of an outside accounting office.
- (6) Patronage dividends should not be declared before a reasonable reserve has been set aside for contingencies. Many co-ops are over eager to declare this savings return.
- (7) Price cutting is usually bad technique for co-operatives to adopt. As mentioned before, Swedish co-operatives are exceptions and reasons have been given why in the case of Sweden results have been different. The consequences of price cutting are numerous. It leaves little or no capital for the reserve and surplus funds, patronage dividends are paid with much more difficulty and very little is left for education or recreational development. It gives the store a name and an atmosphere of cheapness and finally it results in price wars by arousing competitive enterprises to cut-throat practices.

C. -- Causes springing from the management, general business operations or organization of the society.

- (1) Co-operatives should be established in appropriate locations. Consumers' co-ops and credit unions in the neighbourhood of those who are members of the society. Producers' societies should be established near a railroad if it is a very large enterprise. Smaller ones do most of their shipping by truck. Proximity of a good highway becomes the important factor in this case.

- (2) A few persons should not be permitted to organize a co-operative and then gain control. This may not always result in the failure of the organization but it always results in the failure of the society as a co-operative. We should never forget the basic principle, democratic control. One good way to keep the control well distributed is to limit the number of shares one may hold in the society.
- (3) Managers should provide and directors should insist upon a monthly business statement of the affairs of the association. Balance sheets and profit and loss statements are indispensable but are usually presented only once or twice a year. Members should be acquainted monthly, with affairs of the society as they are being dealt with. Detailed balance sheets and profit and loss statements do not have to be prepared twelve times a year as these require a closing of the books. Accountants have discovered the ingenious working sheet method which can easily give all the information required.
- (4) In the case of a consumers' society the technique of handling cheap material or the giving of poor service always works towards the ruin of the co-operative. To compete successfully against the modern capitalistic firms, we must not begin by selling an inferior commodity, or by giving inferior service.
- (5) Managers of co-operatives must be as competent if not more so than those of competing firms. The difficulty of getting a good manager at a reasonable salary has handicapped many societies. The difficulty has always been that it was possible to get the right man at the wrong salary or the wrong manager at the right salary.
- (6) Co-operative stores must be kept clean and attractive. Most people assume and rightly so that the goods are as good and the service as efficient as the appearance of the store itself. They conclude that in a shabby store are found only shabby goods.

As a matter of fact it is illogical to place first quality goods on second rate shelves and window displays.

- (7) For many reasons retail co-ops must affiliate with the central wholesale co-operative if there is one in order to get the benefits of co-operative wholesaling and later the benefits of co-operative manufacturing which are possible if there exists a central wholesale society and several retail units.
- (8) Permitting the manager to replace the directors or the latter to do the managing of the society is bad practice. Both have, thus, respective jobs to perform. There must be no overlapping or interfering by the one into the affairs of the other.
- (9) The co-operative movement must expand to lime. Co-ops must not be satisfied to stand still or just "keep going". They must always seize the opportunity of growing wherever it presents itself. After a co-operative retail or a producers' society has been formed it should be followed by a credit union, a wholesale co-operative society, health service etc. It is interesting to note the difference in the growth and formation of co-operative societies. In the province of Quebec credit unions came first and because widespread long before agricultural or consumer's societies were formed. In Nova Scotia the opposite took place, producers' societies both agricultural and of fishermen were organized before credit unions began to grow in size and in number.

II.-- Extrinsic causes.

- Ø1) Price cutting by competing firms has caused the failure of many societies. These firms for the most part did not reduce their prices with the motive of giving the consumer more for his money or render a service to society. They unquestionably adopted the practice in order to put the co-operatives out of business and once the latter were out of the way, the capitalistic firms returned to their former high prices.

- (2) It is disastrous to permit large groups to become members having the sole aim of breaking up the society. The open door practice must always be in operation but care must be taken to admit only members who are known to be honest and of good intention towards the association.
- (3) A great evil are the insidious whispering campaigns based on deliberate truths or half-truths organized for the purpose of injuring the society, by individuals having an interest in doing so.
- (4) Many wholesalers have refused to sell to the co-operative retail societies. Similarly, time and again producers have declined to deal with the co-operative wholesales. Co-operatives the world over have had this obstacle to overcome. Fred Clark speaking of the weaknesses of American co-operative notes;

"The refusal of wholesale houses to sell the co-operatives has been another source of weakness, as much as American Co-operation has commonly gone no further than the organization of retail stores, dependent upon the usual channels for their products, they could not possibly expect to do more than save the net profit of the retailer, and possibly some of his costs for demand creation and for such services as the co-operators are willing to perform for themselves. In the case of small stores these savings and these profits are usually minor not large enough to appeal to the average American as worth while, With wholesales refusing to sell or discriminating against them, even this saving has often disappeared." (1)

(1) "Principles of Marketing" by Fred Clark, Ph.D. pages 324-325.

III--- Causes which have retarded the co-operative movement in general.

- (1) The ignorance of the mass of the people of the possibilities of co-operation as a means of social and economic reconstruction is one important cause. Bookstores whose shelves are covered with books on communism, fascism, or socialism and all the other false doctrines, have few or no books on co-operation. The reason given is that little or no demand is made for such literature. There are of course fewer books and periodicals written about co-operation than about communism or all the other isms. This state of affairs flows from the first fact, that there is ignorance and therefore lack of interest by the many in co-operation. Unfortunately a great many people are busying themselves studying what is wrong with the other systems and seem to overlook the existence of a new economic order founded on the principle of Christianity itself.
- (2) The lack of a central educational body concerned with the spread of the co-operative education over a whole country has made itself felt. Small scattered centers without the opportunities of setting a national co-operative movement afoot, will only realize scattered areas of co-operative development. Both Canada and the United States are greatly deficient in this regard. This central organization would be an independent institution, with no political affiliations and operating with the least government help possible. It would furnish no funds. It would be the intellectual center of the national movement. Complete courses as well as short courses in co-operative methods would be given. Books and periodicals would be furnished upon request. Co-operative experts and technicians would be always available. Talks and lectures would be organized.

- (3) There has been in the world in general a lack of co-operative spirit, this Christian principle of brotherly love so strongly advocated by Pisu XI in Quadregesimo Anno. The long period of economic liberalism during which state intervention in the economic sphere was minimized, helped to bring about the present condition of rugged individualism.
- (4) A factor which has stood in the way of the growth of co-operation as a national movement on this continent is the lack of community of spirit which exists owing to the conglomerate of races, which compose the American and Canadian nations. Nothing would be gained by denying it. A mixture of different races such as we have is not conducive to co-operative organization. In the United States the Finns, Danes and Swedes principally, have been the pioneers of the movement in that country. In Canada, the Scots in Nova Scotia and the French Canadians of Quebec have pioneered the movement in their respective provinces.
- (5) The fact of America being a new continent has in two ways retarded the co-operative movement. Both Canada and the United States have abundant natural resources. For many years employment at high wages was easy to obtain in these two countries. The American laborer's standard of living is the highest in the world. Apart from other things such prosperity developed in our people a spirit of get-rich-quick. We are not interested in small savings, we want large dividends or nothing. We think in terms of thousands of dollars instead of cents. We are pound wise and penny foolish. It is an undeviable fact that Europeans generally have the spirit of small savings. Statistics prove that a greater proportion of Europeans have savings accounts than Americans have.

The second result of America being a new continent is the fact the people are not established as they are in the old countries. There has been a great deal of emigration from the country districts into the urban centers and also from the East to the West. This instability of residence has certainly contributed to our co-operative backwardness.

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