

WARBASSE



# Problems of Cooperation

The  
Cooperative  
League  
of the  
U. S. A.

# PROBLEMS OF COOPERATION

A Study of the Deficiencies of the Cooperative Method of  
Economic Organization and the Difficulties  
in the Way of Its Expansion

By JAMES PETER WARBASSE



*I have faith in the people; let them  
know the truth and the country is saved.*

—ABRAHAM LINCOLN

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*No system of philosophy can  
survive that does not  
criticize itself.*

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in the Way of Its Expansion

BY JAMES PETER WARBASSE

Director of Rochdale Institute, President Emeritus of The  
Cooperative League of the U.S.A., Member of the  
Central Committee of the International  
Cooperative Alliance



*The greatest of faults, I should  
say, is to be conscious of none in  
one's self.* —THOMAS CARLYLE

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NOTICE

*Cooperative education demands the study of all aspects of cooperation and the examination of the various sides of subjects upon which differences of opinion exist. In such studies, issued by The Cooperative League, the author is accorded full freedom of expression. The publication of this book does not mean endorsement by The League of any of the opinions which it contains. The author alone is responsible.*

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DEDICATED

*To the EDUCATORS, EXECUTIVES, and other WORKERS in the cooperative movement, who have promoted cooperative understanding, who have established cooperative business, and who have been chosen by the organized consumers to prove the practicability of cooperation and of democracy.*

*N 146 Boone Valley Co - op gift*

~~15510~~



*I have faith in the people; let them  
know the truth and the country is safe.*

—ABRAHAM LINCOLN

## CONTENTS

	PAGE
INTRODUCTION . . . . .	<i>xii</i>
I. DEFECTS AS SHOWN BY AUTOPSIES ON DEAD SOCIETIES . . . . .	1
ERRORS IN FINANCIAL POLICY . . . . .	2
1. Credit Business . . . . .	2
2. Too Little Capital . . . . .	4
3. Bad Bookkeeping and Accounting . . . . .	5
4. Paying Savings Returns Too Soon . . . . .	8
5. Underselling Competing Stores . . . . .	8
6. Using Donated Capital . . . . .	10
ERRORS IN EDUCATIONAL AND SOCIAL WORK . . . . .	11
1. Beginning With a Membership Unfamiliar With Cooperation . . . . .	11
2. Neglecting to Maintain Educational Work. . . . .	13
3. Ignoring the Social Side of Cooperation . . . . .	16
4. Failure to Develop and Maintain Loyalty . . . . .	17
5. Factions in the Society . . . . .	22
ERRORS IN AND ABOUT THE STORE . . . . .	24
1. Store in the Wrong Location . . . . .	24
2. Poor Stock . . . . .	25
3. Wasteful Store Equipment. . . . .	26
4. Neglecting Appearance of Premises . . . . .	30

CONTENTS—*Continued*

	PAGE
5. Waste and Losses . . . . .	35
6. Misuse of Services of Employees . . . . .	37
ERRORS IN ORGANIZATION AND MANAGEMENT . . . . .	39
1. Organization From the Top Down . . . . .	39
2. Incompetent Directors . . . . .	41
3. Inefficient and Inadequate Management . . . . .	43
4. Autocratic Methods on the Part of Management . . . . .	48
5. Centralizing Too Much Power in Directors or Management . . . . .	50
6. Continuing With Incompetent Employees . . . . .	51
7. Failure to Serve . . . . .	52
8. Nepotism . . . . .	56
9. Poorly Conducted Meetings . . . . .	57
10. Failure to Federate . . . . .	60
DANGERS FROM WITHOUT . . . . .	62
1. Underselling by Competing Businesses . . . . .	62
2. False Reports About the Cooperative . . . . .	66
3. Admitting Disloyal and Disruptive Members . . . . .	68
II. OBSTACLES TO COOPERATIVE DEVELOPMENT . . . . .	69
THE NON-COOPERATIVE ELEMENT . . . . .	71
1. The Individual Factor . . . . .	71
2. Profit Business Selfishness . . . . .	74
3. An Indifferent Membership . . . . .	77

CONTENTS—*Continued*

	PAGE
4. Uninformed Employees . . . . .	79
5. The Economically Weak and Inexperienced . . . . .	80
6. Cooperative Executives Hired Away . . . . .	82
7. Individualism Criticized . . . . .	84
8. Lack of Opportunity for the Dominating Individual . . . . .	86
9. The Poor as Poor Cooperators . . . . .	88
10. The Rich as Unwilling Cooperators . . . . .	91
11. The Neglect of Youth . . . . .	92
12. Incredulity . . . . .	95
13. The Aversion of Charity Workers and Reformers . . . . .	100
ORGANIC HINDRANCES . . . . .	104
1. The Undemocracy of Large Organizations . . . . .	104
2. Small Savings Not Sufficient Inducement . . . . .	106
3. High Prices . . . . .	108
4. Cooperation Slow in Action . . . . .	111
5. Prosperity Sometimes the End . . . . .	114
6. The Many Obligations of Cooperation . . . . .	116
7. Misrepresentation not Practicable . . . . .	117
8. Unfair Business Practices Forbidden . . . . .	119
9. Cooperative Exploitation of Labor . . . . .	120
10. Labor Exploitation of Cooperation . . . . .	123
11. Monopoly . . . . .	126
12. Paying Unnecessary Interest . . . . .	129
13. Violation of Cooperative Principles . . . . .	132



## CONTENTS—*Continued*

	PAGE
14. Violation of By-Laws and Parliamentary Rules . . . . .	139
15. Inadequate Cooperative Teaching . . . . .	140
16. Uncoordinated Cooperative Teaching . . . . .	148
17. Competition Among Cooperatives . . . . .	153
18. Lack of Growth and Vision. . . . .	156
19. Failure to Pension Employees . . . . .	164
20. Influence of Changeful Movements . . . . .	165
21. Opposition of Capitalists and Small Traders . . . . .	168
22. Difficulties of Acquiring Big Business. . . . .	173
23. Reputation of Destroying Profit Business . . . . .	175
24. Reputation of Being Foreign and Subversive . . . . .	177
<b>POLITICAL HINDRANCES . . . . .</b>	<b>179</b>
1. Laws and Customs Against Cooperation . . . . .	179
2. Man Power Taken by War. . . . .	182
3. International Barriers . . . . .	183
4. The Advancing Stateism . . . . .	185
5. Harmful State Help . . . . .	190
6. Assuming the Qualities of the State . . . . .	193
7. Inability to Promote War . . . . .	195
8. Antagonism of the Political State . . . . .	198
9. Inability to Right Immediate Wrongs . . . . .	202
<b>CONCLUSION . . . . .</b>	<b>204</b>
<b>INDEX . . . . .</b>	<b>209</b>

### COOPERATIVE PRINCIPLES AND METHODS

*A good principle, not rightly understood,  
may prove as hurtful as a bad. —MILTON*

1. Democracy of control: Each member one vote.
2. Limited returns on capital: Not more than the current legal rate of interest paid.
3. Savings-returns: If a surplus-saving accrues from the difference between the net cost and distribution price, it shall be returned to patron members in proportion to their patronage.
4. Unlimited membership.
5. Cash business.
6. Allocation of funds for cooperative education.
7. Neutrality in political, religious, and other controversial subjects.
8. Federation of cooperative societies.
9. Expansion into other fields of service.

## INTRODUCTION

*Let us not in the ardor of the pursuit lose sight of the goal for which we strive.*

ONE OF THE FIRST pieces of work undertaken by The Co-operative League, in 1916, was a survey of the cooperative societies of the United States. All available information concerning existing societies was collected. This pertained to their location, age, number of members, capital, nature of business, educational work, turnover, growth, costs, sources of supply, savings, and other business methods. But while this information was being collected, a surprisingly large proportion of these societies were failing; and at the same time new ones were springing up. The picture was confusing.

With a due regard to the knowledge of social pathology, we did not abate interest in a society when it failed, but continued to study it. I made it my business to go across the country and literally dig up the dead bodies of cooperative societies to subject them to post mortem examinations. We sat at the bedside of dying societies and watched them expire. After two years of such study, The League had collected much information. From this was deducted, in 1918, a four-page report entitled *Why Cooperative Stores Fail*.

This was not a discussion of the subject, but simply a laconic and classified enumeration of the causes of failure. It was not an academic but a practical statement of facts. It was the product of painstaking observation, many thousands of miles of travel, and endless patience. Only the author could know the difficulties involved.

In this present surge of interest in cooperation, we are short-sighted if we fail to realize that the men and women of the past, who tried and failed, made important contributions to the success now enjoyed. We learn wisdom from failure. We often discover what will do by finding out what will not do. The man who never made a mistake never made a discovery. And many a traveler has become best acquainted with a region through having had the good fortune to lose his way.

Here is a study of societies that lost their way. It is based on the old document above referred to. It sets down the causes of failure which an examination of conditions in the United States has revealed, and adds to them the difficulties which the cooperative societies in this country have encountered during the past twenty-five years. The study is also based upon my lectures on this subject before the students of Rochdale Institute.

It is an interesting fact that the knowledge of the weaknesses of cooperation and of the obstacles in the way of its development does not detract from students' interest in the subject. As I have presented these problems of cooperative deficiencies to students in many classes and in various institutions, I have been struck by the defense of cooperation that has been aroused. Instead of eliciting a sense of discouragement or antipathy toward cooperation, the result has always been a general intellectual uprising in its be-

half. Whenever a deficiency or an obstacle in the way of cooperative advancement has been mentioned, the intelligent mind is discovered trying to visualize the remedy or to think out the way to circumvent the obstruction. I have on occasions presented to students of cooperation in college classes only this obverse side of the subject, and have been amazed at their resourcefulness in thinking of ways to meet difficulties. As a critic of cooperation, I have seen students of the subject not only analyze cooperative weaknesses and prescribe their remedies, but I have seen them turn upon me and overwhelm my criticisms with an avalanche of propaganda in its favor. Criticism has seemed to elicit defense. Cooperation is basically so rich in merits, that an exhibition of its shortcomings to the intelligent mind results in stimulating protagonism and arousing loyalty to its fundamental principles.

Whatever may be said of the weaknesses of cooperation, there remains the fact that, compared with profit business, its failures are immeasurably fewer, the losses of invested capital are proportionately less, and the security of jobs is much greater. As time goes on, this discrepancy increases. Cooperation in the United States now represents the soundest form of distributive business. And this soundness is strengthened by frank, open, and uncompromising facing of the facts. The strength of cooperation is proved by full knowledge and discussion of its defeats as well as of its victories.

This book is a study of the pathology of cooperation. Everything that grows in nature suffers deviation from the normal. Cooperation is a natural growth; and its pathology is responsive to laws which are similar to those governing disorder in other bodies. In all living things, when disease

occurs, the organism itself creates what are called alexins or antitoxins. These are substances which counteract and destroy the disease-producing factor. Every living organism has the power to create within itself, to some degree, not only healing of its diseases but immunity against the ills which threaten its life. The physiological nature of cooperation is proved by its curative reaction to the disorders by which it is attacked.

We do not think any the less of mankind because it has diseases and because there is study and a voluminous literature dealing with human disorders. We should certainly think less of mankind if there were no such study or literature. The same is true of cooperation. Here is an attempt to show the maladies from which cooperation suffers. In each case the curative processes have been examined. It is an interesting fact that a remedy is available for every one of these ills, and the inherent healing power of nature is discovered. Thus cooperation, in its place among the living things of the earth, is protected by the conserving power of nature which guarantees its life, its growth, and its evolution.

What has been set down here are only the cogent and obvious facts for the purpose of suggesting the more fundamental implications and courses of action. A much greater elaboration of this subject is possible. It is limitless, because one may be wrong in many different ways, but right only in one. This is why it is so easy to fail and so difficult to succeed.

Behind all right action there must be right thinking, and right thinking must be based upon the facts of experience and observation. This book, accordingly, is factual. But because it reveals the weak spots in cooperation, it will be

taken advantage of by the enemies of the cooperative movement. There are profit business interests that will lift from these pages passages which, when detached from their context, will seem to reflect discredit upon cooperative business. This will cause a certain amount of misunderstanding of the cooperative movement on the part of those who are either not capable of comprehension or not inclined to understand. But in the end, free discussion, publicity, frankness, and absence of concealment should prove the best policy. While this book is essentially for cooperative study groups and for cooperative officials, surely nothing concerning cooperation should be withheld from the members of cooperative societies. And since cooperation is for all, perhaps all students of economics, if they wish, are entitled to know what there is to know of this cooperative way of life and affairs.

Woods Hole, Massachusetts  
22 November, 1941

J. P. W.

## I

### DEFECTS AS SHOWN BY AUTOPSIES ON DEAD SOCIETIES

*The dead no longer need us, but we  
need them, and they may serve us still.*

## ERRORS IN FINANCIAL POLICY

*Failure establishes only this: that our determination was not strong enough. —BOVEE*

[ 1 ]

### Credit Business

*Obligation is the bitterest of thralldom. —NECKER*

THE MEMBERS of a cooperative society have put in money, bought goods with it, and placed the goods on the shelves. They own the goods; and, if they wish, they can carry the goods home, consume them, and not put in another cent. Under those circumstances they would have no store left. In order always to have goods on the shelves, whenever a member takes away any article for his use, he must leave at least enough money to replace what he has taken. This is called "cash trading." It is essential to cooperative success.

If one person does not pay cash, then those who do must put in the money to keep him supplied with goods. If one person may have this credit privilege, democracy demands that all must have the same privilege; and if all took it, that would be the end of the society. Or for those who do not pay cash at the time of carrying away the goods, the money must be borrowed elsewhere and interest paid. Or goods at wholesale must be bought on credit at a higher price than for cash. Or surplus savings, which might be used for expansion or given to the members as savings re-

turns, must be used to carry members on credit. Credit business adds the expense of more bookkeeping with the possibilities of mistakes and complications. All this entails more expense upon the people who pay cash.

Credit business means higher prices, restriction of development, hampered education, and losses from bad accounts. It means charity from the thrifty bestowed upon the dilatory. It means that some members exploit the others. In the end it conduces to failure. And still this credit business is widely prevalent among cooperative societies.

For a cooperative store to give credit is to engage in a form of business which the store is not set up to perform. A store is to supply the members with goods, not with credit. Credit is a banking function. Every member of a cooperative store society should be a member of a credit union or cooperative bank. When credit is wanted, it should be gotten not from the store but from the credit society. This is so simple and so obvious that it is a cooperative essential.

Members who desire the convenience of charging should make a deposit payment periodically in advance, or buy a trading book against which purchases are made, or buy scrip or stamps of the society which are accepted as cash.

Experience shows that societies which have always given credit, which are located in communities where credit trading is the universal practice, have gone over to cash business and have thrived. A few members have been lost, but the new prosperity that has developed has always abundantly compensated for any disadvantages that have appeared.

Credit is bad for the member as well as for the society

because debt is a bad kind of poverty; for however little the debtor has, his debt makes him have still less. It is a trap easy to get into but hard to get out of. The size of debt changes its character, for while a little debt may create friendship, a large debt makes hostility; and the nature of debt is to grow.

## [ 2 ]

## Too Little Capital

*Well begun is well  
on the way . . .*

THE ERROR of beginning prematurely is found when a society opens a store and then discovers that it has started with insufficient capital. As a result, it has too little goods on the shelves, inadequate store fixtures, and lack of funds for cash buying. To call upon members for more money after the business is started gives disappointing results. With the above inadequacies, the customers become dissatisfied with the service. Loyalty holds them for a while, but in time they tend to patronize another store.

An unbalanced financial set-up has damaged many societies. They have often been short of paid-in share capital, and also have attempted to build up a surplus fund, and at the same time have carried a large number of accounts receivable. This produces a well nigh hopeless situation.

By maintaining unlimited membership and unlimited share capital, new members are invited, new stock is issued, and more funds are brought in. The shares seem attractive because their value is kept at par. Speculation in cooperative shares is discouraged by their constant

value. The payment of savings returns not in cash but in shares helps to develop capital in hand. The best time to raise capital is before business starts. At the beginning, each member should pay in what he can from his personal resources up to the maximum amount required from each. Here the credit union serves a useful purpose in personal loans. The member may also borrow money from other sources—especially relatives. The Finns use what they call “the brother-in-law method” of raising money. Then, if more is needed, the society itself can borrow money.

Cooperative banking is developing for this purpose, and in time should make large resources available. Private banks and non-member individuals loan money to cooperatives. Money, in addition to share capital, may be secured by bonds, notes, or preferred stock. This latter offers certain advantages from the legal standpoint. Preferred stock is non-voting stock. Finally, the Government is a source of credit. In this financing, it is best that good and adequate security be given. Getting money for nothing is bad for cooperation. The best sources of money are the cooperatives themselves. Other sources are but a stop-gap.

The sparsely stocked store is not inviting. An abundance, or a plenty, changes the very nature of things.

## [ 3 ]

## Bad Bookkeeping and Accounting

*Our greatest misfortunes come to  
us from ourselves. —ROUSSEAU*

THE DAY ONCE WAS when the manager kept unpaid bills in one drawer and paid bills in the other; and that was the



extent of his bookkeeping. Even the smallest cooperative business now maintains an adequate set of books, thanks to the education on this subject and to the instruction in accounting which has been promulgated from the beginning of educational federation. Accuracy in accounting has become an accepted cooperative essential.

Failure to have accounts audited spells trouble. Slovenly bookkeeping has ruined many societies. This deficiency in accounting, with neglect of the periodic inventory, has meant that societies were uninformed as to their solvency or financial standing. Accurate control is the only way to know of losses from waste, theft, and unbalance of accounts. Without it, a cooperative business can be reduced to an empty shell.

A crying reproach of American cooperatives even today is failure to control the accounting. To leave the auditing finally and wholly to a firm of auditors, or even to a cooperative auditing bureau, is unwise. Auditors are supposed to watch the cooperatives but their work will also bear watching. The accounting system of no cooperative society is on a sound basis unless the society has a committee which supervises or checks over the auditor's reports. A cooperative insurance society a few years ago had all its assets stolen by the treasurer. They were in the form of high class bonds in a safe deposit box. But for years the auditor, directors, and members accepted the treasurer's report that they were on hand. The box had been for a long time empty. At present a cooperative housing society is adjusting its losses due to the speculations of a real estate agent manager. He had gone so far as to forge the bank statements, and present always a false report of finances. The auditors accepted the forged statements. It

was not they who discovered the fraud, but a member of the board.

A cooperative wholesale has reported that not more than twenty-five of its one hundred twenty-five member societies are "in excellent financial condition." Another twenty-five member societies are described as "satisfactory." The rest are in bad condition. These seventy-five societies go along with inadequate control of their accounting.

Every society should have a control committee. This committee should assume that the auditors' reports require scrutiny the same as the auditors assume that the bookkeeper requires scrutiny. And the control committee should take nobody's word for anything, but should check up on the facts as far as possible.

Where cooperative societies are federated into leagues or wholesales, the central organization should conduct a supervisory accounting system. Each society should send a daily or weekly report to the central office which should have complete knowledge of inventory, turnover, overhead costs, etc. This central office should have experts who can analyze these reports to know when mistakes are being made or when deviations from good business practices are developing. When a society is going wrong—too much overhead or too much inventory, or too little turnover, or other error—the central office takes the necessary action. If capital is needed, the central organization has the other societies to call upon. With a movement thus coordinated, failure can be made impossible. It was because of such a set-up in the national Swedish cooperative league that an economist who studied the situation stated that a Swedish cooperative society could not fail.

## [ 4 ]

## Paying Savings Returns Too Soon

*Hurry and cunning are the two apprentices of dispatch and skill; but neither of them ever learns his master's trade. —COLTON*

TO PAY "purchase rebates" for advertising purposes is a mistake. I have made autopsies on societies which paid "dividends" with the money obtained from the sale of stock in order to induce more people to buy more stock. This sort of fraud is now less common. Savings returns should never be paid unless the assets of the society are greater than the indebtedness, exclusive of course, of secured mortgages. First should be the payment of all obligations, then funds should be set aside for education and reserve, before savings returns are paid.

Members of cooperative societies like to know that their society is not only solvent but has substantial reserves. However, in these days of economic and political uncertainty, when governments are confiscating reserves, when inflation is threatened, good policy might dictate returning to each individual what is his for his use as promptly as possible. The building up of cash reserves is not altogether free of disadvantages.

## [ 5 ]

## Underselling Competing Stores

*Inflict not on an enemy every injury in your power, for he may afterwards become your friend. —SAADI*

MANY COOPERATIVE STORES have started out to "get the business" by underselling competing stores. This is all

right in the course of time, after the business is well established and after the wholesale source of supply has been well tested; but it is dangerous as an initial experiment. It often results in incurring the active hostility of competitors, causing them to unite on cutting prices. A conspiracy of cut prices by a group of competitors can make a cooperative store much trouble, and has caused the closing of many. The cooperative store should never act as though it were the enemy of other business. Experience shows that it is best to be on friendly relations with competitors, so far as possible. I once saw a cooperative manager publicly boast that he was going to "put out of business" his competitor. The competitor put the cooperative out of business.

The job of the cooperative is to serve its members to their best advantage. It is not to fight anybody. The cooperative manager who joined the local Chamber of Commerce, and in time became its president, was a much better manager than the man who always had the merchants of the town on his heels like a pack of hounds. In the course of time, when the cooperative is sure of itself, and has proved its efficiency, it may proceed to lower prices. This is particularly indicated if the prevailing prices among competitors are higher than the market justifies. But prices should not be reduced below the point where surplus saving and reserves are not possible. This is done only where the aggression of competitors compels it. In some communities, experience shows that the best ultimate policy is to have prices a shade lower than those of competitors, but not so low as to prevent the accumulation of reserves and the paying of savings returns. Exceptions to all such conditions, of course, arise.

[ 6 ]

## Using Donated Capital

*What is bought is cheaper  
than a gift.* — CERVANTES

OCCASIONALLY there has been made available for starting a cooperative store, money donated from some philanthropic source. That meant the people did not pool their resources but used somebody else's resources—an entirely different thing. But money that comes too easily is dangerous. Cooperation succeeds best when a group of people pool their own resources and administer them together in the mutual interest. Cooperative societies have failed when this was not the dominant idea.

Stores have sometimes been started by employers for their employees. These may be converted into genuine cooperative stores by these employees buying out the employers and taking complete control themselves. However, if the members cannot put up all the money needed to start the business, they should at least put up some. The rest is best borrowed with adequate security on a strictly business basis. Philanthropy is a hazard which always threatens cooperation. Gifts from individuals, as from the Government, are to be avoided whenever possible. Self reliance is proved to be best.

Where philanthropic or Government capital is seeking a way to help cooperation, it may better be used for educational purposes than for commercial enterprise.

## ERRORS IN EDUCATIONAL AND SOCIAL WORK

*We shall one day learn to supersede  
politics by education.* — EMERSON

[ 1 ]

### Beginning with a Membership Unfamiliar with Cooperation

*Do not train youth to learning by  
force and harshness; but direct them to  
it by what amuses their minds.* — PLATO

THE SOCIETIES of the last century and first part of this century were started by people with little knowledge of cooperative principles. I have seen societies in which no member and no director knew what the Rochdale Principles were. Failure always befell them. This was because they violated cooperation out of sheer ignorance, and converted their societies into confused business enterprises. But despite the information made available by The Cooperative League, there are now many societies in the United States in this same condition. Failure awaits them unless they engage in cooperative education. When The League was started, the prevalent method was to get together some people and set up a cooperative store. The idea was that they would learn cooperation by practicing

it. This is a fine theory, but it fails in cooperation. The trouble is that most of such stores fail before the members can learn about cooperation. The difference between the present cooperative era in the United States and the era which preceded The Cooperative League is that since the founding of The League, it has been demonstrated that education should precede cooperative business. This is the change of policy that has made the difference between failure and success. There is a hazardous interval between the seed and the fruit. In the cooperative field, that interval is best protected by education.

The old societies that failed thought of themselves as business organizations and did not realize the social implications in cooperation. True, many of them regarded themselves as businesses which might ultimately change the business methods of the world; but still their ideas revolved around business. A larger conception of cooperation has developed as a result of education. It adds a social idea to the business purpose. Cooperation is more and more thought of as moving on toward a way of life as well as of business. As a result, social functions are developed in connection with business. The old farm organizations made their contribution to this end. Their picnics, festivals, and days devoted to speech making and social intercourse have influenced cooperative practice. Now every good cooperative society has not only an educational committee, but a committee on recreation and social affairs as well. The larger societies have educational directors and allocate substantial sums to these purposes. If any one should ask, what is the one thing that has made the greatest difference between failure and success of cooperatives in the United States, the answer is cooperative education.

[ 2 ]

## Neglecting to Maintain Educational Work

*Knowledge is proud that he has  
learned so much; Wisdom is humble  
that he knows no more.—COWPER*

THERE HAVE BEEN SOCIETIES which used education in the beginning and then lost interest and discontinued it. Failure has been common among them. Education is not a step for getting onto the cooperative wagon; it is part of the permanent equipment and must be in constant use and practice. Rochdale Institute, the national cooperative training school, recognizes this principle and requires that its members continue always to be students and pursue their studies throughout their active lives. It recognizes the fact that there is no educated person; there are only persons in process of education.

A small society in New England, which was struggling along on the edge of insolvency, borrowed a lot of money, had donated outside advice, and set up a new store modeled after the pattern of a profit business shop. The enthusiasm for the new store seemed to take the place of education. New members were added and the business seems to be booming. But little education is carried on. A stranger who enters the store sees nothing that impresses him as different from a profit store, except that the prices are higher. The management thinks that packages bearing the word "Co-op" are the great difference, but this means little to the stranger. He can see this word on profit business signs and labels in other places. This store has large wall spaces between the shelves and the ceiling which are

left wholly blank except for one placard advertising a profit business product. All this wall space might be used to carry some cooperative message, to give this store a cooperative character, and to drive home cooperative education. There are no shelves nor table with cooperative literature. These people entertain the delusion that the streamlining of this store is enough. Their disillusionment is yet to come.\*

Promotion, advertising, and salesmanship cannot be regarded as substitutes for education. They have educational possibilities, but usually they are associated with overstatement and exaggeration of virtues and benefits. As a result, people get a wrong impression of cooperation. This is the hazard of placing cooperative education under the control of commercial interests. It is apt to partake of promotion, and to treat education wholly as a means for increasing sales.

Cooperative education is not on a sound basis unless at some point, and that is preferably at the top, it is in a position to be impartial and free to discuss all aspects of cooperative problems, irrespective of whether such discussion has propaganda value or not. The strength of the cooperative movement in the United States for the past twenty-five years has been that national federation has been in an educational league. This likewise is the reason for the strength of the Swedish movement.

The ever-present need of cooperation is for an educational institution that is free to promote real cooperation. Discussion must be critical as well as laudatory. Harm has been done the movement in this country by over-statement. Cooperation has so much merit, that a frank exposure of the facts, pro and con, can well be practiced. The advan-

\* See page 30 herein, "Neglecting Appearance of Premises."

tages of cooperation so infinitely exceed the disadvantages that free presentation of the facts in itself possesses propaganda value.\*

Cooperative educators need not only to understand methods of education, but they need to have in mind its fundamental principles. Education is a process and not a result. It is never given, it is only gotten. And one must keep on getting it or he loses what he has. The best education is that which one gets himself in the effort to make a living. Many a man might speak the truth were he to say that he could not go to college because he was too busy getting an education. The whole cooperative process here discussed, if properly approached, understood, and carried out, can be highly educational. That means educational for executives and employees, and for members of cooperatives also.

There prevails a general notion that culture rises above the material and resides in the atmosphere of the esoteric and spiritual. But culture is a matter of bread, lumber, and textiles. The fine attributes of truth, kindness, industry, justice, generosity, and the creation of beauty are made out of material things and impinge upon material things, or they come to nothing. In concerning itself with food, housing, and clothing, cooperation is capable of promoting every virtue. Its exercise offers a vast field of education.

Education must be larger than cooperation. Its purpose must not be learning, nor even culture, but the development of the power to understand, and the knowledge that understanding must precede wise action; and it must result in initiative and the ability to function effectively.

\* See pamphlet by the Author on *Cooperative Education*, published by The Cooperative League.

## [ 3 ]

## Ignoring the Social Side of Cooperation

*Few people do business well who do nothing else.* — CHESTERFIELD

TO GO TO THE STORE, make purchases, go to an occasional meeting, and think of cooperation wholly as a business is not enough. People often get into a humdrum way with their cooperative and depend upon entirely different relationships for their social life. Such societies miss an opportunity. People who have united in a cooperative business, and who look into one another's faces at members' meetings, are capable of expanding this relationship; and by developing social activities, the membership is cemented more closely together. The members meet not only at the place of business, but at the cooperative movie, dance, picnic, lecture, theatrical, banquet, recreation park, vacation house, and in other social diversions. To neglect recreation, is to confine cooperation to business; whereas the aim is to make cooperation a way of life.\*

Programs for recreational activities may be had from The Cooperative League. A pamphlet on this subject is available. There are some cooperative plays—drama developed around the cooperative idea. A number of cooperative movies are to be had. Several excellent novels deal with cooperation. The Cooperative Society for Recreational Education of The Cooperative League promotes interest in this subject.

Some of the district leagues and some retail societies in the United States maintain centers of recreation. Central States Cooperatives has a farm at a lake in Michigan with a

\* See pamphlet on *Cooperative Education*.

number of houses for year-round use. Summer camps are popular. The Finnish societies take a farm and convert it into a recreation park with facilities for swimming, track athletics, dancing, drama, and singing. Cooperative tours are recreational as well as educational.

In Europe cooperative recreation has been developed much further. The cooperative movie house, the theatre, orchestra, and recreational parks and buildings prevail.

All these are the answer to the lack which exists in many societies. It is slowly being overcome. In the social life of the members, through their contacts with one another in their societies, the general spirit of the organization affects their relationship. In the successful society, this is giving its members many advantages not otherwise to be had. The members are drawn together in the enjoyment of the success. It creates a stronger fraternity. And while it may be said that adversity tests friends, it may also be said that prosperity makes friends.

## [ 4 ]

## Failure to Develop and Maintain Loyalty

*We mutually pledge to each other our lives, our fortunes, and our sacred honor.*

—DECLARATION OF INDEPENDENCE

MANY SOCIETIES have failed because of simple indifference on the part of the members. They had no special interest in the society, and did not know why they should have. It conducted just another store. There were others in the town that were better. This fault goes back to a multitude of other faults. All the errors contribute to this end.



Cooperative education should not only provide understanding but it should prejudice the member in favor of cooperation. When Sydney Smith said that if he had to write a review of a book, he never read the book because he found that it prejudiced his mind, he was, perhaps, carrying neutrality too far. But cooperation is not like a book; it is the book. And the member has read it and believes in it as his economic missal. Loyalty is increased by more reading and more understanding of it.

Many societies lack a medium to cement the members to the cooperative ideal and to one another. Meetings and a society paper can do this. Two kinds of cooperative literature are needed. One is the informative, statistical, philosophic, and interpretative. It is for leaders, students, and executives. The United States movement is rich in books of this type, and poor in current periodicals. The crying need is for magazines not of propoganda, but of fact-finding, analysis, and criticism.

Another need is for attractive, breezy, well written popular papers, addressed to the family. This kind of literature should contain a great variety of matter—something to meet every taste. It should be especially rich in news and discussions of personalities. People like to know about people. They are the most interesting creatures in the world. People like to read about others; they like to read about themselves. A popular paper that goes into every member-family can contribute much to the promotion of loyalty by uniting the cooperative idea with the simple and everyday humanities. Some cooperative societies are successfully developing such papers.

Interest in the society and prejudice in its favor are also promoted by action. Democracy is strengthened by respon-

sibilities. The board of directors of a cooperative society should be divided into committees, converting each director into a specialist in some part of the business. The same should be done with the members. There are a multitude of committees that can be created to give every member some special responsibility. Committees on education, entertainment, store, esthetics, and health are indications of the needs of societies whose members show a lack of interest.\* There are societies in which each member is made a member of a special committee as soon as he joins the society. His special interest is discovered and he is put on the committee to which his interest adapts him. If his interest is not expressed in any committee, a new committee is created. Democracy works best when people have responsibilities as well as opportunities—when they have things to do. Democracy needs action; without action democracy perishes.

It is good for cooperation that it is in competition with profit business and is always threatened by such business. This competition not only keeps cooperation spurred to its best action and challenged by a competitor, but it also is a basis of loyalty of the membership. These members are the proprietors of a business. And their business is in competition with another method of business. The cooperators believe that their method of business is the better. That is the reason they are in it. They have pride in their store, bank, insurance, refinery, or whatever it is. They increase their loyalty by social understanding and social activities. Thus cooperation naturally promotes loyalty and loyalty promotes cooperative success.

If a merchant could say that all his customers were

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\* See pamphlet, *Cooperative Education*.

anxious for the success of his business and jealous of its prestige and standing, he would be in a very happy position. He cannot say this. But the cooperative store can say it.

Loyalty is increased by education and understanding of cooperation as a social as well as an economic force. But above all it is fostered by efficiency. The society that provides incontrovertible advantages for its members, and to these adds education and expanded culture, is the society that is guaranteed a loyal membership.

All the above applies equally to the relations existing between the retail and the cooperative wholesale. The retailers unite to create the wholesale. It behooves them to set up a wholesale that will serve them well. Often at the beginning the service and prices may not be wholly satisfactory. The retailers have made the wholesale. If it has weaknesses, the retailers are responsible; and the retailers should remedy them. Often the retailers give their patronage to a profit business wholesale where they find the prices lower or the service better. This is a common practice. But it is not the answer to the problem. The first duty of retailers is to get together and make their wholesale function to their satisfaction. To say, "We can get better prices elsewhere," is evading the issue as well as the responsibility.

Too many retail managers go sneaking off to profit business with orders which should go to their wholesale. It means that they do not understand cooperation, that they are imbued with profit business psychology, or that they are downright dishonest. The directors should know what is going on and correct it. Suppose the prices are too high, the place to go is not to a competitor, but the con-

stituent retailers should all go together to a meeting of their wholesale. If they cannot organize their wholesale so as to make prices satisfactory, then they should jointly and by mutual agreement close up the wholesale and confess defeat. But for each to dribble away from it until it fails is the profit business way, not the cooperative way. In the cooperative movement this practice is cowardly. The issue should be faced and dealt with squarely and boldly.\*

No retail society should think of the wholesale as another business which it may patronize or not. That is the competitive profit business attitude. The cooperative retail must honestly carry its responsibility. The wholesale is a part of its business mechanism, set up by it, and maintained by it, for its service.

What is said here is equally applicable to wholesales which are members of a district wholesale or of a national wholesale. Those that are not loyal to the wholesale of which they are members are disloyal to cooperation. No member can justly go off alone and patronize some other competing business.

Reasons for dissatisfaction should openly be laid before the other members and steps for their correction should be taken. The member that will not cooperate should be dropped from membership.

Improve the society, retail or wholesale, until it serves its members better than does any other business. This is the essence of cooperation. This is the basis upon which loyalty must be built.

The best results for self-interest are to be gotten by loyalty. What is one's interest becomes one's duty; and duty is the other name of loyalty.

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\* See page 43 herein, "Inefficient and Inadequate Management."

[ 5 ]

## Factions in the Society

*Dissentions, like small streams, at first begun  
Unseen they rise, but gather as they run.*

—GARTH

A SOCIETY IN NEW YORK went to pieces because of two political factions. Each fought the other. Each tried to get control of the board of directors. Each was more concerned for itself than for the society. This same factionalism destroyed societies in New England and in the Northern States twenty years ago, when cooperators were taking politics more seriously than they do today.

Religious cults have split cooperatives. A number of societies in Pennsylvania failed for the reason that certain trade unions attempted to secure control. The non-unionists in one instance quit the society and left the members of a single union in possession. The society then became an adjunct to the union. The union was superior to the society. Failure naturally followed.

Cults, factions, and cliques have developed around individuals who went out to get a following to put through some personal scheme—sometimes good, sometimes bad. Ambitious individuals create cliques to promote some plan to advance themselves. Often this results in deprecating somebody else. Where there is freedom everybody may do it. Unfortunately it does not always happen that an equalizing force rises up to oppose a force that would become dominant. Where bitterness and untruth prevail, much damage results.

It is sometimes said that controversy is good for the society; it creates interest and gives the members something

to talk about that pertains to the society. This may be true. It may be like the stimulant that makes the tenant shoot the landlord, and also makes the tenant miss him.

It behooves the directors of a society to prevent the development of disruptive factions. That is one of their jobs. Unfortunately directors themselves are often involved in the factionalism. Here is where the president of the cooperative can perform invaluable service. He can protest against misrepresentation and expose unfairness. He can placate disgruntled elements. He can call a members' meeting and impartially discuss the disruptive practices. An honest, fair-minded, impartial president, who has the courage to challenge anything that threatens the good of the society, is one of the most important elements in cooperative organization. Heaven help the society that has a nice, wishy-washy president, or one of the dull but pompous type, when danger appears!

## ERRORS IN AND ABOUT THE STORE

*The glory is not in never  
falling, but in rising every  
time you fall.—LAO-TSZE*

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### [ 1 ]

#### Store in the Wrong Location

*The cautious seldom  
ever err.—CONFUCIUS*

IT TAKES a lot of loyalty, quality goods, and low prices to keep people going to an out-of-the-way location for their supplies. A society in California did everything right except for one thing—the store was inconveniently located. And that bad location ruined the society. When they tried to change to a more desirable location, it was too late. The primary ardor had cooled; and furthermore, the local merchants' association had gotten scared at their possibilities and prevented them from renting more desirable premises. Cheap rent is important, but people now want to do their shopping at a convenient place. Experience shows that a cooperative store, especially if it has no delivery, must be within easy reach of the members' homes. People soon get tired of going to "the other side of the railroad tracks" for goods. A little more rent may spell the difference between success and failure.

On the other hand, the store is in the wrong place if the rent is too high. The hope that an expensive store in an expensive location would attract enough extra business to make it pay has usually failed to be realized. Cooperation cannot fly too high. The best place for a store is somewhere in the middle ground. The exception is in the large and well established society.

Before deciding upon a location, the matter should be canvassed from every side. The question of location may properly be submitted to a members' meeting so that everybody may have his say. As a society grows and develops, it may have members distant from the original store. A branch store should then be established in the vicinity of any considerable group of members. This is better than a new society to accommodate new cooperators.

### [ 2 ]

#### Poor Stock

*Be not dazzled by outward show,  
but look for those inward quali-  
ties that are lasting. —SENECA*

COOPERATIVE STORES have attempted to start with (a) inadequate stock and with (b) poorly selected stock. A society in Pennsylvania raised \$1,200. They spent \$100 on organization expenses, \$800 on store fixtures, and \$300 on goods for their shelves. A smart salesman had them invest a good part of their \$300 in a bargain lot of canned salmon, and another salesman induced the manager to take advantage of a great opportunity to get a job lot of condensed milk. But presently it was realized that the

members could not live on salmon and milk; and inside of three months, the fancy coffee grinder was in the second-hand market. The amount of goods necessary to satisfy a membership is no longer a matter of speculation. People starting a cooperative society can get exact information. The society in Michigan that had enough clothes-pins to hang out the wash of the whole State; the society in western Pennsylvania that had enough shoe polish to blacken all the shoes in Pittsburgh for the next ten years; the society in Illinois with enough bottled olives to last till 1967; and the one that was overloaded with sugar when the sugar market collapsed are no longer excusable. The growing cooperative wholesales, the central sources of exact information, and the voluminous literature on cooperative business make these accidents unnecessary.

Inadequate stock does prevail in the buying club, but that is expected and understood. A little store that is not much more than a hole in the wall had better remain a buying club until ready with adequate capital and membership to be something effective. The premature store is one of the accidents to be avoided. Like a too-early cabbage, it does not head well.

### [ 3 ]

#### Wasteful Store Equipment

*By what slight means are great affairs  
brought to destruction!*—CLAUDIANUS

INVESTING TOO MUCH in fixtures is the result of high pressure salesmanship and bad judgement. The argument that the good appearance created by fancy showcases, scales,

refrigerators, and display gadgets attracts people and will soon build up a rapid turnover is overdone. A cash register that looks like the infant offspring of a hotel indicator crossed with a church organ does not impress anybody looking for a can of spinach that is not on the shelves. People go to the store to get things for their own use—they cannot eat fixtures. The less conspicuous the gadgets are, the better.

Some day the cooperative movement will wake up to its opportunities, make its place of business wholly unlike a modern grocery store, and give it a new character. The gadgets will be out of sight, and in their place will be things of beauty, comfort, and of cultural importance.

The nature of cooperative business is wholly unlike that of other business; why should not the place of business be wholly different? Let us visualize a cooperative grocery store as it might be. The front is like that of a clubhouse, a modern home, or a parish house—no goods in the windows, but an inviting entrance. One enters a room not unlike a modernistic living room of a cultured home. This is the store where the woman orders what she wants. There are easy-chairs, curtains, rugs, tables with books and magazines, bookcases and literature. The room is homey, comfortable and inviting. In recessed bookcases are samples of the goods—not dozens upon dozens of canned peas, but one can of peas—one of everything. This display of goods is not the most conspicuous thing in the room, but the least conspicuous. In the room is a clerk or the manager and a cashier. This is the room upon which the money is spent. Back of this room is the larger part of the premises. Here is the storeroom with pine shelves on which the goods are stored.

The modern idea of equipping a store with plate glass fixtures and chromium steel, and storing thousands of cans, bottles, and packages on this highly expensive shelving does not make good sense in cooperation. Plate glass and chromium steel warehousing is unnecessary when it can be done on pine shelves. Just what put it into anybody's head that cans upon cans of string beans can be made to look esthetic is difficult to imagine.

The warehouse room of this store is the busy place. Here the orders are filled. A belt system running around the room expedites business. To save overhead, this room may be arranged for self-service. The store we are considering carries only a limited number of brands. The quality is good. To save costs, perishable goods need not at first be handled. One kind of coffee is enough. The multitude of things encouraged by profit business can be eliminated by cooperative education. Each week the store issues a list of its goods with prices and a blank space opposite each item to fill in for ordering. A society in New Jersey has no store, only a warehouse. Each member has a telephone and orders come in through this means. This list goes to every member. Members are encouraged to come with an order sufficiently large to carry the family for one or two weeks. A good big discount is taken off the order of \$5 or more. This discount is big enough to mean a substantial saving. No family can afford to ignore it. This means big packages. It literally converts the business into retail wholesaling. The indolent habit of living from hand to mouth, of buying every day or so a quarter of a pound of this and a small can of that, is expensive for the consumer. Family planning can be substituted. It is good for the family to take this grocery list, check off the amount of each item

wanted, and send it to the store. This means family budgeting, and this is educational.

The business is on a cash-and-carry basis. A small charge is made for each delivery. This store does not need to be in a high rent area. The prices can be so low, or the savings returns so large, that members will patronize it wherever it is. This is the first store of the society. As more stores are developed, one catering to the less provident and the more affluent can be set up. Such a store would supply varieties, luxury goods, and small orders. The savings would be less.

The front room of this store would be not only a center of business but also a center of education. The educational secretary or educational committee would have its desk here. Here also would be the headquarters of the credit union, the insurance society, and other allied organizations or departments. These could be accommodated in adjacent rooms, indicating a coordination of cooperative activities.

This set-up would be small and simple in the small society, and expanded as the society expands. The time has come for cooperators to develop cooperative imagination and planning. Copying the expensive methods of profit business does not do cooperation credit, especially while those methods are illy adapted to cooperation.

The old-fashioned store was a forum where men gathered round the cracker barrel to exchange news and solve the problems of the day. The cooperative store can modernize this ancient practice, and make itself a pleasant place where neighbors meet upon a common ground. Here the fine art of conversation may reveal the folly of the learned and the wisdom of the untutored.



## [ 4 ]

## Neglecting Appearance of Premises

*Some men, like modern shops, bang everything in their show windows; when one goes inside, nothing is to be found.*  
—AUERBACH

THE SLOVENLY STORE bespeaks a slovenly people, just as corrupt government signalizes a corrupt electorate. The dirty cooperative store is an anomaly to cooperation because cooperation is by nature clean, and the dirty store means only that some non-cooperative element has gained entrance to the society. The problem is solved by discovering and reforming the sloppy store or by not permitting it to start. Either a nice store should be started or none at all.

The slovenly cooperative store has done its damage and seen its day. It should be a thing of the past. The cooperative movement of the United States has been damaged by disorderly hands as well as by disorderly minds. There is an idea that a disorderly store is associated with busyness. It is the opposite. It is easier to keep a store in order than in disorder. Less work is entailed where things are systematized than where chaos prevails. A basket of shriveled lemons, a lettuce leaf on the floor, a lost potato reposing in a dusty corner are the telltale language of mismanagement, with a multitude of things left undone. Order is another name for cleanliness. And cleanliness must precede beauty.

Cleanliness must prevail not only in the cooperative premises but in the personnel as well. The effect of cleanliness upon a man is so great that it extends to his moral character. Trustworthy men like to be clean. Virtue and

merit do not abide in the company of disorder and dirt. A store manager with soiled hands and an unclean apron once explained to me, "We cater to working people, and they don't want us to put on any airs." He insulted labor. We have had enough of this sort of thing in the United States and we need to clean house. Besides order, cleanliness, and system, attention to the necessary esthetics is needed to strengthen the cooperative movement. Harmonious colors, paint properly applied, flowers, flower boxes and decorative shrubs are crying needs. These things cannot be left to chance. Good esthetic effects require the skill and taste of experts. The Committee on Art and Architecture and the Cooperative Design Service of The Cooperative League should reach every society. Consumer Distribution Corporation is doing effective work in this field.

Not only is creative art needed, but supervision, to guarantee the maintenance of order and beauty, is necessary. A cooperative society in Massachusetts spent a large amount of money to beautify its restaurant and food store. This included a stained glass window made by a capable artist. Then esthetic supervision retired. The stained glass window one time was pasted over with gaudy advertising signs, advising people to drink this or that unhealthy cocoa concoction, or walk a mile to get tobacco heart. A vulgar display can easily destroy attempts at beauty. Cooperative stores, to meet the possibilities which cooperation offers, can be made unique in their attractiveness. People have grown tired of the unattractive stores. Such stores have failed and closed up. The time has come for cooperation not even to copy the methods of profit business, but to do the unique thing and create in its premises a beauty that is outstanding and even superb.

It is an amazing fact that most cooperative stores in the United States look like ordinary profit business stores. One can go into them, make a purchase and go out, and not know they were different from any other business. They miss the greatest opportunity their business offers, the opportunity to declare their cooperative character. It is their big business asset and they neglect to take advantage of it.

The cooperative store should not attempt to imitate even the best profit business store. It should have its own character. The stores of the Stockholm society, in Sweden, possess a beauty peculiarly their own. American stores can do the same. Besides harmonious colors, order, symmetry in the placing of goods on the shelves, and scrupulous cleanliness, there should be distinctive cooperative features. There are three good aids to this end. First, there is the rainbow flag of the International Cooperative Alliance, now used in forty countries. The rainbow colors lend themselves to a variety of arrangements. Second, there is the seal of The Cooperative League—two pine trees of green with their roots extended in a circle of the same color against a background of gold symbolizing the sun. This has been used to produce some highly artistic effects in the hands of competent artists. Third, cooperative legends or mottoes can be used. These can be painted on the walls in such a way as to be both educational and artistic.

The use of such cooperative legends has great possibilities. The literature of cooperation is rich with such material. Simple short sentences are best. The following are examples: "This store belongs to the customers." "There is no single owner who makes profits from this business." "The savings in this business belong to its

patrons alone." "Consumers, this is your business." "We have united with our neighbors to conduct this business for ourselves." "This store is one of many thousand cooperatives in every country in the world." "We do business with ourselves." "Neighbors unite in cooperation to supply their needs." "This is one of the world's 500,000 cooperative businesses." "Be your own merchant." "In this store the difference between the cost price and the price you pay belongs to you." "This store belongs to a society of consumers who run it, not to make profits from other people, but to supply themselves with the things they need." "In cooperation, people unite and learn to supply their retail needs; then retail societies unite to form cooperative wholesales; the wholesales proceed to manufacture the things the retails need, and then to supply themselves with raw materials. Thus by simple experience, beginning small, consumers have built up great distributive businesses, large wholesales, and some of the most efficient manufacturing businesses in the world, and are saving themselves the profits in all these activities that otherwise would go to somebody else." "The more cooperation expands, the less is the expansion of the political government in business and in autocratic control over the lives and property of the people." "Cooperative business is private business run by the people for their own private welfare." "The world is going to have totalitarian stateism running all business, or it is going to have cooperation. Which do you prefer?" "Cooperation is the way of plenty, of justice, and of peace." "In cooperation, all help each."

Here are some more: "By cooperating with one another, we improve the golden moment of opportunity and catch the good that is within our reach." "This store represents

consumers in business." "Each member in this society has one vote and no more; it is an example of democracy at work." "This is our store and we never cheat ourselves." "Try buying at cost and see how you like it." "In cooperative business, the more you consume the more you save; join the cooperative and eat yourself into house and home." "This store is an institution for education in economics."

There is a tendency now to take a good looking profit business store as a model and make the cooperative store look like it. This has been successfully done in several instances, with the result that the appearance of cooperative stores has been greatly improved. But an experienced cooperator would know this is not enough. These stores usually have nothing in them but some packages bearing the word "Co-op" to show that they are different. On the strength of this imitation of profit stores, members are expected to flock in and swamp the clerks with their demands. But something more must be added or disappointment results. Legends on the walls and bulletin board will help but they do not alone suffice.

The fundamental need is that the members be made aware of the unique nature of their business. They must know that their store, while it may look like another store, is different. It is a store owned by the consumers. It makes no profits for other people but returns its savings to its members. It is their private storehouse for their service. These things can be taught only by making use of educational methods. If education is not carried on, the streamlining of the store is in vain. From the cooperative standpoint, it is so much waste. Experience proves this to be the case. Of the two, education can do more to make a

cooperative store look good to the eyes of its members than can any amount of store engineering. But the two together can create great results.

[ 5 ]

### Waste and Losses

*A small leak will sink a great ship.*—B. FRANKLIN

WASTE IS FOUND most prevalent where disorder prevails. There are many kinds of waste. They all spell leakage and cost to the society. I was walking through a store in northern Michigan with the president of the society. To show me that he was a privileged person, he picked up two apples from a basket, put one in his pocket and proceeded to eat the other. Leakage! Yes, worse than leakage: downright theft. When the store manager was closing up that night and getting ready to go home, I do not know whether he slipped a can of sardines in his pocket or not, but I do know that the president of the society had suggested that he might.

An old society in New York melted away because of unaccountable waste or leakage. Nobody ever found where the goods went. This all comes back to the need of punctilious accounting methods, inventories, and auditing. Boards of directors must watch the overhead costs. These costs must bear a definite relation to the total intake from goods or services. The overhead expense must be kept down. It must never exceed the difference between the cost and distribution price of the goods or services supplied. Efficiency does it. The Central Cooperative Wholesale of Wisconsin sends out to managers and directors a bulletin

on "Expenses." These it itemizes in percentages and shows what they should be. It gives recommendations entitled "Means of Reducing Expenses," and furnishes a list of over twenty possible wastes which may occur in a cooperative store. Even where the business seems to be going well, the board may wisely sit down with the manager at regular intervals and go over this list. Little things not readily thought of thus receive attention. Deterioration caused by placing moist goods in a place where they dry out too fast, goods spoiled by storing in a damp location, waste in wrapping parcels, unnecessary and careless use of machinery, permitting goods to deteriorate and suffer total loss rather than move them with a low price are some of the little things that make for waste and loss. The saving of a fraction of one per cent here, and also there, may easily add up to success instead of failure. "Trifles make success, but success is no trifle," said Michael Angelo. Only little minds scorn little things.

The dishonesty in profit business and in political business is well known. It also occurs in cooperative business, but, I believe, to a lesser degree. Accountants sometimes find the accounts of cooperative employees short. Stealing does occur to the discredit of cooperation. Everything possible should be done to prevent it, and to develop among employees the sense of duty which they first owe to themselves and, secondly, to the society. Above all is needed the inculcation of the idea among the employees that they are not only the custodians of goods, but of goods which are factors in a great cause, goods which are sanctified by the function they are performing in purifying the business world, goods which must not be profaned by any dishonorable act.

[ 6 ]

## Misuse of Services of Employees

*The more we do, the more we can do;  
the more busy we are, the more leisure  
we gain.*  
—HAZLITT

WHO HAS NOT SEEN the clerks in a cooperative store doing nothing when a hundred things cried out for attention? Socrates said: "He is not only idle who does nothing, but he is idle who might be better employed." Every cooperative store should have literature and a reading room, or a table, or corner, or some comfortable place where people who need to kill time can read about cooperation. If clerks or manager have put everything in order, have cleaned up all the bad spots, have whitewashed the cellar, and polished the truck, and there remains nothing more to do, in the absence of customers they could be better employed reading good cooperative literature than the tabloid papers I have often found them perusing. And it behooves the society to see that it is made available for them. Cooperative employees should be kept busy in some way promoting cooperation. If they waste time, time will in the end waste them. They must be taught that cooperation is so important that they cannot kill time without injuring eternity.

It is said that Fortune knocks once at every door. Many people on opening the door do not recognize Fortune because she stands there disguised as Work; they turn away and close the door. The idle employee is not only stealing something from his employer but he is injuring himself when he fritters away time that might be put to profitable use. It is for directors to see that the manager

does not steal time, and for the manager that the clerks are occupied. Despite the fact that cooperative employees are often overworked, still there is enough latent energy in the unused time of these employees to build a great movement.

## ERRORS IN ORGANIZATION AND MANAGEMENT

*From the errors of others, a wise  
man corrects his own. — SYRUS*

[ 1 ]

### Organization From the Top Down

*Self-confidence is the first requisite  
to great undertakings.—DR. JOHNSON*

THERE HAVE BEEN a number of attempts in the United States to organize cooperatives and present to a group of consumers a ready-made society. Usually it has been a wealthy philanthropist who has done this. There are instances where it has been done by corporations for their employees. Trade unions, with large surpluses, have done it for their members. A similar result is seen where a single individual, of aggressive ability, does the whole job; while the members, whom he invites to join, stand quietly aside and see one man create a cooperative store for them. Such societies have gone along after a fashion until the parent power or the guiding genius becomes exhausted or disappears, and then the end comes quickly. N. O. Nelson, a wealthy manufacturer, built up a cooperative organization with sixty-one stores in and about New Orleans, with yearly sales of nearly three million dollars. So long as he could carry the responsibility, and pay the

deficit, the business went on. The membership in these "top down" cooperatives have not taken the initiative, nor themselves raised the money, nor learned how to assume the responsibility, nor educated and raised up people from their own ranks to carry the executive responsibilities. Failure is inevitable.

The most effective way philanthropy can make cooperation succeed is to begin with education. Instead of starting a store and giving it to the people, cooperative education may be carried on among the people until they know so much of cooperation that they spontaneously express a desire to go into cooperative business. Philanthropy can then see that they are guided toward the best sources of information. It can supply necessary instruction. But the work must be done by the people themselves, developing their own officers to assume responsibilities. And the people must raise the money. They must put in what they can, and what they need to borrow may be supplied from the philanthropic source. But this should be on a strictly business basis with adequate security. By donating only educational help, and moving ahead only as the people show their ability to run their own business, philanthropy may promote cooperation without doing actual harm. It may also finance schools for the training of cooperative educators and executives. It may make available expert advice and critical supervision of cooperatives. But in the end, all these services are best supplied from purely cooperative sources. Self-reliance is best.

The best help that philanthropy or extra-cooperative interest can render cooperation is to help finance cooperative education. Education must precede cooperative business. Education can always go farther and faster than

business. This means that more education can be conducted than cooperative business can finance. Cooperation can be damaged by getting "easy money" for business, but "easy money" for education can greatly assist cooperation's advancement. N. O. Nelson did cooperation harm with the fortune that he spent. He could have used his money wholly for its good, had he devoted it to cooperative education rather than to cooperative business.\*

It might be possible for a philanthropic fund, with effective guidance, to start a big store as a profit business, and then carry on cooperative education among the customers and invite them to buy shares in the enterprise. When enough shareholders have been secured, they might be organized into a cooperative society, and the ownership and control of the business turned over to them. This would be after they had demonstrated their interest and ability to run the business successfully as a cooperative, and had made themselves owners of the property. Such a plan has never been put into successful operation in America. But no one can say that it could not be done.

[ 2 ]

### Incompetent Directors

*Whoever he be, that has but little in his power, he should be in haste to do that little, lest he be confounded with him that can do nothing.—DR. JOHNSON*

SOCIETIES HAVE PERISHED because the membership have elected the wrong people to their board of directors. This particular cooperative function is not taken seriously

\* See page 111 herein, "Cooperation Slow in Action."



enough. Societies give thought and take pains in selecting a store site; but when it comes to selecting a board of directors, they often fail to use the same critical judgment. It is a subject which needs information and discrimination. A temporary executive or organization committee may be elected during the organization stage; but when a permanent board of directors is chosen, more deliberate methods must be used. The temporary organization committee is not necessarily the best material for permanent directors. Often they are a different sort. A transient resident or an outside organizer may function efficiently as a promotor and temporary chairman; but for a permanent president, it is necessary to have a permanent resident of the community.

The common practice of a members' meeting to receive nominations from the floor and then and there to elect directors is not wise. A society must have great vitality to survive such a blow. Under such circumstances, nominations are too often animated by friendship, emotion, or the complimentary impulse.

To get the best results, a nominating committee should canvass the membership and pick out the best material. Then, after they have presented their candidates, nominations from the floor should be accepted. But under no circumstances should the election of directors take place at that time. One or two months should intervene before the election. This gives the members time to get information about the candidates, and talk them over. Many good societies publish a picture of each candidate with a statement concerning his qualifications, send it to the members, and permit them to vote by mail.

When it comes to electing directors of a district league,

or a regional or national federation, the problem becomes more serious. Wherever possible, consumer members should be elected rather than employees. But this is often difficult because the ordinary members of a cooperative society are usually not as well informed as managers and it is often difficult for them to travel distances to attend meetings. However, the directors should as far as possible represent the sort of duties the organization is required to perform. Persons experienced in business are best adapted to the directorship of business organizations, and persons with knowledge and experience in education are best for educational organizations.

The best director is not always the best talker or gladiator. The directors are going to select from their number the president; and they need the most competent material in the society. Sometimes a pompous fellow is elected president when there is not much to him but a magnificent ability to do nothing. Gravity is often only a mysterious quiet which covers the defects of the mind. The good man is not enough. Directors must not only be good, they must be good for something.

[ 3 ]

### Inefficient and Inadequate Management

*To become an able man in any profession, three things are necessary—nature, study, and practice.—ARISTOTLE*

THIS IS ONE of the most common causes of failure of cooperative societies. It has already been discussed under *Misuse of Services of Employees*, page 37. The nature of incompetence is too large a subject to be treated here.

It means not doing the right thing at the right time. And no cooperative can exist in the presence of this deficiency in a manager. There are four different courses which cooperatives are found to follow. The first is to continue with the incompetent manager and let the society fail. The second is to transfer the manager to some other position for which he is better fitted. This is dangerous because he often changes from an incompetent employee to a disgruntled employee, and continues to do the society harm. The third is to try to educate him and patiently encourage him to improve his ways. This is the way of charity, but it commonly fails because a man, who has not within himself the motive power to do a good job, can only with the greatest difficulty be given that motive power by somebody else. The fourth course is to dismiss the manager. This is direct, simple, and effective—provided a competent manager can be put in the vacant place. Many a society has cast out the devil and taken on chaos in his stead.

There is one strange aspect to this subject. Loyalty is often urged in place of demanding efficiency. As a result of incompetence, giving rise to higher prices, poor quality, bad service, or unattractive store premises, members decrease their patronage of the cooperative and go to some competing store where they get better satisfaction for their money. The directors notice this falling-off of patronage. The committee on education is called into action. It puts on a campaign to increase loyalty to the cooperative. "Be loyal to your store" becomes the slogan. The heat is turned on. Members are made ashamed of going to other stores. Business is increased. I once saw in a store in Pennsylvania a bulletin board at the entrance of the store and on that

board was posted the amount of patronage each member had given the store during the past month. The people who were trading elsewhere were held up to shame. Loyalty was the watchword. And while this was going on, the incompetent manager, in his dirty store, passed poor quality goods across the counter at high prices, to intimidated cooperators who had been cajoled into giving it their patronage. All this was in the name of "a great ideal!"

Loyalty is like liberty: it must be deserved, or it is worth nothing. Loyalty should come naturally. The best way to promote it is by good service. It must be worth while to be a member of a cooperative society. If the society serves the member well, it has taken the first and most essential step to guarantee his loyalty. Artificially whipping up loyalty is no substitute for firing the manager.

All that is said here concerning managers applies also to other employees. Cooperative success depends upon a well coordinated group of competent employees, knowing that they are answerable to the manager; a manager, conscious constantly of his answerability to the board of directors; a board, realizing they are the agents of the members; and a membership which understands that they are responsible, by their patronage and control, for a business which not only serves them but which is a part of a great national and world community of mutual interests and obligations. Without this chain of responsibilities and efficiencies, co-operation fails.

The seaworthiness of a vessel is not known until it encounters wind and waves. The competence of the mariner is proved only by gale and shoal. A competent captain can, nevertheless, bring to port a leaky craft; and an

incompetent captain can wreck a perfect vessel. Since failure of a cooperative society is bound to occur if the manager is incompetent, and since failure among cooperatives is not common and is growing rare, managers seem to be growing more competent. This is logically and factually the case. While finding the competent manager is a problem, still many are being found. The training schools in the United States and the widespread cooperative education help toward success in this field.

However, there is throughout the United States a striking numerical inadequacy in the supply of competent managers. There are in this country thousands of groups of people who have studied cooperation, who have met and discussed the possibilities of starting some cooperative business. They are satiated with theories and ideals, and they want to go into action and accomplish something; but they do not know where to turn for a manager. To take an employee from a chain store or some one who has failed in his own business, or some inexperienced person, is not the answer to their problem. There is much talk of building cooperatives faster, but it cannot be done until trained executives are available to administer the business. If I were asked why cooperation does not grow faster in the United States, I should say because of the inadequate supply of informed and trained educators and executives able to take cooperative societies in hand and make them succeed. The people who want cooperation are ready, the need and the opportunity are there, but the supply of administrators is insufficient.

There is another problem. Cooperative societies often have to go away for managers and other employees. Sometimes they do this when just as good workers are to be

had at home. Directors often prefer outsiders because they are more easily hired and fired without local complications. This gives rise to discontent on the part of members who might be eligible for the jobs. It is far better to employ members of the society where they are available and competent; and their investment in the society, as members, makes for trustworthiness. The American Finns have adhered strictly to this method with excellent results. All this is a part of the policy of local self-sufficiency. It may be laid down as a fundamental that a cooperative society should within itself be as self-sufficient as possible. That means with regard to the supply of capital, the supply of commodities, and the supply of labor. Where there are no members of a society available to render competent service, those who are possibilities should be tried in understudy positions. It is in the interest of local sufficiency. The people in the local units should do everything for themselves that they possibly can. The best improvement is from within outwards. This is one of the many respects in which cooperation differs from political government which moves toward centralization and away from local autonomy.

Back of it all, the members in general are responsible for inefficiency and inadequacy in the management of cooperative societies. They cannot shirk this responsibility. It is the price of democracy; and democracy imposes it upon them. The power of control resides with the members; and responsibility walks hand in hand with power. It does not suffice for members to complain about management as though it were something outside of their sphere. The management is created by them; they must make it right; or the guilt is theirs.

## [ 4 ]

## Autocratic Methods on the Part of the Management

*And even in bodies of cooperators, formed for carrying on manufacturing or distributing businesses . . . it is found that the administrative agency gains such supremacy that there arise complaints about "the tyranny of organization."* —HERBERT SPENCER

SOMETIMES societies have failed through permitting an autocratic board of directors to ignore the membership. Such boards have acted as though they owned the society. They have done important things without consulting a members' meeting or have even defied the members and have taken actions which were contrary to the wish of the majority of the members. Often a board resents the thwarting of their plans by the members. They do not want to be bothered by a members' meeting. I have had the president of a society tell me that members' meetings were a nuisance, and they wished they could get along without them. That may be good executive business but it is not good cooperation.

The members must control. They must feel their responsibility and learn how to control. They may make mistakes, but their mistakes are less dangerous than the success won by an autocratic board of directors. Members' meetings are the last word in control. Members should look to their directors to keep them well informed so that they can act wisely. A good board is capable of making any program or project clear to the members. If it cannot, the members should elect a board that will cooperate with the membership.

Concentrating too much authority in the hands of the

manager has proved fatal to many societies. I have seen the manager's name painted on the sign in front of a cooperative store in Massachusetts, and the manager, in speaking of the society, always called it "I." Beware of the manager who is the whole show! Societies have failed because the manager was so important that he chose the directors and kept them in sufficient ignorance to make himself indispensable.

There is such a thing as the highly efficient manager who does everything. The board has nothing to do. And everything goes well. But when such societies lose their manager, the society closes up because it has leaned wholly upon one person. The board and the membership have not learned how to function effectively. A society in Michigan had a manager who refused to obey the instructions of the board to patronize the cooperative wholesale. He personally preferred profit wholesales because of the perquisites he enjoyed. Such a manager may conduct a good business, but it is not a cooperative business; and it is headed for trouble.

The sequence of authority should be clear. The manager must be answerable to the directors. There must be perfect harmony and cooperation between him and them, and they must know the important things about the business that the manager knows. The directors must be answerable to the membership, and should hide nothing from them they should know. The directors are their servants, not their bosses. The whole relationship must be democratic. The success of cooperation depends upon administration being centralized in the directors and manager in the interest of efficiency; and control, which is the power to say yes and no, must rest with the membership meeting. Central-

ized administration and decentralized control make for efficiency and democracy.

As to the corrupting power of autocracy, the time to guard against it is before it shall have established itself. It creeps in like a wolf in the fold. It is better to keep it out than to draw its teeth after it is in.

## [ 5 ]

### Centralizing Too Much Power in the Directors or Management

*Power is ever stealing from the many  
to the few.* —WENDELL PHILLIPS

THE EVILS of autocratic methods on the part of officials spring from centralizing too much power in their hands. Whether this power is given or not depends upon the members. Usually it is not given, but is taken. The indifference of the members makes it possible. For this reason, every member of a cooperative society must be conscious of his responsibility in making the society succeed. He must give thought to the welfare of the society. He must not only think but act in its interest. The ultimate guarantee of success rests with the members. And when failure occurs, it is their fault. When members of cooperative societies complain about poor service, bad quality, high prices, unsatisfactory manager, and indifferent directors, they are criticizing themselves. This is the thing members must understand.

A most serious weakness of cooperation in the United States is the large proportion of societies depending for

their success upon one individual—the manager. They enjoy apparently great prosperity under the autocratic administration of this one individual. When he goes, the success goes with him. This is the situation in which efficiency proves to be inefficiency. A false security is built upon one pillar. No board of directors is doing its duty unless it has in view the individuals who can take the place of the persons upon whom the success of the society depends; and it is the duty of the membership to ask the directors if they are giving attention to this need. In the last analysis, success depends upon an intelligent, alert and loyal membership. Their will to make the society succeed is the best guarantee of success.\*

## [ 6 ]

### Continuing With Incompetent Employees

*There is, however, a limit at which forbearance ceases to be a virtue.* —BURKE

THIS SUBJECT is self-evident as a cause of failure. But many societies, for insufficient reasons, have neglected to dismiss incompetent employees. Managers, whose incompetence was sapping away the life of the society, have been retained because the board liked the man, or was sorry for his family, or because he was a friend of the president, or because no member of the board had the nerve to tell him he would have to go. The same is true of clerks and other employees. The problem is easily solved when directors understand that the first duty of directors is to do

\* See page 71 herein, "The Individual Factor."



what is for the best good of the society. They are elected to make the society succeed. This is in the presence of competition with other businesses which must be taken seriously.

The cooperative is not a philanthropy nor is it set up to make jobs. Its purpose is to serve the consumer members, and everything must be directed to that end. There are other ways of doing things for incompetent employees. The last thing to do for them is to retain them in their jobs. All this, of course, presupposes every possible consideration to the kindly treatment of the incompetent. It means giving them every opportunity and help to mend their ways. But it also recognizes the fact that the cooperative society is neither a reformatory nor a school for the undeveloped; it is a serious business in a world in which efficiency is the best guarantee of success.

### [ 7 ]

#### Failure to Serve

*Everyone is the poorer in proportion as he has more wants, and counts not what he has, but wishes only what he has not.—MANILIUS*

IF A COOPERATIVE does not satisfactorily serve the members, there is nothing for it to do but close up. And this has happened to thousands of societies. Loyalty and enthusiasm will keep a society going for a few months, but if the members can get better service, value, or quality elsewhere, the society is doomed. And it should be. Cooperation should be thankful for the competition of other businesses which challenge it and compel it to do at least as good a

job as they. This competition compels excellence. Without it cooperation would be in danger of sinking into the mediocrity which prevails in countries where only one kind of business is permitted. The demands of the members can be depended upon to keep up standards to a point as high as the initiative of the members makes it possible. This can be encouraged and stimulated to a high point. But it can be carried beyond that by competition. It is the opportunity to make comparisons that helps to keep up standards of service.

Societies sometimes fail to serve because they have no way to take advantage of the complaints of members. Often those who voice complaints are discouraged from so doing. Every discontent should register somewhere. A "suggestion box" in the store in which complaints may be put is useful. The members' meeting should welcome constructive complaints. A large society may have a grievance committee. Everything possible should be done to bring to the notice of the management the grievances of members. This is much better than outside whispering and knocking. Members owe it to the society to register the things they think are not right. They lose the right to complain who silently suffer wrongs.

Members, however, should not expect too much. When the manager of the Maynard, Massachusetts, society was telephoned to send a half-pound of animal crackers "for my little girl's party" to a distant home after the deliveries of the day had been made, and when he consented to make the special delivery and was then asked to "take out the elephants, because my little girl is afraid of elephants," was it any wonder that the manager dreamed of elephants that night?



Failure to serve may also consist in misdirected service. A clerk, who has had his training in profit business, will often be found inducing the customer to buy beyond her needs. Training in prudent buying can be of service to members. The woman who comes in to buy a six-ounce jar of peanut butter every few days can often be best served by being advised to buy in bulk by the pound. This does not bring in as much money to the store, but it serves the best interest of the member; and that is the purpose of cooperation. Cooperative stores have been ruined by employees from profit business with high pressure salesmanship methods.

The National Cash Register Company reports that in a survey of 1,483 profit business stores, to learn why customers stopped trading, the following reasons were given:

Indifference of salespeople.....	9%
Ignorance and misrepresentation of goods....	8
Haughtiness of salespeople.....	7
Over-insistence of salespeople.....	6
Errors and delays in service.....	17
Tricky methods and unwillingness to exchange goods .....	10
Attempted substitution of goods.....	6
High prices .....	14
Slipshod store methods.....	13
Poor quality goods.....	10

The figures show that most of the causes of failure to serve customers to their satisfaction are personal. The clerks are at fault. This should prompt the cooperative to watch the quality of its employees.

A cooperative store might display on its wall a legend

something like this: "We are ruined not by what we want but by what we think we want. He that buys what he does not want may soon want what he cannot buy." Or it might remind its members of what Socrates said, as he turned away from the fair at Athens: "How many things there are I do not want." All this is to illustrate the fundamental fact that cooperation, unlike profit business, does not aim to increase sales to consumers but has as its object to serve the best interests of consumers. Not profit, but service is its reason.

A consumer cooperative society may also serve its members as producers as well as consumers. This is the ultimate goal of cooperation and at present much neglected. Whatever the members want, that other members produce and wish to sell, the society should handle. This is true of farm products, fish, and home-made things. Indeed, until such producing members have a marketing association, the consumer cooperative may exceed its consumer function by finding a market and selling to non-members the produce of the members. The American Finns have done this successfully without harm to the consumer principle of cooperation and with great advantage to their members both as producers and as consumers.

The Fitchburg society established a creamery and bought its milk from its dairy farmer members. The Dillonvale society built a packing plant and got its meat from its farmer members. This proves better for both producers and consumers than buying from the milk or meat trust.

Cooperation developed to its logical conclusion, makes the consumer members employees of the society by buying the labor or the products of the labor of its members. The consumers become producers of what they consume.

## [ 8 ]

## Nepotism

*Who seeks for aid  
Must show how service bought can be repaid.*

—LORD LYTON

THE EMPLOYMENT of relatives of the employing authority, or the employment of more than one member of the same family, has sometimes resulted in favoritism which brought incompetence into the personnel. It sometimes has made for family cliques among the employees. When the son and daughter of the president of the board are appointed to jobs by the manager, there is apt to be the feeling, if not the fact, that the manager is under obligations to the president, or the president to the manager, and that considerations other than of fitness have entered into the appointments. Many societies have rules against nepotism. Societies have been killed by too many relatives. The sad-faced man at the foreclosure sale of such a society said that he was not a member but that he was sad because he had four relatives who worked for it, and they all owed him money.

In some cases, however, the rules against nepotism have deprived societies of the services of valuable people. It is my belief that such rules are discriminatory and unfair. The important thing is that the society should elect a competent board of directors, and then look to that board to employ the most competent people available. If the best material in the community is in one family, I see little reason why the society should be deprived of that material. If, however, the board is caught appointing incompetent people, that is the fault of the board, whether the employees are related or not; and a better board is the answer.

If the society does not contain the elements for a good board, the society should go out of business anyway, whether the employees are related or not related.

## [ 9 ]

## Poorly Conducted Meetings

*Interest makes all seem reason  
that leads to it.* —DRYDEN

SOCIETIES PERISH from dry rot, just from doing nothing that interests the members. Of all the ills that afflict cooperatives, the dull membership meeting occupies a high place among the casualty causes. People sit through it and go away discouraged. It has failed to catch their interest or to prove itself worth while. How to make such a meeting interesting is discussed in the pamphlet *Cooperative Education*. Above all things, the chairman must do a good job. He can encourage profitable discussion, stop tiresome talk, and guide the meeting to success. If the president is not a good presiding officer and there is somebody on the board or in the membership who is, it is often wise to appoint such a person as chairman just for members' meetings.

The reports should be well presented. They should be clear and informative. Dull readers and speakers are deadly. Indeed, among educational functions of a cooperative society, public speaking has an important place. Members' meetings should be so profitable that the members gladly attend; and instead of one a year, a good society will be found having three or four or even as many as twelve.

In the cooperative society, urbanity rather than vulgarity

should be cultivated. Neither the chairman nor other speakers should stoop to cheapness of expression. For a speaker to exploit his mediocrity, to humble himself in the presence of his audience, for the purpose of flattering them in order to win their esteem, is not becoming to cooperation. Bad grammar purposely used is an insult to an audience. Speakers of mediocre calibre are prone to condemn everything beyond their range. They need watching. The speaker who deports himself in a slovenly way before an audience of workers, because he thinks that is the way they would act, is not dealing fairly with his hearers. Cooperative societies do well to cultivate the amenities and to at least encourage their speakers not to talk with their hands in their pockets. For the man who closes his address with the words, "I thank you," pity is not enough; for he has expressed his gratitude to those who may not be wholly grateful.

A danger to members' meetings is in the member who talks too much. He is often a member of the board. Sometimes he is an individual who is suppressed at home or is not successful in his own business and gets the satisfaction for his ego at the cooperative meeting. He should be given every freedom in private conversations, because there his listeners can escape, but in society meetings, the chairman who does not call him to order should be promptly succeeded by a new chairman who will.

Dull speakers who are brought to members' educational meetings are sometimes terrible. They may be learned but they often have a way of diving into the pools of learning and coming up surprisingly dry. A good home-made speaker is better.

The members themselves, as well as the officers, have

a responsibility to make the meetings a success. There is such a thing as atmosphere; and this atmosphere is partly created by the people sitting in the auditorium. There is no more discouraging sight than a members' meeting composed of an aggregation of stolid, sober, upright people, silently sitting with expressionless faces, patiently waiting, like cabbages in the garden, for the sun or the rain or the wind or even a plucking hand to do something to them. There they sit. There they wait. The officers who come upon this scene are smitten by a psychological chill that penetrates to the marrow of their consciousness. The scene is set for a frost. The right sort of chairman can galvanize this situation into life. The wrong one can spread a hoar frost over the assembly that will make the end of the meeting seem a warm relief.

I have gone to members' meetings where cooperation prevails. It is in the air. The members have come to *their* meeting. They know about the affairs of *their* society. They are interested. They have ideas, information, plans, and hopes. They greet one another. They cannot restrain themselves. They are outgoing. They talk. The air is electric with expectation and interest. They want the meeting to begin. The business proceeds on time and schedule. Reports are brief and interesting. There are questions and discussion. Everything that is said is to the point. The members are alive with participation. The officers are not the whole show. It is obviously a people's meeting. And when it is over, everybody feels that progress has been made. Things have been accomplished. The future is being ripened for use.

Understanding makes for action; lack of understanding is dull and breeds slothfulness.

[ 10 ]

## Failure to Federate

*We are one people and will  
act as one.* —SCHILLER

BEFORE THE TIME of The Cooperative League, societies sprang up in all parts of the country, made their fatal mistakes, and perished. Other societies were formed, often in the same vicinity, made the same mistakes, and suffered the same fate. There were societies within easy reach of one another falling into fatal errors and failing without knowing of the existence or the mistakes of the others. It was the lack of federation and the absence of a central source of information and guidance that underlay these disasters.

The society that thinks it can lead an isolated life, when the societies around it are federated into a league or wholesale, is headed for vexation. And that is the condition of many societies in the United States. There is the same reason for cooperation among cooperative societies as for cooperation among individuals. Individuals form the society; the societies form the federation. Each is an essential step in cooperative success. The man who is not a member of a cooperative society is not a part of the cooperative movement; neither is the society that is not a member of an available federation. The strength of cooperation resides in mutual aid among individuals, and the strength of societies resides in their power to help one another and to be helped. That is the meaning of cooperation. Federation goes on and on until it becomes national and international.

The end of cooperation is world federation—a united state of the cooperatives of all nations.

In response to this understanding, it is naturally the societies with the best knowledge of cooperation that are found in membership in The Cooperative League. And since understanding of cooperation is the best guarantee of success, these federated societies are naturally the strongest and most progressive of the societies founded upon the cooperative principles. Accordingly, it is found, education must precede federation in order to develop the understanding necessary to such a union.

The movement toward federation is going on as steadily and as fast as could be hoped. The societies in the United States with the best understanding of cooperation are federated. The slow but sure processes of education are at work among the other societies. When they are ready they will be found moving in toward cooperation with their fellow societies.

By cooperation is here understood consumer cooperation. Many businesses, which at first have not recognized the consumer cooperative philosophy nor used its educational methods, have been successful from the business standpoint. But those that are capable of so doing, in the present changing world, will find themselves strengthened by adopting the consumer cooperative principles, and moving on to federation with similar associations. This is as true as cooperation is true. An association advances its interests when it has the assistance of other associations with similar interests which it also assists.

## DANGERS FROM WITHOUT

*He is safe from danger who is on  
his guard even when safe.—SYRUS*

[ 1 ]

### Underselling by Competing Businesses

*An enemy despised is the most  
dangerous of all enemies.—SYRUS*

IN MANY SITUATIONS, with the purpose of putting the cooperative out of business, the local merchants have gotten together to agree upon cut prices of leading commodities. Each merchant cuts the price of certain goods, and among them they rather well cover the important things carried by the cooperative. This means that the member of the cooperative can buy almost everything at some nearby store cheaper than at the cooperative. It requires good business on the part of the cooperative to cope with this situation. But many societies have met these conditions and survived. Experience has taught that the first thing to do is to let the members of the cooperative know about what is going on. The competing articles should be examined and if they are found inferior in quality or weight to the cooperative goods, the members should be so advised by adequate publicity. If a cut-price article in a competing store is of good quality and is really a bargain, and the cooperative would lose money by meeting the price, then the

member customers should be advised to buy that article, or the cooperative should go to the competing store and get it for their members. The important thing is that the cooperative should not attempt to deceive its members by any misrepresentation of the bargains to be had elsewhere. The members should get the bargains. But when oil has been selling below cost in an "oil war," the cooperatives have wisely closed till the war was over.

In Danville, Illinois, a competing store attempted to put the cooperative out of business. Every Monday morning, it came out with handbills, giving prices of a few articles below cost to the cooperative. The cooperative manager got some of these leaflets and stamped across the bottom of each sheet, "You have to thank the Danville Cooperative for these prices." And members of the society were served with these articles from the cut-price store.

In Fitchburg, Massachusetts, the price of canned peas was 20 per cent less in the chain store down the street. The cooperative manager put two glass fruit jars in his store window. One contained the contents of a can of cooperative peas and the other contained peas from the chain store. A card under each jar presented a simple mathematical calculation—weight of peas, so much; weight of water, so much; total cost of each. And the exhibit made it obvious that the higher priced cooperative peas were the lower priced of the two.

In the presence of such competition, the fair play of cooperation and the ingenuity of the manager should meet the problem. Loyalty of the members, built upon understanding, plays an important part. During the period of the expansion of the oil societies in Minnesota and Wisconsin, before prices were fixed, the big oil companies used to put



down the price of gasoline as much as five cents a gallon below the current price. But this price-cutting failed to accomplish its purpose. Thousands of poor farmers, who badly needed the saving, drove past the Standard Oil station and went to their own cooperative where they paid the higher price. They knew that if they all patronized the Standard Oil Company, the result would be that their cooperative oil society would have to close. And then the price of oil would go up and they would soon lose all they had saved—and more. A little education and a little understanding were all that had been needed to save the co-operators. And they were saved.

The expansion of cooperative wholesales in the United States, making it possible for retail cooperatives to compete in price, offering superior quality, helps to solve this problem. As the wholesales engage in production, experience is showing that the problem is not only solved, but competing profit business finds itself on the defensive and is becoming more concerned with the struggle to save itself than with attacks upon the cooperatives. The shoe is being put on the other foot. This is illustrated by the child who climbed onto his grandfather's knee and asked the grandparent to tell him about his narrow escapes when he had been hunting bears; and the grandfather replied that when he had been hunting bears, it was always the bears that had the narrow escapes.

The ability of cooperation to compete with profit business and meet its prices is testified to by the fact that cooperation continues to grow and its patrons to increase. Most of these people are poor, and they are buying where their money goes farthest. Whenever a cooperative society cannot meet this test, the members give their patronage to

other businesses and the cooperative closes. Abundant figures are available to show that cooperative prices are lower than profit business prices. It is natural that they should be. Profit business must make a profit or it fails. Cooperative business supplies its members at cost. Profit business in its very nature cannot do this. The requirement is that cooperation should have efficiency at least equal to that of its competitor. With that, and with the understanding of quality on the part of its members, cooperation should win. Its results, in the last analysis, hang upon efficiency.

But the necessary efficiency is not always practiced. Profit business sometimes undersells cooperation because of the high prices of the latter. I have recently visited a cooperative food store employing twelve people. A neighboring profit chain store, doing about the same amount of business, has six employees. Each is a self-service store. The cooperative has a delivery system which uses two people, but most of its business is cash-and-carry. The chain store has no delivery. The chain store prices are strikingly lower than the cooperative prices in the case of goods of about the same quality. The clerks at the cooperative have less to do than at the chain store. The members of the cooperative are mostly middle-class people with fairly good incomes, including a number of affluent families. The customers of the chain store represent a lower income group. The cooperative is not able to pay savings returns. If the members of the cooperative should compare prices, they would in time transfer their patronage to the chain store. This will happen if the cooperative does not reduce its overhead costs and its prices. Idealism and enthusiasm over the streamlining of the store keep it going. But experience shows that this enthusiasm will not last. There is one first thing to be



done. Expenses must be reduced. Then must come cooperative education of the members, with similar education radiating from the store, and reaching all its patrons.

A widely known cooperative society in a Massachusetts town has become the principal retail business of the town. A chain store is now putting up a new building for a "super market." Who knows that this chain store is alone in this enterprise? There is the possibility that several chains, or a merchants' association are financing this venture to give the country a demonstration that the chain store can put the cooperative out of business; and that they are prepared to lose whatever money is necessary in the attempt. The answer to this problem consists of an intensive educational campaign. It should give the members the facts; it should teach them the importance of cooperation; advise them of the meaning of loyalty at just such a juncture; and see that they realize that if the chain store should succeed in its attempt, consumers will have to pay the bill in higher prices which would follow closing of the cooperative store. Such circumstances call for loyalty backed by plain common-sense and self-interest as well as by ideals.

## [ 2 ]

### False Reports About the Cooperative

*Cutting honest throats by whispers.*

—WALTER SCOTT

IT IS AMAZING what criticisms of cooperative business abound, from chambers of commerce and trade associations down to the local competing store and the scheming individual. The attacks which have done the most harm are local. In Pennsylvania a manager, who wanted to run

a private store of his own, quietly passed the word along to members that the business was insolvent and about to fail. He advised members to draw out their money, to get credit up to the limit, and to tell their friends to save themselves. As a result, the store did have to close; and the manager bought it and continued to run it as his private business. Another store in the same State suffered an actual panic. The word had gone round that the store was going to fail. The members knew they could not get back their money; it had all been spent to put goods on the shelves. As though by concerted action, the members went to the store at night, broke open the door, and each carried away goods about equal to his investment. When the manager came to open the store in the morning, the shelves were empty. The store had been robbed—by the owners. They had stolen their own goods, and the business was ended.

It should be the duty of directors to watch out for evil reports concerning their society, and see that the members are correctly informed. This was done in the Northern States, when the communists were circulating false reports. The directors of the maligned societies ran down the reports and saw to it that the members were informed of their origin and meaning.

Misrepresentation concerning a cooperative, like a smouldering fire, may blaze up and do great harm. For this reason, it should be beaten out and extinguished as soon as discovered. The cooperative owes it to its members and to the perpetrator that he be confronted with his misstatement. It is wholesome for the society to reveal the name, the time, and the place. Justice demands that dishonest tongues be shamed and honest ears informed.

## [ 3 ]

## Admitting Disloyal and Disruptive Members

*There is no little enemy.*

—B. FRANKLIN

IT IS THE PRINCIPLE of cooperation that membership shall be open to any applicant. There is one essential exception: no one should be admitted to a cooperative society whose membership would be harmful to the society. The harm may be unintentional or purposeful. There are well meaning persons admitted to societies who are by nature public nuisances—the people who talk eternally, snoop, gossip, never speak well of anybody, and constantly make trouble. They damage cooperation.

There are also the insidious members who do calculated harm. The representative of the local merchants' association, who is planted in the society for harmful purposes, is one.\* So too are members of a political party or other clique who join the society to capture it for their organization. The communists have destroyed societies in Minnesota, Wisconsin, Michigan, and other States by this method. A society in New York, with 4,000 members and a reserve fund of \$35,000, was coveted by the communists. They joined by invoking the principle of "open membership," which the management made the mistake to interpret literally. At a members' meeting of 285 members, 150 communists and their friends controlled this society of 4,000 members. These dangers must be kept in mind, particularly in these days of hostile columns. Every applicant for membership in a cooperative should be scrutinized. Neglect of this precaution can prove expensive.

\* See page 168 herein, "Opposition of Capitalists and Small Traders."

## II

OBSTACLES TO COOPERATIVE  
DEVELOPMENT*A strenuous soul hates cheap success.*

—EMERSON

*Light is the task when many  
share the toil.* —HOMER

## THE NON-COOPERATIVE ELEMENT

*To be saved is only this: salvation  
from our own selfishness.*—WHITTIER



[ 1 ]

### The Individual Factor

*Individuality is everywhere to be respected  
as the root of everything.* —RICHTER

COOPERATIVE SOCIETIES are composed of individuals with the weaknesses of human beings. They have their petty jealousies, their selfishness, their ambitions at the expense of others, their unreasonableness, their preference for emotion rather than logic, their indolence, and their indifference.

There are individuals who are by nature non-cooperative. They are individualistic and prefer to work alone. Some of these are sulky fellows; some are people of real merit. Cooperation should have no quarrel with the non-cooperative individualist. He does not want to be bothered with the affairs of other people, and he does not want other people to bother him. He is self-sufficient and should be left alone. He does not fit into the cooperative movement.

There are also the people whose urge is to get the better of others without giving anything for value received. They are the thieves and racketeers. They cause other people to suffer. They are the people whom political gov-

ernment may control. Some governments today are composed of a large percentage of this element. They are not for cooperation.

There are the unfit, the mentally delinquent, and the incompetent who do not fit into the cooperative scheme. Human sympathy might try to adapt everybody to cooperation, but it cannot be done. There is a great multitude who cannot help themselves, nor help anybody else. No one can function in cooperation unless he is capable of mutual aid. The man called "poor fellow" when one gets close to him is often found to be just a "good-for-nothing fellow."

Jealousy of the ability of superior individuals may also stand in the way of cooperative advancement. There are instances of an employee in a cooperative business or institution who displayed abilities superior to those of his associates. In one case such a person was modest and not self-assertive, but people who talked with him or asked him questions soon observed that he knew more and had a better understanding of cooperation than had the manager and his other superiors. People gravitated toward him for information. This caused resentment on the part of the manager, who dismissed him. The real reason for the dismissal was that he was a superior person. Thus superiority, as well as inferiority, may require the scrutiny of directors, because it can actually prove a reason for depriving cooperative societies of the services of superior individuals. If you want to find out what a man is, place him in a position of authority.

Another peculiar situation sometimes arises. There are superior managers who have in training no persons equal to themselves in ability or, indeed, competent to take their

places should they die. This is so common a situation that it might be suspected that managers, out of egotistic pride, perhaps enjoy thinking that, if anything should happen to them, the society would be in a bad way. "If we only had George back again!" is the unctious cry they lay to their souls as they contemplate the possibilities of the future.

The correction of these errors is the responsibility of the directors. They must be on the alert and know the personnel and what is going on among them. They must always be watchful to protect and encourage superiority in knowledge, intelligence, and efficiency. They must have in mind or in training the persons who might take the places of pivotal executives should their services be lost to the society.

Cooperation is as imperfect as the individuals who compose cooperative societies are imperfect. On the whole, a cooperative society is composed of people who, in intelligence and efficiency, are superior to the average of the working class. As trade unionists are a superior element among industrial workers and as organized farmers are a superior element among the agricultural population, so are cooperators the superior element among the consumers. In this country, it is estimated, or guessed, the adults are divided as follows: 12 per cent are incompetent and wholly dependent upon others for their livelihood; 27 per cent are backward, dull, or of low or juvenile mentality; 55 per cent are what are called normal or stable in character and ability; and 6 per cent are superior, creative, and capable of leadership. While the cooperative movement comprises a great variety of people, as a matter of fact its members come almost entirely from the last two classes. One ability possessed by these people is the capacity to

recognize mistakes, to draw conclusions from them, and to use mistakes for purposes of instruction in planning future action. For this reason, the failures of the past have by no means been wholly bad. They have taught their lessons and supplied the immunizing serum which has prevented recurrence of a multitude of fatal ills.

In the end it must be understood that the cooperative society is for the members, and not the members for the society. It does promote the interests of the individual. Its success depends upon its ability to accomplish this result.

[ 2 ]

Profit Business Selfishness

*Where all are selfish, the sage is no better than the fool, and only rather more dangerous.*—FROUDE

COOPERATION tends to make people less selfish and to decrease interest in getting ahead at the expense of others. Therefore it makes them less competent in the modern economic struggle, which is largely a struggle of acquisitiveness. Training in mutual aid, which characterizes cooperation, is not training for getting things away from others. While cooperation trains people for cooperative action, it unfits them for the economic struggle in profit business, in which most members of cooperative societies earn their living. On the other hand, the selfishness and mendacity which prevail in profit business tend to unfit people to function in cooperation. It constantly happens that people who are trained in the economic struggle of profit business, attempt to bring into cooperation the catch-and-grab methods to which they are accustomed. Store em-

ployees and other executives who have been trained in profit business salesmanship are often with difficulty fitted into positions in cooperative business. An entirely different psychology has to be developed.

A farmers' cooperative in the Eastern States was unable to train a manager from a profit business seed house to handle seeds in the interest of the members. He insisted on selling them screenings and dead seeds mixed with the good seeds because it was the common practice and because "it was good business—it made more money." This cooperative finally was compelled to take a young farmer who had not been spoiled by profit business experience, and let him learn cooperatively. The "business experts" were impossible.

The prevalent practice of taking chain store managers and giving them positions in cooperative stores often proves unwise. Such men, without knowledge of cooperation, are dangerous. If they are employed by the cooperatives, their employment should be preceded by a course of training in a cooperative school. This training must be complete. It must not only give them a new understanding of business, but it must make that new understanding so dominant as to crowd out of their minds their belief in getting the better of other people. Nor should cooperators be deceived by people coming into the cooperative movement who have been so thoroughly saturated with profit business psychology and salesmanship that, while professing devotion to cooperative ideals, they are always selling somebody something, and that something is often themselves.

Individual selfishness or ambition at the expense of cooperation inflicts harm. Cooperative societies which should

unite to form one society sometimes fail to do so because officials would lose their jobs. The cooperative wholesale is sometimes not patronized, or not even organized, because managers enjoy perquisites or prestige from patronizing profit business wholesales. Old, effective, and established cooperatives have been threatened with destruction because new people coming into the cooperative movement desired it should seem that the great advancement began with them. For this reason, new organizations set up by them were to be created in place of the old. Such efforts to make changes which are both unnecessary and harmful are preceded by depreciation of what has gone before and by glorification of the efforts of a new regime. The cultured mind respects the traditions and things that have been of service and desires the protection and perpetuation of historic institutions which have served effectively and which are symbolic of accomplishment.

It sometimes happens that cooperative officials develop so much influence that they control jobs and can make or break other employees. In these situations employees are seen kow-towing to influential officials who are known to be given to autocratic schemes. The cooperative movement is not entirely free from jealousies and ambitions; and scheming men can always convince themselves that their schemes are in the interest of cooperation.

Enlightened self-interest, nevertheless, is the basis of cooperation. But unfair self-promotion at the expense of others is not uncommon in cooperative societies. Societies have been ruined when this quality has characterized a considerable element of the membership or officials. A society which permits itself to become dominated by such people, if it cannot change its ways, should close up.

On the other hand, the cooperative movement is enriched by many capable members and executives who are products of profit business. They are people who have developed an understanding of the fundamentals of economics and have elected to cast their lot with cooperation. Often their profit business experience not only has done them no harm but has taught them much which may be made use of to advantage in cooperative business.

Knowledge of the weaknesses of men, respect for democracy, and eternal vigilance on the part of the membership of cooperative societies are necessary to meet these conditions, to evaluate individuals, to protect cooperatives from harmful influences, and to gain for cooperation the services of experience and ability wherever they may be found.

[ 3 ]

### An Indifferent Membership

*In persons drafted in a serious trust,  
Negligence is a crime.*

—SHAKESPEARE

SHEER LACK OF INTEREST on the part of the members causes societies to fail. The reasons for such lack of interest reside in many of the foregoing conditions. There is a peculiar indifference sometimes observed that is associated with business success. There are societies in which everything is going well; nobody has any complaints; the members are happy about the affairs of their society; and there is nothing to discuss. Few people come to a members' meeting. If something goes wrong, such as reduction of the savings return, then more people attend meetings.



While this might seem like a sound reaction, it is not.

The successful society is the one that has interesting meetings. There are plenty of problems to be discussed. If everything is going so well, then the next thing to discuss is the expansion into new lines of business. The contented and successful society is the one that should be planning expansion. The ways to make members' meetings interesting and profitable are discussed elsewhere.\*

Where the members, except a few, do not attend meetings, the officers are found to have autocratic sway. Often they like this, and do what they can to promote it. I once asked a manager of a cooperative society, in the presence of the president, how many members attended the last meeting, and he replied that about 400 were present, and then whispered to the president, "And that was 400 too many." Here was a condition where the officers liked to run the society and would have welcomed indifference on the part of the members. Democracy demands equality of opportunity; but it also requires equality of responsibility. And the members owe it to their society to assume responsibility and to do their part.

Many societies have been started by socially-minded people of the intellectual type who had read about cooperation and had responded to the urge to do something practical. The initial enthusiasm kept them together and caused them to patronize their store. But in time the novelty wore off. They grew tired of meetings. The little store lost its glamour. They wanted to be free to shop where they pleased. They lost interest. And the business discontinued. There have been many societies such as this, particularly in New England. Boston, in the early part of this

\* See pamphlets on *Cooperative Education* and on *Cooperative Organization*.

century, had several. They were the societies of intellectual dilettantes. They did not fail. Most were wholly solvent when they closed. The fact is: they did not fill a need. The cooperative society must be useful to its members.

[ 4 ]

### Uninformed Employees

*The great business of man is to improve his mind: all other projects and pursuits are only amusements.—PLINY*

COOPERATIVE EMPLOYEES often fail to keep themselves advised of what is going on in the world. They neglect to read informative publications and often show an amazing ignorance of the progress of the cooperative movement. This is one of the reproaches of cooperation. Employees, to serve most effectively, must be well informed. Not only the can of peas but the clerk who takes it down from the shelf should radiate cooperation. Every employee needs to be an educator. His daily contacts with people should result in his shedding cooperative light. He should be capable of giving information and interpreting events, and he can only do this effectively by being informed himself. Too many employees depend for their world information on low-grade newspapers, and as a result have prejudices in the place of facts. Their cooperative reading is often negligible.

Every cooperative society should provide good cooperative reading for employees and should see that they use it. The access should be easy and pleasant. At the same time good sources of world information should be made avail-

able. Ignorant employees are not ornaments to cooperation.

A chapter might be taken from the book of Rochdale Institute, which requires definite reading on the part of its members. These cooperative employees, throughout the country, have reading prescribed for them. A periodical questionnaire which they must fill out reveals whether they have kept themselves advised of events not only in cooperation but in the world at large. In order to remain members of Rochdale Institute they must continue their culture.

What is said here of employees is equally applicable to members of cooperative societies. Education by access to reliable information and by wise interpretations of information is essential to cooperative progress.

### [ 5 ]

#### The Economically Weak and Inexperienced

*I attend to the business of other people, having lost my own.—HORACE*

COOPERATIVE BUSINESS is often started by people who have had little experience in distributive business, and usually these people have very limited financial resources. Both of these factors often militate against success. The first is overcome by getting into the membership of the society people who have had some business experience. This is necessary especially in the board of directors. It often happens that people in a cooperative talk learnedly about business and claim to have had much experience. But too often they represent that large element who have gotten their experience while their own business was failing. They are like

the woman who recommended herself as a children's nurse because she had had six children of her own—and had nursed them through their fatal illnesses. The advice of the man who got his experience in a failing business must not be taken too seriously.

Experience is obtained, however, by carrying on cooperative business. After experimenting a while, and making some mistakes, cooperatives have a way of training their own people. There are thousands of good business men in the cooperative movement who got their training from the beginning in cooperation. The training schools maintained by cooperative societies are also supplying the answer to this question of experience.

As to the limited funds of cooperators, this can be made up for by a large number of small amounts. A peculiarity of cooperation is that if a thousand people put in ten dollars each, this gives them the financial standing of a man with \$10,000. At the basis of cooperation is the mathematical formula: The more, the better; and the better, the more.

It must be borne in mind that most of the members of cooperative societies earn their living in profit business. What they have to spend and the success of their cooperatives depend upon the success of profit business. Thus cooperation is closely integrated with the profit system. Also a proportion of members earn their livelihood in the employ of political governments. As the cooperative movement grows, the number of cooperative employees, who earn in cooperation all that they spend, increases. These cooperative employees spend some of their cooperatively earned income with profit business and with the government. The growth of cooperation is slowly changing these

relationships. The 300,000 employees of the 9,000,000 organized cooperative consumers in Great Britain are moving themselves out of the category of the economically weak and inexperienced. In the village of Friedorf, Switzerland, all the residents are members of the cooperative society and all are cooperative employees. They are not economically weak and they are all experienced in cooperative business. The ultimate possible destiny of cooperation is a society in which all earn their livelihood in cooperative employment and all needs are supplied by cooperation. This ideal will represent a society of consumers serving themselves and a society of workers consuming their own products. This can be looked upon as the rationalized economy.

## [ 6 ]

## Cooperative Executives Hired Away

*Money is a bottomless sea in which honor and conscience may be drowned.—KOZLAN*

WHEN IT HAPPENS that cooperative societies have developed or discovered men of ability, profit business may offer them higher pay than the cooperative can give, and hire them away. This is fortunately not a common occurrence. When it does happen, it may usually be called good riddance. But there are instances in which the man is valuable, loyal, and sincere. His family conditions demand more income and the cooperative cannot afford to raise his pay. There are outstanding examples, on the other hand, of cooperative executives who have been offered considerable increases of salary by other businesses; and they have refused, preferring to remain with the cooperative.

Profit business does pay larger salaries to executives than does cooperation. Cooperation will probably never equal these salaries. They are beyond the reasonable needs of any individual. As profit business declines, these excessive salaries will disappear; indeed, they are one of the causes of the decline.

The fact will doubtless remain that cooperation must occasionally lose a desirable employee to profit business. But the stronger current is running in the opposite direction. A much larger proportion of employees of profit business are actively seeking and securing positions in cooperation. The reason that cooperative employees prefer cooperative employment is because of the greater satisfaction in cooperative work, because of the greater security of employment, and because of the growing sense of insecurity of profit business. Many men with apparently good positions in profit business come to the cooperatives seeking jobs. They are often willing to give up positions with good pay and accept lower wages with the cooperatives. They have the feeling that cooperative business is destined to expand and that their old business is uncertain and hazardous.

These are the reasons why, for example, the manager of a large cooperative federation in the Middle West refused a position with an oil company at a much larger salary. And this is why this danger is not serious to the cooperatives.

Cooperation attracts and holds men who understand and prize its principles. Fortunate is the man of ability and aptitude who has a bias for cooperation and who finds his work in its service. His employment wins for him happiness and for his cooperative society satisfaction.

## [ 7 ]

## Individualism Criticized

*Among men's desires, seeking gratifications, those which have prompted their private activities and their spontaneous cooperations have done much more toward social development than those which have worked through governmental agencies. — HERBERT SPENCER*

SOCIETY, rather than the individual, is theoretically esteemed. To do good for all is cried up as the great virtue. To die for one's country is the acme of patriotism. Self-abnegation, the subjugation of personal interest for the sake of all, is extolled by moralists and politicians. As a result of this prevalent teaching, cooperation is thought by some to be wholly individualistic and unsocial. The fact is that the individual joins the cooperative society to get better values for himself. If he finds that in the course of time he personally is not to be advantaged he resigns. This is a true picture of its individualism. Therefore those who think that the individual should not be concerned for himself but for others do not constitute the rank and file of the cooperative movement. It is basically individualistic rather than social.

The changes in the structure of society are made gradually by the individuals who compose society. These evolutionary changes are effected not in the interest of the social organism as a whole, but in the interest of the individuals who compose it. The well-being of the individual is the conscious purpose; the good of society is the fortuitous result. Thus cooperation evolves.

Cooperation considers social qualities to be a secondary manifestation. It becomes social in promoting the welfare

of the individual. He joins the cooperative to promote his individual interest; but he can do this only by acting socially with the other members. The means is social. The result is an improved society composed of improved individuals.\* Perhaps this is the soundest kind of social development. It is certainly the natural way.

The criticism that cooperation is individualistic causes prejudice on the part of those who believe that society should be exalted at the cost of the freedom of the individual. This idea is prevalent in the presence of the expansion of stateism where everybody is urged to sacrifice self to the state. Still, every new idea comes from the individual. The state or society originates nothing. And the state and society commit offenses against justice and decency from which individuals would turn away with horror. One of the great values of cooperation is that it is for the individual and his perfection. A good society can be built only out of good individuals. The whole reflects the quality of its constituent parts. To say that a good society makes good individuals presupposes the good individuals to make the good society. Bad individuals do not set up a good society to make them good. The merit of the cooperative method is its power to improve individuals, who in turn improve society.

Justice predicates individualism. Complete individualism in society has never been attained. It demands the full freedom of each individual, limited only by the full freedom of all other individuals. The prevalent social injustices prevail not so much on account of "rampant individualism," as has been said, as because of restriction imposed upon individualism. Social injustice exists where

\* See *Cooperative Democracy*, 1936, page 231.

the honest individual is thwarted by the state or other restrictive forces. Cooperation demands individualism. Its best success depends upon individualism.

Cooperation does not call upon the individual to give his all to anybody. It does call upon each individual to help his neighbor; but it does not stop at that: it goes on and asks the neighbor to help the individual who helped him. This is the morality of justice, not of philanthropy. Above all, the individual, in helping himself, will find the greatest satisfaction and the greatest happiness for himself in being not only just but generous to his neighbor. By making others happy, he wins happiness for himself.

[ 8 ]

Lack of Opportunity for the Dominating Individual

*Men will not interest themselves in anything unless their individuality is gratified by its attainment.—HEGEL*

MOST PEOPLE prefer to take orders from somebody else and to have their plans made for them. There are, however, individuals with a hunger for power and a desire to command. They are the aggressive, dominant personalities. Those who wish to dominate for the purpose of acquiring wealth find no place in the cooperative movement. It does not offer satisfaction for the exclusively acquisitive. Cooperation makes no millionaires.

Young men in our colleges, taking courses in economics and in business, have often asked me about the oppor-

tunities in cooperation for making more than a living; they want to know what it offers to the man who is ambitious to have a big income and the luxuries it can buy; they wish to plan to lay up a fortune to provide leisure and satisfy every possible want. I suspect that some of them would like to create envy in others. The replies that I have been able to give many of these aggressive youths have not been to their liking. Their ambition is for "big money." I have had to tell them that cooperation is not what they are seeking. Still, at the same time, I owed it to them to let them know of the uncertainties of their quest, of the ratio of failure to success, and especially of the moral and cultural hazards they run. They have to be told that if a man wants to make a living he has to work for it, but if he wants to get rich he has got to think up something else. And it is this something else that eats the heart out of men.

However, cooperation does offer opportunities for those who want the satisfactions of a commanding position. The presidents and managers of large cooperative societies, wholesales, and manufactories do occupy positions of dominance. It is true, they are answerable to a board of directors; but usually their talents are so highly esteemed that they are given much liberty. The enjoyment of important position is theirs. Generally, it can be said, however, that people with these ambitions will not find what they want in the cooperative movement. They are usually best adapted to the uncertainties of profit business. There they may perchance win what they want: namely, power over others. This is not an opportunity easily found in cooperation.

Men are not created free and equal. Democracy pro-



motes freedom and equality of opportunity. As a result, the industrious, intelligent, and efficient naturally rise to the more important, and desirable, places. By so doing, they can best serve the democratically organized membership. There is one sure thing that real democracy does: it brings out the inequalities in men.

## [ 9 ]

## The Poor as Poor Cooperators

*The trouble with the poor  
is their poverty.*—G. B. SHAW

IN COOPERATION, a number of people usually pool their resources in order to administer them together more advantageously. It is commonly assumed that people who have no resources cannot cooperate. The poor, for this reason, are not material for cooperation. This is testified to by the fact that the very poor are less often found in cooperative societies than are the middle class and workers with moderate incomes. It is also assumed that the poor are the least efficient—less efficient because of their poverty and poor because of their lesser efficiency. There prevails also a notion that the poor are suffering from a kind of disease called lack of money.

These prevalent assumptions are not correct. In the first place, the poor have resources. Most of them have labor power. In addition to capital resources, what is needed in cooperation is consuming power; and the poor have this. If they are not to lie down and die, they continue to consume. Whether their resources are of their own creation, whether they come from philanthropy or from the state,

the poor can pool the resources that they have and make them go farther in purchasing power than when each makes his purchases alone. Organization of the resources they have is what is needed.

The self-help cooperatives among the unemployed in the United States proved this. In 1934-36, the Government allocated funds to cooperatively organized groups of unemployed. They set up productive industries and some stores, and produced and distributed things to themselves. This was something unique in cooperation and highly beneficial to the unemployed who used the cooperative method to supply themselves with goods and with self-respect. They lifted themselves out of the field of unemployment.\* If government wants to do the best thing it can for the poor, let it teach and guide them toward self-help through cooperation. And the more it does this, the less money it will have to give them.

As to capital resources being necessary, many good cooperative societies have been started with nothing. A very large percentage of the members of cooperative societies in the United States never put in a cent; they patronized themselves into membership. One of the largest societies in New England has no share capital, and admits members on the basis of their patronage.

It is not lack of capital that keeps the poor out of cooperative societies; it is their inefficiency and their want of knowledge of cooperation. These obstacles are being overcome. Most of the nine million members of British cooperative societies are poor; but their intelligence, self-respect, and efficiency make it possible for them to conduct for the poor the best business in the country. Poverty

\* See page 190 herein, "Harmful State Help."



is not an insurmountable barrier. The poor can cooperate. In fact, they are the people who most need cooperation.

The poor lack confidence in themselves. For this reason they want to be told what to do. They are susceptible to advertising, salesmanship and radio advice as to what to buy. Cooperation cannot compete with these agencies. It cannot and should not stoop to the ballyhoo which wins the attention of the poor. And so the poor tend to go their way, to pay high prices for poor values and, in general, to be exploited to the degree of keeping themselves in poverty. The exceptions are the more intelligent poor. They can be reached by the reasoning which cooperation offers. Cooperation can help them move out of their poverty.

The indigent can be helped by the Government and by welfare agencies. They can be shown how to pool and to administer together their resources. Their cooperatives can be given outside supervision until they prove their capacity for self-help. Only the hopelessly stupid should be denied the opportunity to help themselves.\*

The poor fail to use the tops of vegetables for greens. These are commonly thrown away. The water in which spinach and other vegetables are cooked can be saved and used for soup. The "soup pot," which sits on the back of every peasant stove in Europe, receives the nutritive leavings that go into the garbage pail in America. Americans buy canned soups instead. The opportunity for cooperatives in this country is to supply foods that give the best value in calories and vitamins. Then it needs to make available to the poor the essential information on the buying and preparation of foods. The dietitian as an educator has still

\* See page 108 herein, "High Prices."

a large role to play. The trouble with the poor is not only their poverty, but also their lack of knowledge of how to live. The cooperative movement fails in a fundamental duty as it neglects the underprivileged. The poor we have with us. It is not enough to say that cooperation is devoted to the elimination of poverty. The more immediate duty calls.

[ 10 ]

### The Rich as Unwilling Cooperators

*He is the rich man who can avail himself of all men's faculties.*—EMERSON

IF THE PURPOSE of cooperation were to make things cheaper, in order to save money, the rich would be justified in holding themselves aloof from it. Their limited understanding of cooperation commonly gives them this idea. And for this reason the rich are not usually found in membership in cooperative societies. But in all countries the affluent, who have understanding of the subject, often join these organizations. Indeed, much cooperative leadership in many lands has been made possible by the opportunities for cooperative study and work which economic independence has provided.

The intelligent rich understand the growing uncertainty of wealth; they are aware that they may soon find themselves among the middle class or the poor; for these reasons they turn to cooperation. Where a vast proportion of the people must apologize for not having money, and a small proportion must explain where they got it, one class is easily transformed into the other. Thus, while immediate economic interest may keep the rich away from the co-

operative society, an understanding of the subject leads them into its membership. As in so many situations, the remedy for the defect is found in cooperative education. It is applicable to both the rich and the poor.

## [ 11 ]

## The Neglect of Youth

*Shall not man have his springtime  
as well as the plants?—THOREAU*

WHEN THEY SAY the trouble with youth is that it comes too early in life, they are wrong; it comes at just the right time. Youth is the period of learning; age is the period of understanding. Youth is reason intoxicated. Still, cooperators fail to realize the importance of this fertile material at their disposal for the growing of cooperatives. They go after every kind of adult and try to educate him to cooperation. In most cases a lot of uneducating has first to be done. The minds of people are so occupied with misconceptions and misinformation that this has to be undone before they can grasp cooperation. When a young man who talked too much came to Socrates to be taught oratory and the art of conversation, the philosopher told him that he should have to charge him a double fee because he would have first to teach the pupil to talk less before he could teach him to talk better.

Cooperators go ahead working with adults, most of whom have fixed ideas, the most difficult material in the world, and neglect the easiest, the most plastic and the most abundant. The Catholic Church, with its understanding of the impressionable mind of youth, teaches this

lesson which cooperation would do well to follow.

Too little cooperation is addressed to youth. However, where it is intelligently proffered, it is producing most encouraging results. Children's books giving in simple words the story of cooperation have been written, but more are needed. The best way to learn cooperation is by practicing it after the first principles are understood. For children these can be greatly simplified.

When six small children, five of whom each had a penny, went to the candy store and found that they could buy six candies for their five pennies, they made a discovery in economics. If somebody had helped them to expand this idea, their entry into cooperation could have been expedited. It is being done. In France, before the war of 1940, there were over 1,200 cooperative societies among the children of the schools. They supplied their members with paper, pencils, candies, books, playthings, etc. In a few schools in the United States the children have cooperative societies. Some of these have credit unions.

I have had the privilege of sitting through a meeting of a cooperative bank in a primary school, and have been impressed with the ability of children to carry on business. Here was a little credit society in which the members ranged in ages from 6 to 16. They made their deposits, had checking privileges, and borrowed money. All this business was carried on with punctilious accuracy and seriousness. And, I dare say, transactions involving twenty-five cents received as much thought as a negotiation involving twenty-five million dollars at the hands of a Wall Street bank.

In these children's cooperatives, youth learns how to carry on business for service. The impression that it makes

on the mind is lasting. When these children go to higher schools or college, they naturally gravitate toward cooperative organizations or they take the initiative in their formation. Give youth not only knowledge of cooperation but experience to boot, and it has a mind which is ready for cooperation in later life. The cooperative idea is established in the understanding. If any country would transform itself into a cooperative democracy, it can make no better beginning than with the children. And that is precisely where cooperative education should start.

Every cooperative society should have a junior department in which the children conduct business of their own. The credit unions can do the same. This organization of the children is not only an opportunity, it is a duty wherever the interest in cooperation is real and not an expression of dilettantism. I do not know much about a little child leading them, but I do know that they can lead a little child a long way in the right direction.

The youth movement in cooperation is growing. The cooperative youth leagues in the United States are doing excellent work. The campus cooperatives among college youth are an important part of their education. Students in American colleges are conducting cooperatives to supply themselves with clothing, books and stationery, banking, athletic supplies, housing, food, cleaning, pressing and other services. In some colleges without dormitories, the students have provided themselves with rooms and board; and at least in one university the food business has become so large that the many fraternity houses have federated to conduct their own cooperative grocery wholesale.

Thus youth can learn by doing. It can supplement the classroom teaching by experience in economics. It can give

itself practical training. And, above all, it can prepare itself in a way of business which holds promise for the future where the profit method of business fails to give youth either hope or employment.

By taking youth into its confidence, adult cooperation encourages the young. By encouraging youth, youth is complimented. Praise to youth is the sun that warms its growth.

[ 12 ]

### Incredulity

*Some men will believe nothing but what they can understand; and there are in fact but few things they can truly comprehend.—ST. EVREMOND*

IN 1903, the Wright brothers made the first flight in a heavier-than-air machine of their own making. People saw them fly. After that they had a flying field at Dayton, Ohio, and hundreds of onlookers saw these men flying for many miles through the air with safety and assurance. One of the outstanding American scientists of his day, Simon Newcomb, then expounded why it is impossible for man to fly. Scientists said the public should not be deceived by stories about two obscure bicycle repairmen, who had not even been to college. Two years later the Wrights had extended their flights to twenty miles. Still this was not news. Reporters were too smart to be taken in by such silly stories; and when they did see the flights, their editors refused to publish the incredible stuff. The comic papers said the stories would come true as soon as the laws of gravity could be repealed. The U. S. War Department treated these two intelligent and modest men as a pair

of cranks during the first four years of their flying. It was a foreign country that first gave them recognition. They conceived, made, and flew the first airplanes ever flown; and in all their years of flying, they never had a crack-up or even a serious accident.

The advent of cooperation was marked by similar circumstances. In 1844, after careful planning extending over a long period, the Rochdale Pioneers launched their ship. It represented an entirely different kind of economic craft from that to which people were accustomed. These intelligent and modest pioneers believed they had worked out something significant to mankind. They had the courage to put it to the test. To the joy of their hearts, it worked. Then the gaunt spectre of incredulity appeared in the high places to make light of the demonstration and to show that it would not work.

The Pioneers were hooted and jeered. The leading professors of economics at the great Universities of Oxford and Cambridge wrote theses, told their students, and published statements to the effect that business financed, owned, and run by working people to supply their needs, and to make no profit, was a fatuous scheme. They proved it by learned logic. And what is more, almost everybody who heard of their disapproval of cooperation agreed with them.

But this nonprofit method of business went on and expanded, until now, after nearly a century, it touches the lives of one-fourth of the population of the world. And still, among the remaining three-fourths, resides a vast disbelief. It has been said: "Tell an English cottager that the belfries of Swedish churches are crimson, and his own white steeple furnishes him with a contradiction." Tell an

American financier that consumers conduct every kind of business for the purpose of supplying their needs, that they take goods from their stores and eat them up, with no thought of selling to anybody else, and his skyscrapers and chain-stores supply him with a contradiction to the whole improbable story.

The majority of professors of economics in American colleges, until the last ten years, refused to take consumer cooperation seriously. Now some are beginning to study it and to think about it. Their first difficulty has been to grasp the economics of consumption. When they get hold of the rudiments in this field, they then visualize the need of consumer organization to supply consumers' wants. But they hesitate long and reluctantly at the door of cooperation. Possibly it is too simple. Possibly they did not discover it themselves. Surely it does not conform to the learning of their respected masters and to their own cherished theses.

If you want to enjoy an experience, sit down with a "substantial" business man, the kind who twenty years ago was enthusiastic about Mussolini and who today is rabidly opposed to any kind of "new deal." Ask him what he would think of consumers running their own stores for directly supplying their own needs, of their conducting wholesales, of these wholesales setting up manufactories, and of all these three forms of business being the largest in the country. Ask him what he would think of patrons of a bank conducting their own bank with a turnover of three billion dollars a year. Ask him what he would think if the consumers in some country should own the largest flour mills and should control the meat business all for the purpose of supplying their family needs and not for the

purpose of making money; or of consumers drilling oil wells, constructing pipe lines, and building refineries to produce gasoline for their own use so that they would not need to buy it. He will smile benignly and say, "That might be all right, but it could not be done." And then you tell him that what you have been saying is not hypothetical but is all a statement of fact. It all is done. It is all in operation, going on successfully and expanding. Note the strange glassy complexion of his eye and witness his skepticism as he implies that you are either purposefully deceiving him, that you do not know what you are talking about, or that somebody has put a lot of nonsense into your head. If he is intelligent and you can spare the time, you may start at that point with his education in the fundamentals of economics. But you will find that you have a long way to go and must be armed with infinite patience.

This incredulity as to the practicability and the success of cooperation is widespread. The prevalent belief among business men is that, even though it is in operation, it is not a practical method, and is destined to putter along and come to nothing. And since most people are engaged in profit business, most people easily adjust their minds to the ways that prevail and are acceptable. They are against innovations and deviations from the standard methods. Many people, who know something of cooperation, and who believe in it as a theory, would like to see it succeed; but they do not yet believe it can become a dominant method of business and compete successfully with the competitive profit system or with the state in business. The socialists as well as the profit business people are possessed of this incredulity.

People still think it will not fly. And even those who bend back their heads and peer upward into the azure heavens, catching the glint of the shining wings, and hearing the hum of the busy motors, still turn away and say: It is not practical.

Patience yet a little longer; education, the driving force of facts, and the slow and constant expansion of cooperative business, should bring about the change in the thinking of the people. Facts are indisputable. They nourish the understanding and make it strong, as food nourishes the body. Every successful cooperative society is a laboratory demonstration, establishing a fact and dispelling a doubt.

There is another aspect to this subject. Incredulity, controlled by regard for facts, can become a virtue, while incredulity expressing itself in dogmatic cynicism hampers advance. The progress of the world has depended upon inquisitive incredulity. "Can it be done better?" "Is there another way?" These are the questions on which man's fate has hung. They are back of every great improvement. The man who makes a useful discovery has asked one of these questions—and answered it. The Rochdale Pioneers were incredulous as to the virtues of the profit system. Incredulity with regard to the completeness and finality of the gas light, the speaking tube, and the gas balloon did not stop with questioning. It allied itself with hope. Out of this alliance grew the electric light, the telephone and the airplane.

Nothing that man does is final. Life and progress mean change. The cooperative movement needs men with capacity for looking at methods and asking and finding an answer to the great question: "How can it be done better?"



## [ 13 ]

## The Aversion of Charity Workers and Reformers

*The rich folks never fail to find some reason why the poor deserve their miseries.*—SOUTHEY

A STRIKING PHENOMENON is to be observed in the United States in the attitude of reformers and philanthropists toward cooperation. This is the land of philanthropy and charity. No country equals it in the multitude of people and in the millions of money devoted to the enterprise of making it easy for people to be poor. The world has never seen such great wealth, as this country has produced, lodged in a few hands. The price paid to bring about this condition is that one-third of the population, or about 45,000,000 people, are trying to live on a subnormal standard, and about 20,000,000 of these are existing in abject poverty. To placate the consciences of those who have too much, social agencies, endowments, and eleemosynary institutions are set up to help the poor. A million social workers are given employment and enjoy adequate salaries for distributing to the suffering poor some of the surplus wealth of those who do not need it. Among these social workers is a good deal of real antipathy toward cooperation. As the district attorney needs crime, the social worker needs poverty. He speaks of his "clients"; and like the lawyer and the doctor, without "clients" he would be out of a job.

Cooperative housing, for example, in the United States has been politely sidetracked time and again by influential social workers. They have favored "slum clearance," which

has meant the creation of new slums, and the substitution of "municipal housing," politically owned and controlled, instead of cooperative housing. Put the poor in tenements owned by the city, and they still are the poor with a landlord. But the landlord then can use them as political pawns. Cooperative, nonpolitical housing tends to make them self-respecting, gives them their own homes, creates responsibility, and helps to free them from being subject to others and from the need of being nursed by somebody else. The whole cooperative scheme makes for self-help instead of somebody else's help. And for that reason it is not in high favor among those whose hearts yearn to help somebody who needs help.

This is no essay against rendering aid to those who have fallen into distress. Giving help to the suffering is a response to one of the fine impulses of the human character. Compassion is a great virtue. But this book is in the interest of teaching people to prevent poverty, to help themselves, and to place themselves in such a position as not to need help. It also calls attention to the vested interest in poverty and to the attitude of that interest toward cooperation. On the other hand, the rule is proved by the exceptions, for there are social workers who sincerely believe in cooperation and who do much to promote it by practical means. Most social workers approve of it as a theory, even though they do not feel justified in promoting it.

Another class who look the other way when they see cooperation coming are the reformers who call themselves radical. They are people whose minds entertain the vision of a Utopian kind of political government. They believe that capitalism is terrible, but they give it their patronage in preference to patronizing a cooperative. By advocating



that cooperation be promoted, by others, to become in time a prop for their perfect political state, they do the cooperative movement harm and confuse the minds of innocent students. Among these are the socialists who have become disappointed with Marxian socialism in action in Russia, and now revert to an ideal socialism which is to have a government with only high-minded officials, anxious for democracy, no autocracy, and everything that makes for justice and beauty. This is alluring, because it will never be disproved. It lacks just one thing: nobody will ever see it. It neglects to reckon with Epstein's law, that man tends naturally to satisfy his wants and needs with the least possible effort. That simple law will load the socialist state with autocracy and privilege as it did the capitalist state and the Russian state. And the perfect socialist state will remain a Utopian dream.

Cooperation attracts people of practical sense who are willing to come to grips with things. They put in their money, start a business, and exhibit it in action. Their store is cooperation in plain view. The academic intelligence is timid about such risks. Theories that cannot be seen in action are safer. To wrap up packages, deliver the milk bottle, make the cash account balance, and hazard one's money and reputation in concrete business is risky. Talking, writing, and voting are easier, and difficult to be proved wrong. Furthermore, stubborn facts are less romantic than dreams. Thus there are people whom cooperation cannot attract.

There are also the academic teachers of economics and political science. They have written their papers, gotten their degrees, and developed their hypotheses around the profit motive and the political state. Cooperative business

does not fit into their picture. It is, indeed, rather annoying. Many dismiss it with a few words and deprecate it as an economic force. By so doing, they discourage the interest of their students in a timely and virile subject. The comments on cooperation in most of the textbooks dealing with economics, published in the United States during the past twenty-five years, represent a low state of education and a meagre understanding. Teachers of economics of this old school might profitably go to Nova Scotia and sit at the feet of the Catholic priests of the department of economics of St. Francis Xavier University to learn some of the fundamentals of this subject. Here are men who take their economic theories out among the people where problems exist, and apply them to the needs of human beings, with the result that they prove their applicability to the affairs of life. Cooperative education and practice in dealing with fundamentals, rather than superficials, meet these problems.

## ORGANIC HINDRANCES

*Nature is upheld by antagonism.  
Passions, resistance, danger, are  
educators. We acquire the strength  
we have overcome. — EMERSON*

[ 1 ]

### The Undemocracy of Large Organizations

*All the elements, whose aid man calls in, will  
sometimes become his masters. —EMERSON*

SOCIETIES sometimes become so large, or the membership so widely distributed, that the members in any adequate number cannot come together. Some societies are so large that no hall is available to hold a members' meeting. In these large societies, democracy suffers unless methods for accommodating all members at a meeting are devised. A large hall does not suffice, because but a small proportion of the members could participate in discussion or questions. This problem of the large society is solved only by dividing it into districts and having district meetings. This method is practiced with success and is the solution of this problem. It applies both to the society which is numerically large and to that in which the membership is widely distributed. No organization in the United States can be regarded as a cooperative society if its aim is a nationwide membership and its purpose is to have a members' meeting at one place only. Proxy voting as well as inabil-

ity to attend meetings defeats democracy. A society which does not protect democracy by plans to make it possible for every member to be present at meetings and to have a voice, if he wishes, is not a sound cooperative society. This does not militate against genuine cooperative societies making use of the referendum and voting for candidates by mail in the presence of full information.

Such societies must be divided into districts, sections, or branches. Each district should be small enough to make possible the attendance of every member; and the number of members in each district should be small enough to give every member, who wants it, a voice in the meetings. The program for all the district meetings may be the same. They may be held at the same time. Each district may transmit to the central organization the results of its actions on the program, or each district may elect a delegate or delegates to a central meeting. This central meeting is a congress of representatives. They may be instructed or not, as the society sees fit.

This is the way democracy may be made to work. Size should never be permitted to thwart democracy in any cooperative society. Nor need size become a cause of unwieldiness or inefficiency in the cooperative movement as it does in profit business. The aim of cooperation should be to preserve local control and autonomy. Each location should be made self-sufficient so far as possible. This means in control as well as in function. Cooperation can save itself from the tendency now wrecking political systems. It can prevent remote centralized control and function. It can keep its affairs close to the people—where they live and where they work and play.

The district meetings should discuss (a) local district

problems and (b) the general affairs of the whole society. Often the central organization makes out a uniform agenda for the district meetings, to which they may add their own local agenda. The one or two delegates chosen by each district meeting to attend the central meeting of the society should be familiar with both of these sets of problems. The central delegate meeting should function in the interest of the whole organization, and at the same time do the things needful for the local districts. The whole fate of the effectiveness of democracy resides in the ability of people to organize in this way. The cooperative movement is particularly well adapted to this democratic method.

## [ 2 ]

## Small Savings Not Sufficient Inducement

*The journey of a thousand miles  
begins with one pace.—LAO-TSZE*

MANY PEOPLE, upon inquiry, learn that the saving to be had by going into a cooperative is not large, and frankly assert that it is not worth the trouble, cost, and risk. When the cooperatives of New York called together the representatives of nonprofit associations for the purpose of forming a cooperative publishing association, the project was stopped by the argument of one of the delegates. He said that his printing was done by a firm that took eight per cent profit for their work; if he went into a cooperative, it would mean putting up the money to buy a printing plant, supervising labor, hiring and firing, serving on a committee, worrying about the business, taking a chance of losing money, and giving time to the enterprise; he was willing to pay somebody else eight per cent to do all

this for him; it was worth it. This attitude prevents many people from going into cooperation. Indeed, many people, after they come in, arrive at this conclusion from experience. Most people prefer to pay the grocer the small profit that he makes as his pay for serving them, than to have the responsibility of cooperative membership.

Many societies have been organized by well-meaning people of the intelligentsia who believe in cooperation as a theory, but who did not need the saving which it made possible. The society was only an experiment in social work with them. After a while they have voluntarily discontinued the business. These are the people who believe in cooperation for somebody else.

The small store society, particularly if not within reach of a cooperative wholesale, offers little or no economic advantage at the beginning. The first members are really pioneers who must put up with certain primary disadvantages with the hope of later benefits. Only people with a pioneering spirit and a vision of possibilities can survive this stage. But people of this character have made the present cooperative movement. There are thousands of societies now winning substantial advantages for their members, which at the beginning required real sacrifice, risk and labor on the part of those who first joined. To enter a successful cooperative and to begin at once to enjoy its benefits is an easy thing to do, and very different from the pioneering before success is won.

Cooperative education must here play its part. People must be taught that cooperation is moving on toward an end. The initial business is like the babe in the cradle. It must be nurtured and cared for, somebody must do things for it for a while, before it can begin to do things for

others and become more than self-sustaining. Cooperative supply of goods approaches its goal when it has passed through successful retailing and wholesaling and has reached the point of production from the raw material. Manufacturing offers the greatest saving in this sequence. But before that point has been reached, the other processes must be mastered. And before these can be mastered, there is the wee babe in the cradle. But it is the stuff out of which strong men are made. Only by teaching people to see this process of events can cooperation begin and grow and reach maturity.

## [ 3 ]

## High Prices

*A vaulting ambition which overleaps itself.*

—SHAKESPEARE

IN COOPERATIVES, it often happens that prices are higher than in some competing stores. Members sometimes gradually withdraw their patronage from the cooperative and give it to profit business because prices in the latter are lower. This slow process has closed many cooperative stores. The reason for it lies in conditions already examined. But whether it is due to bad management, to high wholesale prices, to high overhead, to superior quality, or to the desire to make too much surplus saving, it is an insidious force which even the most loyal members cannot indefinitely withstand. Prices in cooperatives must be kept down at least to the level of competitors. The question often arises: is it better to have low prices and give the members little or no savings returns, or higher prices and let the members have larger savings returns?

Experience seems to show that, except in special situations, the best policy is to keep prices at about the level of competitors, and pay back to the members on their patronage such savings as the business justifies.

In a country where profit business dominates, price fixing is harmful to the cooperatives because they are forbidden to give savings returns, and accordingly must keep their prices up to the profit business level. Cooperatives should be exempted from this price fixing; for they do not sell to their members, they buy for their members.

In many countries, profit business has attempted to have laws passed that would tax as profits the surplus savings of cooperative societies. The cooperatives have successfully opposed the passage of such laws. One reason why these laws have not been enacted has been that the cooperatives let it be known that if their savings were taxed as profits, they could solve the problem by selling at cost and having no savings. The cooperatives can do this and profit business cannot. When competing business has realized the meaning of such an eventuality, it has invariably withdrawn from the fight to have cooperative savings treated as profits. This attempt to damage cooperatives has often scared them, but it has probably never succeeded in destroying a single one.

There is still another side of this subject. Cooperation fails in one of its missions if it neglects the interests of the poor. In the United States it is doing just this, and is becoming a middle-class movement. The poor find it difficult to patronize the cooperative food store because the prices of cooperative foods are high. This is no reproach; the quality may be high, and compared with profit business prices, the value for the money may be higher.

But foods present two values: the nutritive value and the popular, the appeal, or the esthetic value. The poor cannot afford to pay for the latter.

Canned fruits, vegetables and soups, package cereals, peanut butter in jars, white flour and white bread may be coveted by the poor, but do not offer the best nutritive values obtainable for the money. Cooperative food stores, to meet the needs of the majority of the people, namely the poor, must specialize in nutritive food values. Instead of package cereals, in which the consumer buys also pasteboard, lithography and boxed-up air, the better value in bulk cereals should be emphasized. Retail cooperatives can manufacture their own cereals. This can be done on a large or on a small scale. The raw material is only raw grains—to be bought from farmer members at low prices. The machines are available for making a ready-cooked product, like shredded wheat or muffets, by even the small society.

The coarse flours are more nutritious and more healthful than white flour. They can be produced and certainly handled by the cooperatives. The poor should be taught their value. The protein food need that is most expensive is in meat. Eating the flesh of animals once or twice a week is often enough for the most carnivorous worker. Dried soybeans, peas and beans, bought raw in bulk, provide abundant protein. The cheap cheeses, of the cottage variety, produced at home can be made of old skimmed milk. They represent a much neglected food. The Swiss cooperatives specialize in cheese. The Cooperative League once published and distributed by the thousands a pamphlet on "How to Buy Wisely at Your Cooperative Store." Cooperation needs not only to distribute goods, but also to distribute knowledge of their values and uses.

[ 4 ]

### Cooperation Slow in Action

*No man has ever found the gods so much his friends that he can promise himself another day. — SENECA*

PEOPLE are naturally impatient; they want prompt action. They say that cooperation is too slow. Those who have taken Marxism seriously think of "capturing the government" or "taking over industry." They want to do things in a big way. Cooperation does not appeal to them; it begins too small.

Profit business also is faster. It uses centralized administration and centralized control and, as a result, can make quick decisions and act quickly. This gives quick results, and in the world of competition helps toward success. Cooperation, on the other hand, practices centralized administration but has decentralized control. The control rests out among the stockholder members. They must be consulted and they must approve of all major actions. Profit business takes its important steps without the approval of the stockholders—except in some instances it goes through the motions of proxy voting, which rarely makes possible stockholder representation.

A cooperative housing society in New York needed a plot of land upon which to build an apartment house. The committee on site found an ideal spot. But they had no authority to close a contract. They had to report to the membership meeting. By the time the members had approved of the place and price, their action was known to the real estate speculators, and the price of the property



had been increased. A second site was found, and that went through the same process. Finally the society was compelled to adopt capitalistic methods: the committee was given power to sign a contract to buy.

Profit business is based on autocracy; cooperation, on democracy. For efficiency's sake, cooperation must at times use some of the methods of centralized authority. The democracy, for its own efficiency, must sometimes delegate power even in major affairs to some individual or body in whom it has confidence. If that body does not function to the satisfaction of the democracy, it must be changed. But delegated power is in no wise inconsistent with the best interests of democracy; indeed, it is necessary to success. Often quick decisions must be made and acted upon as a matter of good business. Cooperation must find people of judgment and executive ability, and then give them authority to act in its behalf. That is the way democracy is made effective.

In a growing suburban town near Chicago, there was no store. The residents invited the chains to locate a branch store there, but none would do so. A meeting was addressed by a cooperator, who showed how they could be their own storekeeper and have their own cooperative store. The idea was new to them, but they were for it, and appointed a committee to organize a cooperative society. A business man, present at the meeting, saw the enthusiasm for a store and carried the word to one of the grocery chains. In a few days a chain store had rented premises and opened for business. The need for a store being satisfied, the people lost interest in the cooperative idea. How might this situation have been saved for cooperation?

Starting from the ground up, in this case, to organize a cooperative society was the natural way for cooperation to proceed. But it was too slow. To have gone on with the cooperative seemed futile because the people were not educated in cooperation, and what they wanted was a store. When a store appeared, they were satisfied. Instead of organizing a new society, the nearest existing cooperative society might have opened a branch in this community, and then proceeded with the cooperative education. Or the cooperative wholesale in Chicago might have opened a retail store there and then put on an educational campaign. This method of "from-the-top-down" organization has been generally disapproved of by cooperators, but the exigencies of modern business are justifying the procedure. It is certainly not the ideal way, to start a store and then try to convert the customers into cooperators with the hope that they will be able to take control and make themselves the owners of the business. However, this can be done, if the backing is substantial and the education is effective. The Scottish Cooperative Wholesale now goes to communities in Scotland where there is no cooperative store. A meeting is held, and the people are asked if they want such a store. The Wholesale sets up the store, puts goods on the shelves, supplies a manager, and the business starts. The financing is a loan to the people. They assume the responsibility. Some education is carried on. The business thrives. The people get experience. They gradually pay off the obligation to the Wholesale, with the interest, and presently they make themselves full owners of the business. A new and independent cooperative store society thus comes into existence. As the world is moving today, this means may have to be used to give the initial stimulus.



in communities which hesitate to take hold of the cooperative idea.

Is the fact that cooperation is slow in action a disadvantage? The great cooperative movement has been built up by the slow method. When a few people get together to study cooperation and slowly add to their number until there are enough to start a business, when that business grows by the slow addition of new members, when new departments are added, and when federation with other similar cooperatives is entered into, is that not the ideal method even though there may be faster ways? There are certainly many difficulties greater than slow starting or slow growth. There is a substantial quality associated with slowness. There is weakness in everything in nature that grows fast. Steep places are best climbed slowly.

[ 5 ]

Prosperity Sometimes the End

*It is the bright day that brings forth the adder  
and that craves wary walking.—SHAKESPEARE*

IN CALIFORNIA, in the early part of this century, were cooperative societies which were established with large inventories at a time of low prices. When prices went up, business was good and the members became prosperous. The value of their shares in the cooperative had increased several fold. They saw a chance to make some easy money and voted to sell out their cooperatives to private merchants and put the money in their pockets.

Among the first cooperative housing societies organized in Brooklyn, New York, the value of the property had increased so much by the time they had completed their

buildings, that the members voted to rent to non-member tenants. The society became a capitalistic landlord, renting apartments, and making profits. In one instance the housing society built another house for the domicile of its members. A cooperative housing society on West 12th Street, New York, gave up its cooperative features and changed over to a society of landlords as a result of the increase in the value of their property. Some members sold their shares at a profit. Some sub-let their apartments at a profit. One member was offered \$10,000 for an apartment which cost him \$2,000. This sort of prosperity is often too much for cooperators to withstand.

Understanding of cooperation should prompt cooperators to translate their successful experiences into still further fields. It is not the cooperative but the profit business urge that destroys successful cooperative societies.

Cooperatives are sometimes set up to be discontinued after performing a certain function. Farmers have often organized themselves cooperatively to buy some definite commodity. That was all they wanted to do. When they had made their purchase, and each had taken of it what he wanted, the organization was discontinued and the business closed—as a result of complete success.

Surely it should be the privilege of members to discontinue their cooperative if they wish: this is one of the many respects in which cooperation differs from the political state. But out of their successful experience should come the desire to have a permanent cooperative society to supply some of their needs. Cooperative understanding, attained through education, should lead to this end.

## [ 6 ]

## The Many Obligations of Cooperation

*The reward of one duty is the power  
to fulfill another.* — GEORGE ELIOT

PROFIT BUSINESS has but one concern: that is to make profits. It may concentrate on this one thing. This singleness of purpose simplifies business and saves money and effort. Cooperation, on the other hand, is not concerned with merely one object. It makes no profits. Its purpose is to supply consumers' needs; but these consumers demand that certain conditions be observed in carrying on their business. Cooperative societies have to conform to ethical standards. They must treat labor with a consideration which profit business does not observe. That means the costs of labor are larger. Democracy must be observed even though its observation be expensive. Cooperation is not a single business program but a way of life, and as such it has social responsibilities.

There are instances where the management of a cooperative society, in the interest of business, has fixed certain labor conditions as to hours and wages; the membership has rescinded the action and voted for a policy that cost the society more money. This has literally meant that people voluntarily went into their own pockets to pay their employees more than their business representatives had stipulated. Capitalistic business does not do this—excepting, possibly, when a corporation that pays no dividends votes to increase the president's salary from \$100,000 to \$150,000 a year.

Cooperative societies are social as well as business organizations. They have social functions to organize and to

finance. They are educational institutions. They must initiate and maintain educational work. All of this diversity of function complicates the business. A variety of talents is necessary for success.

Instead of acting as an obstacle, the diversity of interests can be made to redound to the advantage of cooperation. The customers are the owners, and the social activities and other services make the members aware of the larger nature of their cooperative and strengthen their loyalty. Money and attention spent on education improve understanding, and that means better appreciation of the cooperative. Consideration of labor results in better service from labor and a greater degree of loyalty. Perhaps the fact that cooperation is more than a business, that it is a way of life, may be an element of strength.

## [ 7 ]

## Misrepresentation Not Practicable

*The cunning man uses deceit, but  
the still more cunning man shuns  
to practice it.* — ADAM FERGUSON

COOPERATION MUST COMPETE with profit business; but in that competition it cannot use the methods of its competitor.

In order to increase sales, profit business practices hyperbolic advertising. It habitually romances about its goods with the hope of lashing its customers into a frenzy of buying. The newspapers of the United States are largely collections of fabulous overstatements concerning the virtues of wares for sale, interspersed with news which must not contradict the fabrications of the advertisers. The

radio, with its mellifluous voices coming out of the ether, does the same by sound. The people are habituated to this sort of stimulation. Cooperative business cannot hope to profit by exaggeration or deception. Its members would resent these practices. It must go on its simple, unspectacular way, telling the truth in a world where truth, like pure gold, has been found unfit for circulation.

Cooperation cannot make use of the business practices of adulteration; of selling the thing which looks good but is not good; nor in introducing some part of inferior quality in a machine, so that replacements will be required after a certain early period.

The Indiana Farm Bureau Cooperative Association has a winnowing machine through which its members are accustomed to run seeds for planting in order to remove the chaff. This chaff from timothy seeds accumulated in a pile, and the Association was about to have it carted away as refuse when the representative of a large seed house bought it and took it away. This waste was then mixed with seed by the seed house and sold to the non-cooperative farmers as seed.

These practices of profit business, by lowering prices, stimulate patronage, increase profits, and make it easier to compete with cooperative business. While they are here classified among the hindrances in the way of cooperation, they are in fact hindrances in the way of consumers getting good value for their money.

A cooperative store manager, who had formerly been in private business for himself, told me that his chief satisfaction in cooperative work was that he felt he was being paid to do what was best for the customers; whereas, in his former business, he was always thinking of how much

money he could make from them, and what was best for them was a matter of secondary consideration.

The meaning of all this is that cooperative business is temporarily retarded in its competition with profit business. This is because of defective understanding on the part of consumers. But as time goes on, the people learn values, and the cooperative method of conducting business wholly in the interest of the consumers becomes appreciated. Cooperation must be patient. It certainly must continue its policy of keeping the faith. There is no compromise. Cicero said: "Whatever is profitable must also be honest, and whatever is honest must also be profitable." This is good cooperative doctrine.

### [ 8 ]

#### Unfair Business Practices Forbidden

*"Honesty is the best policy"; but  
he who acts on that principle is  
not an honest man. — WHATELY*

IN ORDER to increase business and profits, a multitude of unfair practices are current in profit business. Competitors are maligned, employees are deceived by falsified books as to the profits of the business, strikes are promoted among the employees of competing business, and officials are bribed. Such practices are not current among cooperative societies. The books of cooperatives are open for the inspection of members, and money used for illegitimate purposes would be discovered. Members of cooperatives demand that the methods and bookkeeping be honest. If the manager of a cooperative society were found using the money of the society to foment a strike in com-

peting business to the disadvantage of labor, the members would disapprove.

Cooperative managers, in general, show a friendly attitude toward their competitors. If they do not, their societies should see that they do. They should be encouraged to be even generous. I once knew a cooperative manager who invited the competing merchant to use his coffee grinder when the merchant's own broke down, and who often came to the merchant's assistance when he was out of some commodity the cooperative could supply. Many men are able to do a shrewd thing, some a fair thing, but few a generous thing in the competitive business struggle. While cooperative business executives should be encouraged to be shrewd and wise, those who can be generous and still successful should be prized above all.

### [ 9 ]

#### Cooperative Exploitation of Labor

*Labor conquers all things, but  
in the end is destined to be  
conquered by the genius of man.*

IT MAY BE SAID that cooperative consumer societies exploit their employees. It does not give them the full value of their labor. The employer buys labor. As is the case with any purchaser, the employer of labor is interested in getting as much for his money as he can. The worker wants as much for his labor as he can have. This bargaining creates a conflict of interests, which is adjusted as well or better in cooperative employment than elsewhere.

In order to compete with profit business, cooperatives must keep wages fairly close to those paid by their com-

petitors. Otherwise successful competition would be impossible. This leaves the average pay of cooperative employees at a low level. To correct this, some societies have divided surplus savings with employees, on the basis of wages, as they have with members on the basis of patronage. There is the theory that labor creates all wealth and it is this unproved theory that gives rise to this form of payment of labor. This is not a generally accepted method, because this surplus saving is created by the patrons and belongs to them. It is their overpayment which is in the hands of the cooperative as a loan.

There are societies which take advantage of labor and get from employees services which a profit business would not dare to ask. This is often because cooperation is regarded as philanthropic and can accept charity from its employees.

Another form of exploitation of labor is in the unpaid voluntary services which cooperation attracts. Buying clubs, societies in their initial stages, and societies in trouble take advantage of volunteer service from benevolent members, or they draft members for such service. Business of millions of dollars is carried on in cooperative societies in the United States by unpaid workers. Credit unions enjoy much of this service.

As cooperation grows, it places itself upon a more business-like basis and treats the worker as worthy of his hire. When cooperative society dominates business, and is not concerned with competition, when the workers are all members of the society which they serve, and all able members work for the society—under these circumstances the workers make and distribute all they consume, and wages are less important than things. Here the pay of

labor is justly regulated by the consumers because they are the workers also. In such a nonprofit society, high wages mean high prices to the same people, or low wages mean low prices. They may take their choice and make wages and prices what they will. It all comes to the same thing. The worker receives the full value of the wealth his labor creates and the consumer gets goods at cost. This is the ideal and the goal of cooperation. Indeed, this is the solution of the largest economic problem.

Cooperation, it might seem, offers a threat to labor in the development of labor-saving devices. But there is a peculiarly cooperative aspect to this subject. Where the consumers own the means of production, they are interested in reducing costs. This means not only keeping down the price of labor, but also keeping down the price of the products of labor. The cooperatively organized consumers are more interested in the use of labor-saving machinery than are capitalistic manufacturers. As cooperation grows, this interest increases. Where all workers are members of cooperative consumer societies, and where all labor is employed by such societies, the workers and consumers are the same people. As workers they produce what they use. They naturally are interested in producing with the least possible work. Every labor-saving device gives them more goods or more leisure. For these reasons, labor may expect the cooperatives to become the arch-promoters of every device for doing things with the least employment of labor. The worker, as a worker in profit industry, is opposed to labor saving; the consumer, as a worker and owner of the machinery of production, wants labor saving.

This labor question will be solved by workers taking

more interest in consumer societies.\* Back of it lies the fact that man tends naturally to supply his wants and needs with the least possible effort.

[ 10 ]

### Labor Exploitation of Cooperation

*It has come to this: that the right to labor is a trade union right, which the trade union can sell and the individual worker must buy.* — HERBERT SPENCER

WE HAVE examined the exploitation of labor by the cooperatives; and with equal justice, the opposite side of the picture might be scrutinized. Because cooperatives are friendly to labor, labor sometimes takes advantage of cooperation; for labor, like the rest of the world, often extorts from its friends. It has happened that a labor executive has gone to a cooperative society and made a contract for the employees, then he has gone to the competitors of the cooperative and made a contract for wages at as great a difference as 25 per cent less. This is not an uncommon occurrence in the United States. It recently happened with Consumers Cooperative Services in New York, and with the oil station of the Milwaukee Cooperative Society. It is partly because the cooperatives give publicity to the fact that they pay labor better wages than do their competitors.

Labor is familiar with the racketeering executive. Such a man has called a strike in a cooperative society where he fails to get money for not calling it. Profit business drives hard bargains with labor and is commonly not sym-

\* See *Cooperative Democracy*, 1936, "Cooperation and Labor," page 183.



pathetic to trade union organization. From the trading standpoint, labor often has to give profit business more for its money than it gives cooperation.

Trade unionists frequently offer resolutions before cooperative meetings to the effect that only union-made goods shall be handled by the cooperative so far as possible; and the cooperatives usually comply with the demand. This often means higher prices in the interest of the trade union. Trade unions have sometimes placed onerous requirements upon cooperatives which profit business would not grant. All this arises from the sympathy for trade unions which prevails in the cooperative movement. Cooperation often pays for this in good money and accordingly has to increase its costs to the consumers.

It has also happened that labor organizers, with good labor credentials, have gone about organizing cooperative societies. These men have taken a percentage of what they have collected as organizing expenses. One in New Bedford, Massachusetts, for example, signed up 1,000 members to take shares at \$5.00 each. They were instructed to pay one dollar down and the rest could be paid at their convenience. The first dollar collected went to the organizer. He left town with \$1,000 and the people had their cooperative society without goods, equipment, organizer, or money. They did nothing more, and that was the end. Labor should give credentials more warily, lest cooperators be misled and labor discredited.

The president of a great labor organization has recently advised a local official to have the members of his union join the cooperative with the view of the union controlling it. Still experience has shown that wherever trade unions—not trade unionists—have gained control of a coopera-

tive society, it has been disastrous for the society. This is true of any other kind of control outside of the consumer membership. The United Mine Workers controlled fifty societies in Illinois at one time. The societies were run by and in the interest of the unions, and not by and in the interest of the members. When these societies failed, the losses to the mine workers amounted to about \$750,000.

Cooperative societies must be run in the interest of the consumer members. Where they are used as adjuncts to some other cause, no matter how good or worthy, they fail. Trade unionists who understand this are joining cooperative societies and promoting the welfare of the societies for the sake of cooperation and for the benefits that accrue to trade unionists as members of the societies. Their sincerity and understanding are tested by their devotion to cooperative ideals. Strong cooperative societies organized by trade unionists are now proving this principle.

The credit union is widely supported by industrial workers. The experience in this field makes a natural step for workers to understand consumer cooperation. It is the entering wedge. In time the industrial worker, like the farmer, should become a large factor in the American cooperative movement.

Cooperation is helping the trade unions by improving the purchasing power of trade unionists. It cannot show any particular class of consumers special consideration. To do so is a violation of democracy and of the policy of neutrality. In this connection let it be understood that I regard the trade union movement as necessary for the protection of labor and as a social necessity in the interest of civilization.\*

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\* See *Cooperative Democracy*, 1936 Edition, page 185.



[ 11 ]

## Monopoly

*The highest and most lofty trees have most reason to dread the thunder.* —ROLLIN

COOPERATION is hampered by monopoly in many fields. Where monopoly is not attained by a single big business, competing profit businesses tend to unite into trusts to control prices and distribution. Cooperative societies cannot be a part of such monopolies in the profit business field. These monopolies often prevent expansion of cooperative business, by interfering with access to supplies, and promoting restrictive laws. For example, in the United States after the farmers have organized a cooperative telephone society, established their lines and begun operation, the monopoly then sets on foot measures to compel or induce the cooperative to sell out to the monopoly. Among the many devices used to accomplish this end is the state public service commission. With the monopoly's political influence, it is able to induce the state authorities to place restrictions on the cooperative which make it impossible to exist. In one State, the farmers' telephone societies usually established their central switchboard in a farmer's house, and the farmer's wife, otherwise engaged with her household affairs, could respond to calls between times and make the connections. The telephone cooperatives were notified that they were violating the female labor law and were required to put on three shifts of women of eight hours each, with resulting trebling of costs. This is only one of a dozen tricks which monopoly has used.

Only recently the oil trust in the United States nearly

succeeded in closing a cooperative gasoline refinery by exercising the pressure which only a monopoly possesses.

The banking trust in this country prevents cooperative banking from supplying its members with many banking services which would be highly beneficial and which would lead to the expansion of cooperative credit. Cooperative insurance is blocked by the restrictive laws which the insurance combine has been able to impose.

The morticians' trust in a western State temporarily hampered the development of cooperative undertaking by getting a ruling from the Secretary of State to the effect that a corpse was not a consumer, and accordingly a consumer cooperative undertaking society could not legally be established under the cooperative law.

The milk trust in most American cities can block, or even prevent, cooperative milk distribution. A cooperative milk society in New York found its milk supply contaminated with kerosene introduced by an agent of one of the big milk companies whose stock is a favorite issue on the New York Stock Exchange. An Illinois cooperative society was notified by the Chamber of Commerce to abstain from delivering milk to members in a district controlled by the milk trust, and had its first delivery truck captured by thugs and burned.

Cooperative housing is often made difficult by the tribute which is demanded by the political officials' trust and by the labor monopoly. Profit business can enter into corrupt collusion with political officials and with labor leaders, but cooperation finds it difficult to use money for such corrupt practices.

Instances of monopoly interference with cooperative expansion could be given in almost every industry coopera-

tion enters. Its path has been literally barricaded by the monopolies, trusts, and combines. Among these have been labor monopolies. The trade unions have in many situations taken advantage of cooperative societies, and have hampered their progress. This has been for precisely the reason that other profit businesses in a monopoly position have done the same thing.

One more example in the field of labor monopoly: Cooperative medicine is practically stopped from the expansion it might enjoy in the United States by the doctors' trust, represented in the American Medical Association. With this monopoly influence out of the way, cooperative health organization could expand enormously, to the advantage of both patients and the medical profession, and take the place of the political socialization of medicine otherwise destined to dominate medical practice in this country. Here is an instance of monopoly, combined with ignorance in a learned profession, inflicting incalculable harm upon the public and upon the medical profession, as well as upon cooperation. Thus the American Medical Association, more than any other institution, is promoting the political socialization of medicine by preventing voluntary non-political health protection.\*

The remedy for this monopoly obstruction lies in the strengthening of cooperatives by their expansion—more people with the weight of their influence in membership, better understanding of cooperation, and more sympathetic respect for this way of business. Underlying this remedy is cooperative education. To understand cooperation creates a friendly attitude toward it.

\* See *Cooperative Medicine*, a pamphlet by the Author, published by The Cooperative League, 1941.

[ 12 ]

### Paying Unnecessary Interest

*Interest is the most industrious evil; he worketh day and night without ceasing. Interest is the greatest Sabbath-breaker, because his plow goeth every Sunday.*—BACON

INTEREST is generally paid by cooperative societies. It is called "the wages of capital." The Rochdale Pioneers recognized and practiced the interest payment. Many societies in the United States pay more interest than they need to pay. The current rate of interest fluctuates with the demand for money. Just at the present time in this country the turnover of profit business is good, profits are accumulating, and bank balances are unusually high. But on account of the economic uncertainties and lack of opportunity for speculative promotion, the interest rate is very low. Many cooperatives, when money was scarce, fixed in their by-laws the rate of interest to be paid on share capital; and they continue to pay high interest. Some keep on from habit when they could get money at half the rate they are paying.

This whole question of interest needs revision in the cooperative movement. It is neither on a basis of good business nor of equitability. There are in some countries societies which as a matter of policy pay no interest on share capital. Many people regard interest as an injustice, and look upon all interest as usury. There is much in favor of this point of view in the cooperative movement.

The advantage offered by the cooperative is in the elimination of profit. That means on money as well as on goods. The stockholder member of a cooperative gets his

reward, for having put in share capital, in the savings returns he receives. If the society pays no interest, it has just so much more money for the payment of savings returns on patronage. This comes back to the consumer shareholder in proportion to his patronage, and represents the cooperative way of rewarding the member for having put in his capital. If the member does not patronize the cooperative, then he should get no return of any kind, which perhaps is what deserves.

The practice of paying no interest might be just if all the members put in the same amount of capital and gave the same amount of patronage. But this is not the case. The society needs capital with which to begin and finance its business, and it needs patronage to keep the business going. Each is essential, and from that point of view it would seem just to bestow a reward upon each.

On the other hand, the member buys the necessary minimum number of shares to complete membership and to get his savings returns on patronage. These returns are the reward for his capital. That should be enough reward up to that point. The initial investment is the payment for membership and its benefits. It could be made a simple membership fee and have no stock issued against it at all. As a matter of fact, that is what it is.

If the society needs more money than that derived from the admission fees, it must go into the market to hire it at the market price. Thus cooperatives would pay no interest on those shares which are essential to membership, but would pay interest on all other capital. This is, perhaps, the way the matter should stand at the present time.

But as the prevalent economic system evolves away from the profit motive and toward the service motive, the need

of interest payment will become less. The cooperative would ultimately act as the custodian of the members' capital. For taking care of that capital no charge would be made and no rental paid for its use. Interest would disappear.

The credit unions are approaching a position in which they can apply this principle. They can work toward the time when they need not pay interest to members for their deposits or for their share capital. With interest-free capital, they could lend money to their members at no interest. They would need to make a charge only sufficient to cover the overhead expenses of running the business. That is the way the service motive should work in the field of finance; and cooperation means service as the motive.

The credit union lends money. Indeed it may be said that the credit unions encourage people to go into debt, and certainly "borrowing dulls the edge of husbandry." Furthermore, when the member borrows money, he must have two endorsers on his note. If he does not pay, then the two endorsers have to pay for him. This does happen. The result is that two people are made hostile to the delinquent borrower and to the credit union idea. Much of this revolves around the interest principle.

The problem will be solved when the cooperative method of business becomes the dominant economic way of life. Then there should be no interest, no rewards to capital. There should only be rewards to human beings for service. These rewards for service should be sufficient to make wholly unnecessary the need of borrowing capital. The cooperative society would function as the custodian of the members' surplus capital. Upon this they would draw for their surplus needs.

If the wealth which is now expended in the profit business world in interest, promotion, dividends, excessive salaries, salesmanship, advertising, speculation, thievery and quackery, were saved to the consumers and allocated to them as workers for services rendered, they would not need to worry about their incomes. If to this were added the use of labor-saving devices, to win for the consumers more products at less cost, and for the workers more leisure for the creation of more capital, the wealth of the consumers and of the workers would be sufficient for the full enjoyment of life. And out of the wealth created, should be an abundance to be assigned as a philanthropy to the incapacitated and the inefficient. The elimination of interest is a part of this evolving trend.

All of this is an ideal. At present, money has value beyond that of purposes of accounting. Cooperative societies are in need of capital for starting and for expansion. They are commonly under-financed. They must pay enough interest to get the capital they need. Still the idea may be kept in mind.

[ 13 ]

#### Violation of Cooperative Principles

*He who knows right principles is not equal to him who loves them. — CONFUCIUS*

THIS HAS BEEN a common cause of failure—not so much of cooperative societies as of societies that called themselves cooperative. Through the last century and during the first two decades of the present century, most of the so-called cooperative societies, started in the United States, violated one or more cooperative principles. They failed

for this reason. The Rochdale Principles are not a set of theories philosophically promulgated. They are methods which were found variously in action before the Rochdale society was started. They are the methods which experience has tested. Hence their practical importance.

The societies above referred to, in some cases, permitted shares of stock to vote. Some paid the profits back to stockholders in proportion to their shares. Some restricted membership to a particular group or cult. Many failed because they gave credit. Most of them omitted to carry on cooperative education. Many took sides in politics. Societies controlled by a particular party allocated funds for the promotion of that party. Some were controlled by trade unions or farmers' political organizations. These practices destroyed societies as surely and as effectively as poor management and the other neglects of good business methods.

While these defects have been remedied to a large degree during the past twenty-five years, still a considerable proportion of societies in the United States yet falls within this category.

Societies in some states are compelled by law to violate certain of the essential principles. But some do it by choice. There are societies restricting membership to certain farm organizations. While these are not genuinely cooperative, they do not fail but go on expanding. Their fate depends not so much upon the fate of the farm organization which they represent as upon their growing understanding of cooperation. As their members acquire cooperative knowledge, they realize that cooperation is more important to them than their farmers' political organizations. As a result of this tendency, the cooperatives

receive more attention from the farmer members. Then it comes about naturally that the cooperative begins to accept members who need not be members of any other organization; and the violation of the Rochdale principle of open membership discontinues itself.\*

The marketing associations are a part of the capitalist profit system. This is no reproach, because it was under the capitalist system that the United States was built into the great country it is today. But capitalism as a dominant method of business has run its course, and marketing associations must naturally suffer the vicissitudes which that system is now experiencing. Consumer cooperation, on the other hand, is an entirely different system of business and is in the ascendancy. The transfer of farmers' interests and loyalties from the one to the other is natural and normal. As the security of profit business declines, the effectiveness of farmers' profit organizations declines. The agricultural population of the country are turning more and more to consumer cooperation as a natural result of their expanding knowledge and experience.

Examination of the failures of cooperative societies reveals the fact that failure is least common among societies which observe the cooperative principles. As to the Rochdale Principles, every one of these cooperative articles of faith is violated by some cooperative societies at some juncture in some States. These exceptions prove the rules.

The principle of one vote for each member is not practiced by many cooperative wholesales which are composed of a membership of retail societies. In most instances voting is in proportion to the size of the membership of the retail society or in proportion to its stock ownership. Thus

\* See page 179 herein, "Laws and Customs Against Cooperation."

the larger societies have more votes than the small societies. Commonly each society has one vote or delegate for every 500 to 1,000 members or major fraction thereof. Some wholesales permit votes in proportion to the amount of patronage which each member society gives the wholesale. These methods have much to recommend them in the stead of one vote for each member. Indeed, there might be justice in using this method in the retail society. As the retail society now operates, the member who gives little or no patronage to the society, when it comes to the members' meeting, has just as much voice as the member who gives all his patronage to the society. The first member may have a small family and little purchasing power; the latter may have much of both. There are societies which require that a member to be a delegate to a congress must have given a certain specified minimum of patronage during the last three years. That limits the voting in a retail society in terms both of amount and of time.

The restriction of interest on capital to the current minimum legal rate must sometimes be modified when sufficient capital cannot be gotten on those terms.

The payment of savings returns on patronage is modified in many respects. Where the law requires that the savings return be allocated on the basis of stock ownership rather than of patronage, this rule does not hold, and the price must be the cost price, and loans must be accepted from patrons. This means that the difference between the cost price and the current retail price would be paid by the member patron but be regarded as a loan to be paid back in due time as a savings return. Cooperative housing, medical service, electric supply, and insurance are planned to be carried on at cost; and no surplus



saving, above what is needed for reserve and overhead, accumulates to be returned. Many societies vote to return no savings but use the surplus for the general social welfare of the membership in providing recreations, education, insurance, pensions, and other services. But these savings are loans that belong to the individual members who created them, and not to the society. Many members prefer low prices and would forego savings returns.

Unlimited membership is not observed by societies made up of racial groups using their own language exclusively. Thus societies organized by Finns, Italians, and Bohemians in the United States, using their native language, literally exclude people who do not understand that particular tongue. Some societies of whites exclude Negroes; and at least one Negro cooperative society in the United States excludes whites. There are also societies which exclude communists. Of course all societies should refuse to admit applicants whose membership would be injurious.

There are spurious businesses calling themselves "co-operative." A man, his wife, and four children organized an oil station "co-operative," and made good profits. They observed every Rochdale principle except that of unlimited membership. Most of the business was done with non-members; and the profits were distributed in the end "co-operatively" to the members.

As to voluntarily joining a cooperative society, there is no such thing as complete freedom. In Russia under the Kerensky regime, there were communities in which all the business was carried on by the cooperative. The only way for a person to be supplied with the things he needed was to join the society. Where a cooperative society becomes the dominant business or is the only source of

supply of some commodity or service, people are compelled by circumstance to join if they want what the cooperative supplies. The important thing is that nobody is compelled to join a cooperative as he is compelled to be a citizen of a state. Nor is he born into membership. He joins voluntarily.

The cash business principle is widely violated. Exceptional circumstances may arise in all societies justifying such violation. The wholesale does not exact spot cash from the retails. In communities where all businesses give credit, it is difficult or impossible for a cooperative store to start on a cash basis. In the event of strikes, members often are without cash and cannot pay. But notwithstanding these conditions, cash business remains a cooperative method, and the best practice demands adhering to it under all circumstances.

The allocation of a certain percentage of turnover or surplus savings for education is not always practiced. Many societies make no such allocation, and as a result they become weak organizations.\*

Violation of neutrality is common in many countries, but in the United States neutrality is generally observed. The persistent teaching in some quarters that it be violated, has resulted in very little deviation from this principle in practice.†

Cooperation is a growing and evolving system of organization. For this reason the principles should be thought of not so much as laws, but rather as methods. A movement as practical and as potent as cooperation cannot be frozen or fixed in principles or rules. It must be elastic. And

\* See page 13 herein, "Neglect to Maintain Educational Work."

† See page 148 herein, "Uncoordinated Cooperative Teaching."



it is natural in a changing world, in which cooperation is adapting itself, that it should change as it grows. However, to test the genuine nature of a society calling itself cooperative, the Rochdale Principles must be used; the society that is found violating one or more of these principles will usually be discovered to be an unsound cooperative.

In a true cooperative society, (a) there must be a membership of consumers; (b) there must be provision for members' meetings with democratic control by the membership, and one vote for each member in societies consisting of individuals; (c) a board of directors must be democratically chosen by the members; (d) the directors must appoint a manager, directing executive, or chairman, who is answerable to the directors as the directors are answerable to the membership; (e) if a surplus saving accrues, its distribution must be under the control of the membership meeting, which may vote to have it applied to reserve, expansion, education, welfare purposes, or allocated to the members in proportion to their patronage—any of or all these; (f) there should be unlimited membership, except that persons whose membership would be harmful to the society may be denied admission; (g) if a stock corporation, there must be unlimited issuance of stock; and (h) provisions must exist so that no individual or minority group can gain control of the society. There are other Rochdale principles or methods, but an organization which does not comply at least with these requirements is not a consumer cooperative society. The final test is whether democracy prevails and whether the business is run for the service of the members as consumers to supply themselves directly with the commodities and services which the society is set up to supply.

[ 14 ]

### Violation of By-Laws and Parliamentary Rules

*Mutual agreements are rules to stabilize conduct,  
and their violation is the beginning of tyranny.*

It is a not uncommon practice among cooperative societies to violate their by-laws and to carry on their affairs with disregard to the accepted parliamentary practices. This results in misunderstanding and makes possible the loss of democracy. Where autocratic control by a clique or by an individual is developing, this is the method used. By-laws and parliamentary rules are to protect democracy, and they are highly useful.

The members' meeting is the court of last resort in all cooperative societies. But managers and directors are often found arriving at decisions and making interpretations which are in opposition to decisions of the membership as written in their by-laws. To say that, "The directors have agreed," does not make an act legal, just, or democratic when it is in violation of the by-laws or constitution of an organization. These instruments are created by the membership for their own protection; and their violation means that some body, selected by the membership to carry out their decrees, is autocratically doing what it wants to do. This is often in defiance of the best interests of the members and of the organization.

When the by-laws or constitution fail to meet certain situations, the solution of the problem is amendment. But for the management to go on in its own way, meeting the problems and creating new situations, all in defiance of these safeguards, breaks down a fundamental of democracy and establishes autocracy in its place. Experience

shows that where this practice begins, and is not checked, it tends to continue and to expand. In many cooperative societies, the directors or manager are constantly legislating in place of the membership. They are neglecting to consult by-laws; they do things contrary to by-laws; and thus autocracy, which eventually destroys the society, is insidiously developed. This takes place in some small local societies, in district organizations, and in national federations of societies. And it is eating at the heart of democracy in the cooperative movement.

The remedy is adherence to by-laws and rules. If they are not adequate or acceptable, they should be amended. Cooperatives should do their job right, and beware of slipshod practices.

[ 15 ]

### Inadequate Cooperative Teaching

*A little learning is a dangerous thing!  
Drink deep, or taste not the Pierian spring.*

—POPE

IN THOUSANDS of communities in the United States are people and groups of people who know of and are interested in cooperation. They would like to know more of it. Many of these groups would like to pursue the study further and then start some cooperative business. They need a teacher who can give them the necessary information. Besides those who already have an introduction to cooperation is the vast population wholly uninformed on this subject. Teachers and propagandists in limitless numbers, if they were available, could move people on toward the development of cooperative societies and businesses. The harvest is there for the reaping.

There is not only a lack of teachers, but there is also a deficiency in the quality of teaching. While the cooperative movement has been able to attract to itself many able men and women who are doing a superbly good job of teaching it has also attempted to make use of teaching material which is not adapted to the work. A teacher who confuses salesmanship with education confuses his hearers. A teacher who is confused in his own understanding of economic fundamentals often does cooperation more harm than good. A teacher who talks about the wickedness of capitalists may estrange people who do not agree that they are wicked. A teacher who says "the consumer and the producer are the same" should stop and think. The teacher who says "liberty and equality are the goal of cooperation" is confusing the subject, because where there is liberty there will not be equality. And a teacher whose teaching is in violation of cooperative principles, particularly in opposition to neutrality, may win converts to some political faith as well as to cooperation, but leave them confused as to the relation of the two. Instances of all of these could be given.

Cooperative medicine or cooperative health protection has a great opportunity in the United States, but the teaching of the subject is both confused and inadequate. Cooperative medicine is now mixed with "group practice," "socialized medicine," "prepayment plans," "health insurance," "periodic payments," and "preventive health service." This subject is now discussed most largely as "group practice." This means organization of doctors in groups for the sale of their services. Medicine is now going through the same old discussions which prevailed seventy-five years ago when the idea circulated that the economic

problem was to be solved by group organization of the workers to control their industries.

Doctors today are advocating the organization of doctors under the name of cooperative medicine. This is supposed to be a matter of expediency because the medical profession will not permit the organization of patients. The patients can be organized and want to organize, but they get little help or encouragement from the doctors. The doctors seem unable to see consumer cooperation applied to medicine. Workers in every craft have always wanted control by their own craft. It took fifty years to prove the fallacy of this philosophy, but the doctors apparently need it taught again. In the meantime, consumers' control of health service languishes for want of adequate advocacy.

A book much used in the United States, entitled *Cooperation at Home and Abroad*, is a discussion largely of agricultural marketing associations, worker-owned industries, and farm credits. It relegates consumer cooperation to a subsidiary position. The student who reads this book gets an inadequate idea of cooperation. This is a common confusion in European literature. Consumer cooperation has been misjudged and combined with a multitude of interests wholly unlike it and philosophically unrelated to it. The consumer cooperative movement cannot be regarded as on a sound basis, and in a position to take its place in the changing world, and to function as a dominant way of life and business, until its leaders understand its unique quality. Consumer cooperation is different from any other economic system. This fact is not yet sufficiently grasped by its promoters.

A difficulty in much of cooperative education is illus-

trated by the fact that some cooperative educators who gain access to colleges to present their subject are not invited back again. Sometimes this is because they have done such a good piece of teaching and made their subject so clear that students have carried it home to the parent alumni, and the department has been warned by some reactionary trustee against "attacks upon our American way of business." This is not inadequate teaching on the part of cooperative teachers, but plethora of ignorance on the part of college alumni and trustees. On the other hand, it does happen that cooperative teachers are not wanted because students find so many of their statements unsound, their reasoning defective, and their presentation crude. Students are particularly shy of propaganda, and develop much more sympathy and interest if they have presented to them the weaknesses as well as the advantages of cooperation. Effective education demands that the pupil shall be respected.

Education is not knowledge; it is the art of using knowledge. The practical implementation of cooperative teaching must always be kept in mind. Teaching and propaganda come to naught unless they are followed by some practical means of putting cooperation into operation. Indeed, they may do harm. It is like the problem of some governments today: they produce airplanes, but fail to develop pilots to run them.

Prior to twenty years ago, propagandists went out into virgin territory among people who had no knowledge of the subject. They told the story of cooperation. They extolled it as a way of business and often exaggerated the immediate savings and benefits. They showed the picture of the great accomplishments in Europe and said:

"You can do the same if you will only begin." But to tell a thing well is no guarantee that it will be done well. People were filled with enthusiasm and were made hungry for the cooperative Utopia. The propagandist then went his way, leaving these people with their hunger. All that was required was some enthusiastic soul, some promoter, or some business fakir to say, "Let's go," and they were ready. Propagandists have gone across the country and their trail has been marked by a line of dead societies—mushroom growths which sprang up, withered, and died.

The cooperative propagandist often draws too long a bow with his stout right arm. He even invokes a more primitive weapon, and is found exclaiming to the capitalist: "Goliath, I am glad to meet you; my name is David." We can only say: Gently, son, not too fast; you have your chores to do; tend your flocks; and leave the giant to go his way to his own predestined doom! The idea that cooperation may win by killing something should no longer be valid. Cooperation creates, but does not slay. It does not even destroy war, hatreds, or poverty; it builds peace, friendship, and plenty.

Sometimes the cause of propaganda exaggeration has been innocent ignorance, sometimes downright fraud. Frequently the initiative has been taken by some plausible fellow who wanted to be manager of the new society. Often he became manager. Sometimes he was a man who had failed in his own business and was out of a job. The problems of successful store organization, of efficient buying, and of adequate service were all too much for those tyros. Such growth of cooperation did more harm than good. There are many communities in the United States today where the people say, when cooperation is proposed:

"No, thank you; we have tried it. Once burned, always shy."

The answer to this sort of education is more education. Teachers going out among the people must know so much of cooperation as not to promise too much. People who want to start a cooperative store should not start until they have educated themselves to an understanding of the subject. This means reading, lectures, observing cooperatives, discussion, and study clubs. When there is enough understanding of cooperation, among enough people with sufficient consuming power, and when they want to go ahead, and capital is available, the time has then come to consider a cooperative venture. One thing remains: is there available a competent manager? This was the shoal upon which the old cooperatives fouled. It is futile to go ahead without such person. And in view of the efficiency in profit business, the cooperative manager must be highly competent.

The training of educators is important, but their training is of little avail unless there are also business people who can follow them and implement their teaching with the practical application of cooperative business. For this reason, Rochdale Institute and other schools of cooperation train and test for aptitude men and women to be educators and also men and women to be cooperative executives and employees. Both are important. Both are essential to the best growth of cooperation. And the only way the executives and business employees can be taught is by experience. Samuel Johnson said: "You cannot, by all the lecturing in the world, enable a man to make a shoe"—at least not the best possible shoe.

An opportunity of incalculable possibilities is the sending out in pairs of a cooperative educator and an execu-

tive. Two people of this sort can go to a community interested in cooperation and create a cooperative society. The educator organizes study groups, holds meetings, teaches cooperation, provides literature, and makes the people ready. The executive examines the field from the business standpoint, helps with the education, formulates plans, provides the model by-laws, and surveys sources of supply. When the society is ready to go into business, he becomes the manager, if the membership agrees. The educator continues as educational director, if the society can afford the service. Or these two people help start the society, see that a manager is established in his job and an educational committee and secretary are at work. Then they may go to another community. If funds were available to cover the country with a large number of such pairs, the national economy could be changed by deliberate plan and action. This is the great opportunity for philanthropy interested in solving the problem of poverty and showing people the way to help themselves.

Inadequacy of teaching is both quantitative and qualitative. The quantity of teachers can be increased by appropriations for education from the cooperative movement and from sources outside the movement. The quality can be improved by the continuation of emphasis on education and promoting study of the subject. The last twenty years have witnessed great progress in both of these. Rochdale Institute and the schools of the regional federations give instruction in all departments of cooperation. The courses include not only the facts concerning cooperation, but also its philosophy and practice.

A friendly political government, concerned for the economic prosperity of the people, could train and send out

into the field cooperative teachers. This is already being done in several fields by the present Federal Government. Cooperative banking and electricity distribution are thus promoted. As other fields of profit business fail to supply people's needs, there is every reason why the Government should help the people by giving information on the cooperative way of supplying themselves by their own efforts and organization.

But the inadequacy of teaching is best taken care of by the cooperative movement. The initiative and the financing of cooperative education best come from the cooperative societies. The best results accrue when cooperative societies are promoted by cooperative societies. While this is all true, philanthropic help is better than no help; and if devoted wholly to education and organization, it can do no harm and may do great good.

If cooperation possesses the power for good attributed to it by cooperative propagandists, if it is the unique method of life and of business which its teachers represent it to be, then cooperative teaching may be truly regarded as a profession. Its teachers subscribe to certain principles of conduct; they conform to standards of learning; they are subject to the discipline of their organization; and behind them are traditions and usages which they honor and respect. If these contentions are correct, understanding co-operators are the aristocracy of economics. The backwardness of conventional economic teaching, at the hands of academic economists, at least provides this opportunity. Perhaps an appreciation of the responsibility, dignity, and importance of their calling is needed to elevate cooperative teachers to the right position in their own esteem and in the esteem of society.



[ 16 ]

## Uncoordinated Cooperative Teaching

*You cannot teach a man anything; you can only help him to find it within himself.*—GALILEO

Now that cooperative education has become respected and is widely promoted, uniformity of interpretation of cooperative principles and understanding of their economic basis is important. Unfortunately, this is not the case in the United States. There are many different interpretations of cooperation and, as a result, much confusion in the minds of persons attempting to gain understanding of the subject. Consumer and producer cooperation, although in two wholly different economic fields, are confused by being discussed together as the same species.

Neutrality is disapproved of by teachers who advocate that cooperation should ally itself with the trade unions, with the church, and with a political party which the working class as a whole does not support. It is taught by some that cooperation is a class movement, a working-class movement; while others present it as a movement of no class, but of the consumers—some of whom are workers, some of whom do not have to work, some of whom are in school, some too old to work, some invalid, some retired. Confusion also is caused by the teaching that the cooperative movement should promote government ownership or administration of such things as electric supply, telephone service, petroleum supply, and other essential utilities, when cooperative societies are doing the same thing.

Some teach that cooperation is not private business, but recognize only profit business as private business; when it

is obvious that a family garden is private business and that cooperation is simply an expansion of the family nonprofit idea.

Pamphlets advocating socialism are recommended to cooperative educators as valuable and significant documents for cooperative educational purposes. I am not here discussing the fact that their teaching would make cooperation subject to the socialist political movement, nor that they represent doctrines highly prejudicial to cooperation, nor that they are based upon a fatuous and confused philosophy. The important fact is that they present doctrines which contradict many years of cooperative education in the United States. They imply that the previous teaching was wrong. They constitute a direct attack upon that teaching.

The following examples of this confusion may be cited from pamphlets which are used and recommended for educational purposes in the United States. The pamphlet entitled *The Consumer Cooperative Movement* (L.I.D. Pamphlet Series, Revised 1940), in advising cooperators what to do, says (p. 19): "They should make their cooperative effort not a substitute for, but an auxiliary to, other working-class movements." These are the Socialist Party and the trade unions. In the same pamphlet, a general plan for an American cooperative democracy is laid down which is socialistic rather than cooperative.

A pamphlet by Beatrice Webb on *The Discovery of the Consumer*, published and circulated in the United States, is recommended. This is a discussion of "associations of consumers" of two types, one in voluntary associations (cooperative), and one in compulsory associations (the political state). Both of these are grouped together and



this is called cooperation, "the two forms of associations of consumers." This book shows how medical service, education, transportation, housing, coal, etc., are not for voluntary cooperation but for "the obligatory associations" of politically organized subjects or citizens. The confusion is doubly confounded by the conclusion: "It is this consumers' cooperation in its two-fold form of voluntary association of members (in what we now know as the cooperative society) and the obligatory association of citizens (in the economic enterprise of national as well as local government), all of them in organic connection with an equally ubiquitous organization of the producers by hand or by brain (in trade unions or professional associations) which will constitute the great part of the social order of a hundred years hence." This, of course, is not cooperation. It is the political state and labor organizations mixed with cooperation, and befogs the subject for the student mind. It is confusing because its author is confused. Mrs. Webb's latest book, *Soviet Russia, a New Civilization*, asserts that Russian socialism is the best way to civilization.

Another pamphlet, *Ten Year Plan for Cooperative Education*, advocates "closer work with the Cooperative Party." In the pamphlet by Professor Harold J. Laski, M.A., on *The Spirit of Cooperation*, the author states: "I am a Marxian socialist." He advises cooperatives: "A full alliance between them (trade unions and the Labour Party) and you, a partnership that is determined and militant until you have captured the machinery of the state is the essential." Also: "But it would be folly for the cooperative movement to enter politics as though the Labour Party did not exist." "The integration of your effort with that of the Labour Party is, accordingly, indispensable. It is, I

submit, a tragic waste of energy to seek to build up a separate Cooperative Party independently of the Labour Party." Here is not only advocacy that the cooperative principle of political neutrality be violated, but two different pamphlets advocate alliance with two different political parties. Laski says: "The real tragedy of the working class is the tragedy that they are not conscious of their power. The highroad to that consciousness, as any citizen of Soviet Russia would tell them, lies in the possession of the keys of knowledge." Most American cooperators doubt that Russia possesses the keys.

A pamphlet on *Education for Social Change* is by Joseph Reeve. I have heard Mr. Reeve say that, when socialism is established, cooperation will no longer be needed. In this pamphlet he says: "When I use the word 'cooperation,' I do not mean consumers' cooperation, but cooperation in its larger implications."

Certainly socialists have a right to argue for socialism. But is it the business of cooperative societies to do the job of socialism—organize as voters, work for government ownership, and organize trade unions? Is not that for socialist parties and for such individuals as want to do that work? Is not the business of the cooperative movement the building of cooperative societies and the advancement of cooperative education? Inasmuch as most of the members of cooperative societies in the United States are not only not socialists but are opposed to socialism, has not political neutrality in the cooperative movement more in its favor?

Socialists make but a small fraction of the cooperative movement, yet some often speak with disapproval of the cooperative neutrality which has prevailed so consistently

in the past. They regard their approach to cooperation as "virile and progressive." I regard their approach as reactionary and impractical. However, cooperation must not be thought of as fixed or frozen. Changes and new attitudes should always be possible. But these socialist doctrines are certainly very different from the philosophy which heretofore has guided the American cooperative movement. Let us examine the difference.

The following is from a book that has been used by The Cooperative League since 1923: "The cooperative movement should be allied with no political party, religion, or sect. Where such alliances are formed, a split in the movement inevitably develops, and in the division the neutral body must be regarded as the genuine expression of cooperation."

Another book by an official of The Cooperative League contains a similar statement: "The cooperative movement has from the beginning stood for neutrality in questions of class difference, politics, and religion. This is because consumers' cooperation is a common ground upon which all people may unite, irrespective of their differences. By eliminating from their affairs any consideration of the above factors of difference, harmony and common interests are preserved. This means no official cognizance of these antagonizing factors. But each individual member of cooperative societies is free to have his affiliations and to act in these matters as an individual, as he pleases."

For which of these doctrines does the American cooperative movement stand? A great surge of prospective cooperators are at the door of cooperation, anxious to gain understanding of this subject. And leaders of this movement are throwing them into confusion. There should be

clear-cut definitions in their interest. Policies should be agreed upon. If the last two quotations are "old fogey and reactionary," as has been said, then The Cooperative League should repudiate them and define progressive cooperation. If another approach to cooperation offers a better policy, this should be frankly adopted. The confusion of tongues which prevails can only produce harmful results.

These are but a few examples of lack of coordination in cooperative teaching. A voluminous exhibit is available. The cooperative movement is retarded by these discrepancies. The remedy is clear. Cogent and definite presentation of the subject is needed, lest people who would enter the movement hesitate at the threshold of a house from which such divergent voices come.

[ 17 ]

### Competition Among Cooperatives

*Friendship throws a greater luster on prosperity, while it lightens adversity by sharing in its anxieties.—CICERO*

SOCIETIES CALLED COOPERATIVE in the United States are found competing with other cooperatives. I have examined many of these situations and have always found that at least one of the societies engaged in such competition was not cooperative. This can be put down as a rule, because genuine cooperatives do not compete with one another, at least not for long. It is like the violation of physiology: a fasting man may be perfectly happy, but he is not going to be happy long. There are so-called cooperatives now competing bitterly against one another. Some spend much money resorting to misrepresentation in their fighting.

There are cases of genuine cooperatives engaging in such conflicts against unsound societies.

Some unsound societies are lacking only in one principle, that of open membership, to make them truly cooperative. Some are lacking only in democratic control because of the inability of the members to meet. They could easily be made cooperative. Usually the selfishness or ambition of officials stands in the way.

There sometimes develops overlapping of territory of two cooperatives as a result of expansion. The test as to whether they are true cooperatives appears when they attempt to reach agreement, or when they compete for members and business. True cooperatives can always agree on questions of jurisdiction, and they do not compete to get members or business away from another true cooperative.

Every league or federation of societies should have control over the questions which cause differences among its member societies. When differences which might cause competition arise, the league should go into action with an arbitration committee. This committee should survey the situation, get information, hold hearings, and have power to make decisions which each side must accept. The arbitration committee may require each side to appoint one or two members to a committee with power, and the two, or four, to appoint another. Whatever method would seem most equitable should be used.

There are in the cooperative movement societies which are set up for the purpose of arbitrating differences between individual members. The members agree to abide by the findings of the arbitration board. The same rules can prevail in a cooperative federation. In joining, members should agree to bring their differences to the central

body, if they cannot settle them themselves. And the central body should have jurisdiction with power. Appeals to a higher body should be possible. Thus cooperators would make use of a cooperative arbitration tribunal instead of resorting to "legal action"; and cooperation would build a modern substitute for the archaic court of law.\*

The fact is that genuine cooperative societies do not engage in economic competition. This is because they are not out to make profit, but to serve. Where true cooperative societies find that their circumferences are overlapping, they draw a line upon which they are agreed, or they federate to form one society. This latter is the British method as testified to by the multitude of societies with hyphenated names.

Sometimes in cooperative medicine, housing, banking, insurance, and other fields, a friendly emulation exists among societies cultivating the same territory. There is such a thing as competition for excellence, as contrasted with competition for business. In these fields where there is no limit to the number of potential members and business, competition may be recognized and approved by the central organization. But under no circumstances should it be permitted to become unfriendly. True cooperative societies will always be found working together in accord for their mutual good—never in enmity. The competition, which is necessary to develop alertness and efficiency, is with other businesses outside of cooperation. One cooperative society competes with the other cooperative society to demonstrate its excellence and to pass on to the other cooperative society such superior qualities as it has learned to develop.

\* See "Cooperation and the Social Offender," page 145, *Cooperative Democracy*, 1936.

[ 18 ]

## Lack of Growth and Vision

*In a narrow circle the mind contracts.  
Man grows with his expanded needs.*

—SCHILLER

MANY SOCIETIES, which have succeeded in supplying their members with one particular commodity or service or kind of goods, keep on in that field with no thought of expansion into other services. They become stagnant and the members lose interest. Such societies are apt to have little or no interest in the cooperative movement as a whole. They do not easily federate with other societies. They do not progress. What does not progress deteriorates.

Still there are hundreds of societies in the United States performing one minor service for an indifferent membership.

It might be said that the exception to this rule is the special society, organized to perform a single service. Such are the societies for housing, banking, insurance, and medical service. But they are really not exceptions. A housing society, after it is going and successful, should consider starting a store, credit union, oil service, recreation work, medical service, milk supply, or some other cooperative activity. A housing society in New York put in its own electric generating plant, established a bus line, and added a shoe repairing shop to its several other activities. A nursery, library, and theatre are all possible for such societies. The cooperative credit union can go into medical service. The insurance society can start a cooperative bank.

A striking example of this possibility is in the oil societies. They were set up to supply petroleum products, and

for years that was all they did. In the course of time they went into automobile supplies. Now many of these societies are in the grocery business. One federation of oil societies has steadily expanded until it now handles groceries and manufactures paint and gasoline. This same federation maintains a credit union and is organizing a housing society and medical service. Such societies are the hope of cooperation. They exemplify the principle that cooperative experience in one field prepares for entry into the next.

This integration of cooperative business is important. A cooperative for the exclusive supplying of some one minor service does not penetrate deeply enough into the life of a member to secure his serious interest. A society to supply only books, or gasoline, or automobile insurance, or even medical service, or burial, does not grip the member's interest enough to cause him to give much thought to its welfare or to go much out of his way to attend meetings. The hope of cooperation lies in including enough functions in the cooperative to hold the member's interest. In this, the old German societies succeeded. The "Konsum Spaar und Bauverein," which was the common name, showed the way. This consumers' store, savings, and housing society involved the most important interests of the members. Food, clothing, credit, and housing were supplied by the one and the same organization. The people were vitally interested in the society; and when a members' meeting was called, they came.

The society which has many departments solves its problem of specialization by dividing its management and administration into special divisions. This is the common and successful practice in business engineering. This result comes about in two ways: by the special society taking on

more and more functions, as is now being done by the oil societies; or by special societies uniting with other societies to multiply interests. The result must be an organization which touches so many facets of the member's life that he must give it his serious thought.

Cooperation does wisely to encourage the organization of book distribution as a part of some other service. Gasoline is best distributed by a society which distributes other things. Or, as has been developed so admirably by many societies, the petroleum business is expanded into other more important fields. Cooperative health service is best developed by a society having stores and other functions, as is done by the "Volharding" society in Holland. Since people are buried on an average not more than once, their burial society will do well to make itself a part of some society which engages the members' interest more frequently. The English societies which have been most successful with burial service are those which have stores and many other activities for their members.

Another possible union of interests is cooperative health protection and life insurance. This presents an ideal combination, for here health education takes on an economic aspect. The more the society does, the more interest the members will take. And that is the way to protect democracy.

Cooperative societies in the United States are failing to take advantage of a great possibility in the expansion of cooperative insurance. In two States, Massachusetts and New York, there is a law by which the savings banks may issue life insurance policies to depositors. The cost is low. The premiums are automatically deducted from the depositor's account. This is excellent life insurance. Savings

banks exist in only 17 States. There were only 540 in 1941, and most of these are in the two above mentioned States. Already there are 10,000 credit unions, and increasing rapidly. There is a credit union enabling law in 38 States and also a federal law. The opportunity of the cooperative movement is to promote a law enabling credit unions to issue life insurance policies. A federal law would make this possible in every State. A State law would remove the local prohibition against such insurance. The credit unions could carry on such life insurance at even lower cost than the savings banks. They are natural agencies for such insurance, and could save working people the millions of dollars that are taken from them yearly by the unnecessarily high costs of the large insurance companies. Such credit union life insurance need not conflict with the present cooperative insurance now in operation. The two could be coordinated.

The credit union can also serve the member in helping him carry other forms of cooperative insurance. From the credit union he can get the money needed for premiums.

Lack of vision is evidenced by the cooperative societies organized of trade unionists in not influencing more trade union workers to enter the cooperative movement. There was a time when organized labor was starting many cooperative stores throughout the United States—1916 to 1926. Control of these stores by trade unions caused their failure, and interest in stock gambling from 1926 to 1929 drew the workers' attention away from cooperation. Today a great opportunity exists for the labor store societies to spread information concerning cooperation among trade unionists, but not much is being done. The Labor Committee of The Cooperative League is carrying on excellent



work in this field, but trade unionists who might be active are exerting little influence. On the other hand, the farmers are disseminating cooperative propaganda. A larger proportion of them have caught the vision. As a result, the cooperative movement of the United States is strongly agrarian, while industrial labor moves with slowness in the cooperative direction. This is natural. While both the farmer and worker are organized for the sale of their products and their labor, the farmer has experience with goods. He makes his living as the owner and custodian of property for which he must assume responsibility. He buys and sells goods. He keeps accounts. This is good training for cooperation, and helps to give him vision of its nature and possibilities.

Agricultural colonization, which is now neglected by cooperative vision, a hundred years ago offered promise. The farm colonies failed to make cooperative progress because they were on a producer basis, a profit business basis. Robert Owen's New Harmony, the Shakers, and the Oneida Colony are examples.\*

With the broader knowledge of cooperation now available, the agricultural colony could be made a consumer business. Two hundred years ago, farming in the United States was on a consumer basis. The family constituted the consumer cooperative society. They produced almost everything they used. They sold nothing or little. The farm family—father, mother, sons, and daughters—conducted a consumer society which had mastered retail distribution and was successfully engaged in manufacturing. They produced food, clothing, and housing for the consumption and use of the consumer workers. They even added the

\* See "Cooperative Farm Colonies," page 225, *Cooperative Democracy*, 1936.

luxuries—wine, whiskey, tobacco, and vegetable dyes. Here was the ideal of consumer cooperation in practical operation, a society of consumers producing for their own use. The hunger for money, the talents of experts, the centralization of production, and the expansion of mechanical devices converted this ancient consumer cooperative into a producer business. And as such it is failing.

The consumer cooperative method could now be applied to agriculture and could save this great industry. In addition to the methods already in use,\* a new approach to the problem is now possible. A colony or association of people on the land can organize as cooperative consumers and produce for themselves. They can make the home and the community nearly self-sufficient. The mechanical devices now available make possible local production which once was wholly unthinkable. The old family consumer cooperative ideal can be expanded into the colony or community, and with modern mechanisms, thousands of self-sufficient consumer groups could transform the economic picture of the land. It requires only changing the producer-trader psychology into a consumer-self-supplier psychology. Where great centralized production or other centralized organization is necessary for the service of the local groups, cooperative consumer wholesaling, manufacturing, and other national or international cooperative methods show the way.

Centralized mechanization can lead the world into trouble, just as centralized political control is leading it into trouble. Consumer cooperation stands for decentralization, except in so far as centralization is used to promote unity and self-help among decentralized units. Where

\* See "Agricultural Producers," page 209, *Cooperative Democracy*, *ibid.*



a local cooperative retail society can manufacture its own flour, shoes, clothing, canned food, or anything else as cheaply and as well as the central national organization can, the local organization should do these things. Avoid centralized or distant functions wherever they can be performed locally, should become a cooperative axiom.

Russia, in destroying local cooperatives and local village industries, and in setting up great centralized plants with centralized control distant from the consumers, took the first step toward weakening its economic stability. Where all the eggs are in one basket, when the basket falls, millions of people find themselves in want.

It is possible that food produced in the very sight of the people who eat the food, that clothing made in the presence of people who wear it, that fuel and power produced in the streams and in the fields and by the beasts at the consumer's door, may still offer something to the present civilization not offered by great centralized aggregations of distant roaring wheels. Perhaps the horse and buggy may sometimes smile complacently if not derisively upon a world in the throes of gigantic streamlined jitters.

One thing can be done immediately: farmers can begin to produce on the farm more of the things the family needs to use. The refrigerating locker, owned cooperatively, can help in this direction. A few religious groups, such as the Mennonites in Pennsylvania and Virginia, are proving these possibilities.

The consumer cooperative principle offers a path which leads away from the mechanizing, dehumanizing, modern trend of centralization. It can lead toward local self-sufficiency and toward the home. It can make use of the wealth of inventions, mechanical devices, and the limitless

resources of science to these ends. This does not mean a step backward; it does not mean the sacrifice of anything than can be done better through centralization or somewhere else; it means a step forward toward better life and living. The radio, the growth of local orchestras and choirs, the "little theatre" movement, and movies in the control and in the interest of local communities express recreational possibilities. The consumer cooperative movement has yet to catch this vision. It has yet to add to agricultural collectivism the consumer cooperative inspiration to make it succeed.

Many other fields of cooperative education are neglected. While advantage of the radio is taken when opportunity offers, the cooperative movement of this country has as yet no broadcasting station of its own. A number of cooperative plays have been written, but rarely presented. The cooperative movies fall just short of the dramatic interest which would make for wide demand. Convincing speeches by cooperative leaders could be made available on phonograph records and, on many occasions, would prove more effective than a poor speech. Second-hand sense is better than first-hand nonsense.

Success in cooperation requires not only growth and vision but also it requires the will to succeed. Success can be best assured by the strength of the desire. Failure often comes because success was not strongly enough wished for. This all applies to human beings, not to bricks and mortar and goods on the shelves. A cooperative society is a collection of individuals. Its success depends upon what each one does. The will to succeed among a multitude of people, each of whom is possessed of that will, is what makes a society succeed. There is no such thing as mass will or

mass thinking. These are attributes only of individual minds. But when they operate in the aggregate, they possess great power.

## [ 19 ]

## Failure to Pension Employees

*It is vain to be always looking toward the future and never acting toward it.*—BOYES

IN EUROPE, cooperative employees look mostly to the government for old age, sickness, and unemployment relief. This is the result of the failure of the cooperatives to provide such care and of the resultant expansion of stateism. Cooperatives could do this, but the widespread disposition on the part of the people not to do things for themselves, but to turn to the state to do for them, is responsible for this trend. In some countries, the cooperatives do make some provision for their employees and members, but these are inadequate. In the United States little has been done. A few societies are setting up a fund by deducting a small percentage from wages. In some cases, the society also makes a contribution to the insurance fund; but none has yet reached the point of guaranteeing satisfactory security. In time, it should be done. To leave cooperative employees to the mercy of the government, connotes neglect of a cooperative obligation.

The cooperative movement, in its trend toward saving people from the need of governmental functions, must provide for its employees as well as for its members. The workers are a part of its machinery, and that must be kept in the highest state of efficiency. The workers are also members, and in due time, should constitute most of the

membership. Every cooperative reason calls for this protection. While cooperative employment gives better wages and more secure positions than profit business, these are not enough.

Central organizations, leagues, and wholesales, as well as individual societies should provide insurance protection for employees. Such insurance should be inaugurated by the national league. A comprehensive plan which can begin out among the retail societies, and converge inward through the district organizations to the national league is practicable. This can all be a part of the general cooperative insurance system now so effectively developing. Much discussion of this subject has been promoted. The field is now ripe for action. The aim should be to provide every cooperative employee with adequate guarantees of security against unemployment, incapacity, and old age. In the end, this should extend to his dependents. And the plan should be so set up as to make similar provisions available for members also. This is because the ultimate aim of cooperation is a society in which the members all are workers in the cooperative democracy and the workers all are members.

## [ 20 ]

## Influence of Changeful Movements

*Time's glory is to calm contending kings,  
To unmask falsehood, and bring truth to light.*  
—SHAKESPEARE

CHANGING MOVEMENTS, which are the product of a world in a state of flux and seeking a level of stability, interfere materially with the expansion of cooperation. Their leaders

are jealous of other movements; and where they take cognizance of cooperation, it is to move it aside or to make use of it as an adjunct to promote their temporary cause. Cooperation has no analogy in the economic world. It is a unique way of production and distribution. It is not a scheme for bringing about some condition different from itself. It is the end as well as the means.

Accordingly, cooperation cannot be harmonized with fluctuating devices which are aiming at some wholly different end from the means used to attain it. Cooperation can best promote cooperation. The ephemeral movements in Russia, Italy, Germany, and other countries, leading to stateism and autocracy, retard and confuse cooperation. When inquiry is made as to the cause of the noise out on the street, and the reply is to the effect that they are making a man volunteer, this is a language with which cooperation has no traffic.

A movement theoretically to abolish the profit motive, to ennoble labor, to place the workers in control of things, and to make use of cooperation to these ends, came into power in Russia and established under the control of the state the very ills from which it would be free. This movement is like those panic-stricken individuals who know from what they flee without knowing to whom they flee. Cooperation serves itself best by keeping free from these vagaries of a vagrant world.

Some political partisans in the cooperative movement advocate that "Cooperatize the state!" should be the political slogan of cooperators. They would have cooperative societies engage in politics with the view of "capturing the state." They do not realize that such a course means winning the antagonism of other movements and parties

having the same political ambition. They fail to see that if cooperation should not succeed in its political endeavors, it would have the hostility of the other and victorious forces which had succeeded in capturing the state and which then would have the power to coerce their enemy, cooperation.

Similarly, that same teaching, to be found in politically controlled periodicals, advises that frank discussion such as this "makes enemies and not friends" for the cooperative movement in the United States. Those teachers magnify the importance of their own cult. They apparently are not aware that the vast majority of the millions of workers and of farmers in this country are not sympathetic to their party. The millions of Catholics are actually hostile to socialism. Cooperation is winning friends not by allying itself with a political party but by making clear the fact that it is entirely free from any such alliance. One of the most common questions asked by workers, farmers, and Catholics is, "Is cooperation related to socialism?" They want this answered before they are willing to give sympathetic hearing to the cooperative teaching. It is the duty of cooperative teachers to make clear the fact that cooperation is diametrically the opposite of any movement that makes for the expansion of political stateism.

The reiterated clarification of this question has had much to do with the growth of cooperation in the United States during the past twenty years. At the same time, let it be noted that while socialists in the cooperative movement urge that cooperation ally itself with their party, such a demand does not come from other political parties nor from religious groups; they respect the neutrality of cooperation.

Nothing that is here said can detract one mite from the credit which is due individual socialists in promoting cooperation. The Finnish cooperative movement in the United States, for example, represents one of the most substantial elements in American cooperation. These Finns who so successfully built sound cooperatives in this country and who have so loyally supported education and the finest features of cooperation were almost all socialists. They got their social vision and idealism from their study of socialism. This book respects the private beliefs and affiliations of individuals. It is concerned with actions which affect the cooperative movement adversely.

[ 21 ]

#### Opposition of Capitalists and Small Traders

*He that wrestles with us strengthens  
our nerves and sharpens our skill. Our  
antagonist is our helper.* —BURKE

CAPITALISTIC BUSINESS, with a wealth of misunderstanding of the subject, has taken occasion to attack cooperation. Chambers of commerce, a national association of insurance companies, lumber dealers, retail grocers, and the like, have issued vituperative encyclicals against cooperation. These documents, sometimes as widely published articles and sometimes as pamphlets and books, are characterized by misrepresentation which is sometimes amusing, sometimes pathetic. They always have the result that people outside the cooperative movement, as well as within, make replies which expose the weaknesses of the attack. Cooperative societies are not able to discover that they are damaged. However, harm may be done in that these at-

tacks reach legislators and profit-minded persons in influential positions, who may be able to act in some way against cooperation. In England similar attacks, which were launched on a large scale by Lord Beaverbrook and Lord Rothermere, resulted in more publicity, more defense, and more members for the cooperative societies.

A college in Vermont has a board of trustees composed of men in the insurance business, public utilities, and other fields entered by cooperation. The college owns much of the town property rented to profit storekeepers. As a result, the students are not permitted to have student cooperatives of any kind. Teachers of economics are forbidden to take their classes to visit cooperative businesses. No teacher may engage in cooperative work. The teacher who gives instruction on cooperation jeopardizes his position. Students and teachers have been dismissed for the above activities, going no farther than talk. This situation exists in varying degrees in many American colleges. Instances are multiplying where able teachers of economics leave these institutions to engage in work in the cooperative movement.

Employers often forbid their employees to join the local cooperative. Often there is nothing for the employees to do but yield to the demand. This demand often comes as an indirect requirement from the merchants' association, through the chamber of commerce. Sometimes it is the result of direct competition. In Dillonvale, Ohio, the mine owners had a company store. They forbade their employees to join the cooperative society or patronize its stores. The employees ignored the injunction, threatened a strike if it were enforced, and now the Dillonvale society is the largest retail business of the community.

The local hostility of small tradesmen does delay cooperative advancement. When the local merchants' association rents all the vacant stores, the cooperators are unable to find a place to start business. The constant hostile gossip, which competing merchants set going concerning the cooperative, does retard its progress. The only answer is for the cooperative to go its way, do its job as effectively as it can, serve its members, reply in a dignified way to false reports, and prove its value to the community by the service it renders. But never, let us hope, will the cooperative stoop to misrepresentations or the malice of its detractors.

Answers to specific charges are necessary, and there are certain broad, philosophic principles which should also be made clear. Cooperation is not hostile to business but is a help to business. It destroys no business but it builds up business. When a new profit store opens in a town, it fails or succeeds, depending upon its efficiency. Usually it fails within the first three years. These failures of profit business are serious because of the losses of capital and the losses of jobs which they cause.

Occasionally, instead of a profit store, a cooperative store is opened in a town. It will fail or succeed likewise depending upon its efficiency. The peculiarity of cooperative stores is that their failures are much fewer, in proportion to number, and the losses much less in proportion to capital invested, than in the case of profit business. If the cooperative store gives service and is efficiently run, it succeeds like any other business. This is true of all the stores in the town. The poor ones close up, and the good ones keep going. Therefore the fact that the cooperative store exists is testimony to its value. The cooperative store does

not drive competing stores out of business any more than any other competing store drives them out of business. The weak ones perish; that is all there is to it. And if the cooperative is a weak one, it will perish.

If business really means it, when it says that "competition is the life of trade," then it should welcome the cooperative. But business does not do itself credit when it complains that "cooperation puts the business man out of business." It does nothing of the sort. He puts himself out of business, whether the cooperative competes with him or whether some profit business competes with him. There is much talk of freedom. Unrestrained freedom for business is demanded. Cooperation favors this. But profit business often wants freedom for itself but not for cooperative business. However, people who sincerely desire the blessings of freedom must not only be willing that others should have it but they must manfully support it. Freedom, they must understand, is not the enjoyment of special privilege.

The fact that cooperative stores do not fail, as do profit stores, should drive home a lesson in economics and should prove something to the business mind. If there is a kind of business that succeeds when others fail, why is that not the best kind of business? Why is that not better for invested capital that needs safety, for employees who need jobs, and for customers who need goods? Success is not a thing to bemoan and criticize. When the public wakes up to the facts, it may be expected to interest itself in this cooperative business.

Cooperation gains by competition with other business. The absence of such competition would mean sinking back into mediocrity as is the case in countries where only one



kind of business is permitted by law. Cooperation does not want privileges or monopoly. They would be fatal to it. It has won its way thus far after a hundred years of competition with other business. It needs a free and impartial field, open to all, with no favors, where the most efficient and most satisfactory business is the business that expands.

It is a noteworthy fact that the consumer cooperative movement in the United States has never asked of legislative bodies a privilege not enjoyed by profit business. Its dealings with congresses and legislatures have been to remove legal restrictions which discriminated against cooperation.

The education of the public can here be of help to cooperation. The more the public, legislators, and influential moulders of opinion understand it, the less are the obstacles offered. For this reason a general knowledge of cooperation, promoted by sound educational and propaganda methods, is useful. The general public is ready and waiting for the cooperative idea, and accepts it easily when presented in almost any form. The important thing is that the idea be offered and made accessible. Even in the simple mind, the profit idea cannot compete. Cooperation is delayed because most people are engaged in profit business and are trying to make their living out of it. They are equipped with the profit machinery and cannot readily give it up. But even under these circumstances, the idea is found acceptable although the practice cannot be adopted. The way for cooperation is made easier by the ill repute into which the profit idea has fallen. The best way to deal with an unsound philosophy is to meet it with a sound philosophy; and this fact is constantly serving cooperation in its conflicts with profit business.

[ 22 ]

### Difficulties of Acquiring Big Business

*Aspiration sees only one side of every question; possession, many.—LOWELL*

SOME INSIST that there are certain affairs which are too large for the cooperatively organized consumers to acquire or to run. The railroads, libraries, post office, health service, international transportation, telegraph, radio, parks, highways, universities, research laboratories, quarantine, coal and petroleum, and large businesses such as the United States Steel Corporation, certainly in the present state of cooperative development in the United States, would seem difficult if not impossible to acquire and administer. These functions are commonly thought of as being administered by the political organization if not by profit business.

Where governments have taken over ownership of such services, there has been much that was lacking. The businesses have been characterized by officialdom and often by autocracy and unnecessarily high costs. Sometimes the direct costs have been low to consumers but high to taxpayers. In many fields, however, the total costs have been lower than when the business was under profit auspices. One thing is certain: the present trend is not in harmony with cooperative ownership, but imposes difficulties in the way of cooperation. It is a well recognized fact that cooperation starts small and grows with experience. Many large functions which were once regarded as beyond the possibilities of cooperation, are now effectively carried on by cooperative societies. This is true of the largest flour



mills in some countries, a banking business of several billion dollars yearly turnover, manufactories which have become the largest of their kind in several countries; and, on a smaller scale, the successful administration of coal mines, petroleum refining, telephone service, radio broadcasting, steamship lines, hospitals, medical service, courts of justice, colleges, arts, theatres, and scientific research. All these services, in the hands of cooperators, began small and most of them continue to expand. The most important fact is that no point has been discovered at which they must stop. Furthermore, there is every indication that the larger cooperative businesses become, the more successful they are.

The technicians and experts who make all these businesses successful are consumers and are available for membership in consumer societies. It is probable that the people who make these large-scale enterprises successful by their control and patronage are just as capable as members of a cooperative society as they are as citizens of a state.

Cooperators cannot say that the state cannot do these things better, nor should others contend that cooperation cannot. Only time can tell.

The cooperatives, in a country such as the United States, can own the railroads, steel industry, etc., only when the majority of the businesses of each State is carried on cooperatively. With such expansion, integrated by a national union of local and district cooperatives, this should not only be possible but it may be thought of as the effective eventuality.\*

\* See *Cooperative Democracy*, 1936, "Cooperation and Government Ownership," page 106.

[ 23 ]

### Reputation of Destroying Profit Business

*'Tis not in mortals to command success,  
But we'll do more, Sempronius; we'll deserve it.*

—ADDISON

IT IS CONTENTED by opponents of cooperation that it aims to destroy the business system of the country. It is observed that as cooperative business starts and then succeeds in a community, some competing business often fails or stops. This is a common occurrence. The cooperative movement is harmed by statements to this effect. Mistaken cooperators have publicly said: "We are out to destroy the capitalist system." Nothing but harm could come from such misrepresentation. Where cooperators talk of the "fight" between cooperation and profit business, they often cause misunderstanding. This is particularly true when they talk of cooperation being opposed to "private business," when as a matter of fact cooperation itself is private business.

Cooperation is really out to fight nothing, unless it be high prices and want. Its purpose is not to destroy any business. The reason cooperation thrives is because profit business destroys itself. This is illustrated by the fact that most businesses in the United States fail before they have been in existence three years. The very nature of profit business is to fail. Certainly it fails to supply consumers' needs. Otherwise the continuous expansion of the political state would not occur.\* The cooperative which starts a business takes its chances just as any other business does. As we have already seen, the inefficient close up; the

\* See *The Socialistic Trend*, 1940.

efficient go on. If prices and service in the cooperative are not satisfactory, if it does not effectively compete with other business, its patronage declines and it fails. It asks for no privilege and it gets none. It is one private business among many and it stands or fails as it succeeds in its competition with the others. Profit business competes profit business out of existence. As a result, government business increases and ultimately itself becomes profit business. All proving futile if not absurd. It is like Bierce's report on the pocopo, that strange animal which eats only pocopos. He says: As a result of the pocopos eating only pocopos, pocopos became very scarce; as pocopos become fewer and the danger of being eaten by pocopos lessens, pocopos multiply enormously and overrun the land. Accordingly, it should not be difficult for cooperation to survive in the presence of pocopo economy.

Religious bodies pass resolutions against the capitalist profit system on moral grounds, but the basic ground is its unworkability.

And again: In the presence of the decline of profit business, it is interesting to observe that cooperation goes on expanding. Its failures are comparatively fewer; its losses are less in proportion to money invested; and the positions of its employees are more secure. During the ten dark years from 1930 to 1940, the number of cooperative employees increased every year while profit business was throwing millions of workers out of employment.\* Cooperation conserves and stabilizes business. Cooperation stands for freedom. Freedom means pursuing our own good in our own way. And as long as we do not prevent anyone else from enjoying the same freedom, we add justice to it.

\* See *Cooperation, a Way of Peace*, page 50.

[ 24 ]

### Reputation of Being Foreign and Subversive

*Let them call it mischief; when it is past and prospered, it will be virtue.* — BEN JONSON

IT IS SAID by those who would deprecate cooperation that it is of foreign origin and subversive to our American institutions. It is true that the methods practiced in this country had their origin in Rochdale, England. The cooperative banking movement was originated by two Germans, Raiffeisen and Schulze-Delitsch. All this was about one hundred years ago. But the American Indians, going back to the Aztecs and earlier American tribes, practiced cooperation and observed the fundamentals much as they are now employed. The Shakers and other early American farm communities practiced nonprofit cooperative business. The Mormons of Utah were early practitioners of Rochdale cooperation without knowledge of its origin. Conversely again, the Ten Commandments, the Golden Rule, the Sermon on the Mount, the Analects of Confucius, the Gospel of Buddha, and many others of our canons of virtue are of foreign origin.

In the propaganda against cooperation now being carried on by a combine of the stock insurance companies, cooperation is characterized as foreign and therefore un-American. It happens that all these insurance companies are of foreign origin and the majority of their stock is in foreign hands. But this does not prevent them from trying to carry on their business in this country.

The cooperative method was practiced by the pioneers who built America and who united with their neighbors

and rendered help to one another in all sorts of circumstances. A cooperative society was set up in New York in 1830, and the first known cooperative store in New England was established in Boston in 1845, a few months after the first Rochdale store in 1844.

As to subversive activities, cooperation does not promote communism or fascism, but is the antithesis of those movements. It helps business, stabilizes industry, protects invested capital, and makes employment more secure—all to a greater degree proportionately than does the profit method of business. Profit business of both domestic and foreign origin and profit business in its failure and inadequacies are the cause of the expansion of stateism and of the concomitant development of these movements which are called subversive and unAmerican.

## POLITICAL HINDRANCES

*Vain hope, to make people happy by politics!*

—CARLYLE

[ 1 ]

### Laws and Customs Against Cooperation

*Man yields to custom as he bows to fate,  
In all things ruled—mind, body, and estate;  
In pain or sickness, we for cure apply  
To them who know not, and we know not why.*

—CRABBE

COOPERATIVE SOCIETIES attempt to start nonprofit business in communities in which the traditions and psychology have adjusted the people to the profit idea. From the cradle up, children are taught about business, getting ahead, selling the goods, making the money, etc. It all revolves around profit business—getting a bargain, buying for little, and selling for much. Every boy hears of this constantly; and his father tries to practice it. The profit idea is inculcated in the schools. It is the big idea. Listen to men talking business, and that is what they are talking about. "How is business?" is the ubiquitous question. It does not mean, "How well have you succeeded in supplying people's needs?" It means, "At how much profit above the cost price have you been able to sell?"

A cooperative laundry society that was organized in Little Rock submitted their by-laws to a local banker who

was a friend of the president of the society. The banker said it was a perfect business set-up, except for one thing: they were not going to make any money out of it after they got their laundry going. He could not conceive of people going to the trouble, risking their capital, running a business, and not making money out of somebody. This is the American business mind in action. Business run for the purpose of supplying people's needs is not easily thought of. This is the reason so many people in America are not supplied with the things they want—most business is for the purpose of making money instead of getting things and services—and it does not work well.

The laws of the country are generally against cooperation. The machinery of government is largely set up to help profit business. There is much talk of cooperation being under the control of government in fascist countries, yet it is under the control of the Government in the United States also. The Departments of Commerce, of Labor, of Agriculture, of the Interior—all of the government departments—are busy promoting profit business. The statute laws are largely to help business get profits. As a result, much of our legal system cannot conform to Rochdale principles. In nine States in the Union, each share of stock of a cooperative must have a vote. In fourteen States, proxy voting must be permitted. In thirteen States a dividend must be paid to stockholders in proportion to stock ownership before profits or savings can be allocated to patrons in proportion to patronage. In six States, cooperatives must pay a bonus to employees. In eight States, a "patronage dividend" must be paid to non-members of cooperative societies. It is necessary to have good cooperative laws, addressed especially to cooperative societies, or they can

do business only with the greatest difficulty. Cooperation is discriminated against.

The cooperative movement in the United States has not asked for privileges before the law. It has asked only for the right to be free as profit business is, or to be given the same rights that profit business enjoys. And it should ask no more. On this account special cooperative laws have had to be enacted in most States to help make cooperative business possible. The farmers have been especially favored by such laws. However, critical examination of the laws favoring cooperative societies among farmers shows that although these laws are called cooperative, they were passed primarily to help the farmers make money. The impetus behind the laws was not fundamentally cooperative. It has been the intelligence of the farmers that gradually turned the use of these laws into supplying the farmer and his family cooperatively with things they needed for their personal consumption. But it is still difficult to get enacted any law that is purely cooperative, wholly in the interest of the people as consumers. A law that is not to help somebody make money has a hard road to traverse. Every such law on the statute books of this country represents great effort extending over a long time, disappointments, rebuffs, and compromises.

While the Government does actually much but comparatively little for cooperation, what it does is the result of enormous labor on the part of cooperators who have succeeded in turning to the interest of the consumers those forces which are set up and adjusted to serve the producers and traders in the interest of their profits.

A Cooperative Party could be of service, provided that it did not put up any candidates for political office nor

engage in politics in any way. A nonpolitical party could gather and distribute political information, make surveys and carry on education to the advantage of cooperation. It could show people how to solve their problems by non-political means. All this The Cooperative League does.

## [ 2 ]

## Man Power Taken by War

*What's saved affords  
No indication of what's lost.*

—LORD LYTTON

WAR OVERLEAPS the course of time to eat away man power. This affects every economic field. The present growth of cooperation is proportionately faster than that of profit business; but the psychological training of the young in school, in home, and in social contacts, prepares them distinctively for profit business. In that field there is an abundant supply of labor, overflowing into unemployment. In the growing cooperative field, it is difficult to find enough qualified workers. As its man power is lost, cooperation is in danger of losing its well earned advance. To meet this problem, to change the trend of the thinking and training of the young, to qualify them for cooperative service, requires special education. Cooperative education among the public and in schools, and study courses for those who would enter cooperative work, help to overcome this deficiency.

As to the inevitable loss of man power by war, cooperation must face the situations which minorities have to face. It must find proportionately more new workers than profit business must. It must go on building and

proving its worth to the people. There is much that it can do to prepare for that eventuality.

To meet this situation, Rochdale Institute, the national cooperative training school, established in 1940 a special course for women store managers. Cooperative stores throughout the country should employ women store clerks, and have in mind their training for managerial positions. The day may come when this step will be imperative.

The remedy for this condition is in the peace promoting power of cooperation itself.\*

## [ 3 ]

## International Barriers

*Not more but less compulsory  
regulation is a necessity of  
further progress.—MAX HIRSCH*

THE IMPORT DUTIES, tariffs, passports, and visas, which governments set up, are obstacles to international cooperative expansion. Cooperation, in general, stands for free trade and all the freedoms which facilitate international commerce and intercourse. The expansion of the International Cooperative Wholesale Society has been hampered by the above political obstructions. The wars carried on between political governments place many obstacles in the way of cooperation.

The establishment of a cooperative petroleum business by the International Cooperative Wholesale is practically prevented by the regulations and restrictions placed upon the export and import of oil products. This wholesale could take into consideration the ownership of oil wells

\* See *Cooperation, a Way of Peace*.



and refineries adjacent to the Gulf of Mexico with the view of supplying the cooperatives of the twenty countries which it represents, but international restrictions prevent. These laws are all in the interest of privileged corporations dealing in oil. As a result, the people of the world are stopped by their political governments from improving their access to petroleum products, from bettering the quality, and from lowering the price. The same can be said of many other international services. The obstacles which political governments put in the way of international cooperative business are obstacles in the way of peace. These political hindrances to international freedom breed the seeds out of which war grows.

The expansion of international cooperative commerce is retarded by the attitude of certain of the great national wholesales in its membership. They are not willing that cooperative methods be used but insist upon making profits from other cooperatives with which they trade. Thus their international commerce is not cooperative at all, but is profit business.

This profit-making practice is an obstacle to the expansion of international cooperation. There should be an international cooperative wholesale society, which is a federation of national cooperative wholesales, and which functions as a genuine cooperative.

The expansion of cooperation nationally, with the increase of its influence in each country, is the first step toward its international expansion and influence. As genuine cooperative international commerce increases, the barriers in its way should decrease. The best assistance to the growth of cooperation is cooperation itself and the observance of cooperative principles.

[ 4 ]

## The Advancing Stateism

*As fast as voluntary cooperation is abandoned,  
compulsory cooperation must be substituted.*

—HERBERT SPENCER

AS PROFIT BUSINESS FAILS and consumers' needs are not adequately supplied, political government takes more and more hand in economic affairs. Government gives profit business every assistance. But even with government help, the profit method fails adequately to supply human wants, and certain anomalies appear. An owning class narrows its control, profits decline, workers lose their jobs, governmental functions expand, taxes increase, war is promoted, and radical political changes ensue. All of these disturb cooperation.

These changes result in a growing power of the state. The government exercises increasing control over business. Then its control becomes so great as to be equal to ownership. To counteract this socialistic trend, in some countries fascism develops. But presently the fascist government proceeds to do the things it was supposed to oppose. This is because fascism tries to keep alive the declining competitive profit system. But since that system fails adequately to supply needs, under fascism also, its insufficiencies are its undoing. The fascist government proceeds to initiate the kind of government it tries to supplant, and stateism expands.

As these processes go on, a definite fate follows the cooperative societies attempting to survive under these rapidly evolving conditions. First, during the failure of competitive profit business, cooperation makes its best

progress. During this period, governmental functions are expanding, and so is cooperation. The dominion of competitive profit business seems to break up and to be divided between the cooperatives and the state.

In the second stage, the socialistic trend is so strong that fascism arises to smite it. At the beginning of the fascist regime, socialist cooperatives are destroyed, and the rest are robbed of their freedom.

In the third stage, fascism renounces its allegiance to competitive profit business and moves on toward the socialistic state. Presently the fascist state controls and practically runs all business. But running business in the interest of the government does not satisfy the people's needs. The surviving cooperative societies are tolerated at first; then they are encouraged. This is because they do serve the people; and even though the government were averse to them, political expediency prompts the government to let them operate. But under fascistic stateism, the cooperatives, like all business, enjoy no real freedom. They go on with a form of cooperation, but the spirit of democratic freedom is suppressed.

The fourth stage is that of socialistic stateism, toward which Germany claims she is now aiming. Russia attained this end directly without passing through fascism. In this uncoordinated and chaotic condition, now existing in Europe, the current status of cooperation is uncertain. Its immediate future is unpredictable and is at the mercy of the whims of autocratic rulers.

When totalitarian stateism has come directly into power and has expanded to the point of owning all property and doing most of the business, as in Russia, a new phenomenon appears. The state produces and buys raw materials,

hires labor, sells its products, and finds itself in the position of a single great corporation engaged in business. The peculiarity of this set-up is that it is a business corporation with a complete and uncontested monopoly. It buys materials and hires labor at one price and sells its products at another price. The difference between the two prices is profit. The state, with its autocratic powers, restores and maintains profit business on a monopoly basis. And the vices and inadequacies of profit business and monopoly are maintained by the force of an autocratic state.

When socialistic stateism thus comes directly into power as in Russia, without passing through the fascistic stage as in central Europe, cooperation fares still worse. Here stateism is so strong and the theory of Marxian government business is so dominant, that cooperation is permitted to exist only where the government is not ready to "take it over."

The final stage of this succession of events is now in the making. Government spending to keep business going, to give workers employment, and to improve the spending power of consumers, is only a temporary expedient. The profit motive, as a means of animating production and supply, does not effectively work. This is true in private competitive business, in corporate monopolistic business, and in the state engaged in profit business. The profit system continues to fail. Production and distribution for supplying human wants, and not for the winning of profits, remains as a last resort of a changing society. This service method of business, as a purely economic means as well as a purely economic end, is seen in operation only in the cooperative societies and where the individual himself in a primitive way supplies his needs. Certainly capitalistic

political governments carry on many useful functions on a nonprofit basis, but they are moving toward an expanding and totalitarian stateism.

Before cooperation can come into full operation, there will be the rise of stateism. This comes with the upheavals incidental to the present unplanned, and indeed unwelcome, world changes. During this period of stateism, cooperation survives in a modified form. As the impracticability of stateism causes its own decay, cooperation may take its place.

There remains the possibility of cooperation short-cutting this long process. In a country such as the United States, the movement toward stateism may be slowed by private business efficiency and by public aversion to governmental expansion. There are two potent factors in this country. Profit business is still comparatively strong and socialism is unpopular. This retardation of stateism may be associated with the continuous expansion of cooperation until ultimately so large a proportion of the business of the country becomes cooperative that the dominance of stateism may not occur. This is a possibility which may be made to approach a probability by delay in the collapse of profit business and continuous cooperative expansion. These processes, going on side by side in the United States, may prevent the dominance of stateism, may save this country from fascism, and may result in the establishment of cooperative democracy.

This possibility may be destroyed by conditions now threatening the country. Among these is the sudden collapse of our profit business structure. Entrance into war would hasten this calamity. In order to avoid a too early collapse of the present profit system, every device should

be used to improve the income of workers and to advance their standard of living. The trade unions and the farmers' marketing associations must be recognized and respected as desirable features of capitalism; the great inequalities of wealth and unnecessarily large incomes discontinued; land monopoly corrected; and taxes upon industry and consumers stopped.

The solution of the problem of the ages is now being worked out. To make cooperation efficient and capable of meeting this situation is the responsibility that rests upon the cooperators of the United States.

Europe is taking the long way to cooperative democracy, by the route of stateism and its decay. The United States may avoid stateism, and the chaos which its growth and decline entail, and move directly into cooperative democracy. This is to be accomplished by building cooperatives. The theory that a good and democratic stateism can be built up is wholly visionary, and without historic or economic justification.

Every useful social function performed by the Government is a dangerous decoy. It is an *ignis fatuus* which lures a credulous public deeper and deeper into the morass of stateism. The more the Government does, the easier it is to add more functions. Political officialdom breeds political officialdom. Unconsciously, still hoping for democracy, the people are led toward the loss of their liberties.

This cooperative method of production and distribution is the one force which stands between the people and autocratic stateism. Cooperators need not only to build cooperative societies, but to make these facts clear to teachers, to economists, and to the public. To do this they must themselves first understand the fundamentals involved.

## [ 5 ]

## Harmful State Help

*Rich gifts wax poor when givers  
prove unkind.* —SHAKESPEARE

GOVERNMENTS in all parts of the world, in the presence of distress of the people, have loaned or given money to cooperative societies or have helped them with official aid. The United States Government, since 1933, has been particularly helpful to cooperatives. It has published more cooperative literature than all the other governments of the world combined. The United States Government has made surveys of cooperative societies, has published statistics, and has passed laws favorable to cooperation. Several of its departments have sent out field men to advise and guide cooperatives. Millions of dollars have been loaned to farmers' cooperatives on easy terms. The Rural Electrification Administration has had large sums made available for electric supply associations. A single well-equipped branch of the Government is devoted wholly to the organization of cooperative banks or credit unions. Villages have been built by the Government, and converted into cooperative communities.

No government has ever done for the cooperative movement what this Government has done and is doing. The Vice-President of the United States has frankly announced that he regards the cooperative method as offering hope for a stabilized economic system. As a Cabinet secretary for eight years, he gave much help to the cooperatives. Many such officials in the Government sincerely promote cooperation because of their belief in its value to the

people, without regard to its political significance or consequences.

It cannot be denied that governments have been of signal help to the cooperative movement. But there is an obverse side to this picture. With political help always goes an obligation to that party or that government which renders the aid. Aside from the exceptional independence of individual officials, the foremost concern of a political regime is to keep itself in power. Helps to cooperative societies are usually bestowed not so much for the purpose of helping the people as for the purpose of strengthening a political regime in the esteem of the public. It is philosophically the same as the purpose of the merchant with things to sell; he does give good values and treats the customers well, not for the sake of promoting their welfare but for the sake of winning their good will and patronage in the interest of his profits. The merchant will bear watching lest he palm off on his customers something spurious that looks good, or short-weight or short-change his patrons. Indeed, a considerable machinery is necessary to this watchful end. And by the same token, governments also must be watched. "The public good" is the window dressing of the political tradesman.

Cooperative housing societies, under the Resettlement Administration, have been so harassed by political officialdom that in despair they have renounced their cooperative efforts to the damage of the cooperative ideal. Farmers, borrowing money from their government for their cooperatives, have often found political interference in their affairs so onerous as to drive them to private lending agencies, or to set up their own financial institutions.

The self-help cooperatives among the unemployed in the

early thirties of this century represented a unique and promising political device for giving work and assistance and restoring self-respect to the unemployed. It proved its value and its success. And for just that reason, it failed. Profit business interests saw these thousands of idle men go to work in associations under their own control. They made shoes, clothing, bedding, and rugs. They canned fruits and vegetables. They wrote reports of their work. Then profit business saw to it that their products were forbidden general sale. But the unemployed worked on. Their products were exchanged among the workers. They were making things for their own use. The business interests which also manufactured the same products then brought pressure upon the Government to liquidate the self-help cooperative industries. And the workers were again compelled to join the ranks of the idle. The Government became the agent which prevented men from producing necessities of life for themselves. The Government proceeded again to give the unemployed the money to buy these things from profit sources. They were thus caused to be idle and to deteriorate at enormously greater cost to the Government. This occurred while these same business interests protested against increase in taxes.

A branch of the Government is now organizing cooperative associations among depressed farmers, in competition with existing voluntary cooperatives, and in some instances to their harm.

The picture of Government interference with cooperation is not a pleasant one, but it is quite natural. There is a feeling among the farmers' electric supply societies, which were financed by Government loans, that the Government in the end may get the control away from the

farmers and become the owner. After much experience with Government borrowing, the farmers of some of the Mid-Western States are setting up credit unions for financing their own undertakings. Many of the European governments, at the behest of profit business, seriously hamper cooperation while claiming to do it good.

The answer to the question of the relation of Government to cooperation is more cooperation. When enough people are members of cooperative societies, and when enough of the business of the country is carried on by such societies, the Government will be more concerned to have the good will of these cooperators. It may be laid down as a cooperative axiom that help which members of cooperative societies give to their society is better than Government help. All Government assistance carries with it more or less Government control or supervision. There is a string to every Government loan. Independence of Government is possible and will be practiced when consumers realize that the difference between the cost price and the distribution price can be made theirs. It is this golden medium which makes the financing of all business possible.

[ 6 ]

### Assuming the Qualities of the State

*To save man from the thralldom of the state is the challenge of the world today.*

THE "TYRANNY OF ORGANIZATION" threatens the expanded cooperative society. Large societies and also small ones often come under autocratic control. Human weaknesses, and the hindrances to cooperation already discussed, might



in the future become so dominant as to destroy the cooperative character of a cooperative democracy. Men have often had a fairly just regime and through their own errors have suffered its replacement by a less just and a less happy system. Division of the large cooperative society into districts, and adherence to democratic usages can prevent an approach to the autocracy which characterizes the political state.

The question is as to the conditions in a country in which cooperation has become the dominant method of business, and in which political functions have subsided into a minor position. The nearest any country comes to this situation is Iceland. There the government functions are reduced to a minimum. The cooperatives do most of the business. But still the cooperatives retain their democracy and show no resemblance to the state. Were there no political government, it is difficult to conceive of the cooperatives taking on the qualities of the state. The nature of cooperation is wholly different from that of the state.\*

Some hold the state in such high esteem that they would have cooperation coalesce with it. Some think so poorly of the ability of the people to maintain a cooperative democracy that they see such a democracy transform itself into a political state. Some, like the author, believe or at least hope that the present cooperative system will go on expanding steadily as it has in the past, that profit business will decline and the function of the state will in time diminish, while the world moves on to a universally established cooperative democracy; all of which is opinion that can be neither demonstrated nor proved.

\* See *Cooperative Democracy*, 1936, "Cooperation and the State," page 93, and "The Cooperative Substitute for the State," page 137.

[ 7 ]

### Inability to Promote War

*War suspends the rules of moral obligation, and what is long suspended is in danger of being totally abrogated.* —BURKE

FEW PEOPLE these days favor aggressive war, yet most are in favor of defensive war; although in the realities of each, it is difficult to distinguish one from the other. War is an expression of force which cooperation does not develop. For war's effective promotion, autocratic methods are used. War employs dictatorial authority, grades and ranks, and quick decisions which must be unhesitatingly obeyed. This, it would seem, demands abrogation of democracy. Cooperation has no machinery for war either offensive or defensive. It looks toward victories to be won by other means and in the economic field.

Examples of the effects of war on the cooperatives are now to be seen in many lands. The cooperative movement in each belligerent country has tended to go along with the Government and help in its war. This has been as a result of coercion, propaganda, or voluntary self-interest. The Japanese cooperatives, at the beginning of the China-Japanese war, sent out a document to the cooperatives of the world declaring the justice of the Japanese cause, asserting their loyalty to their Government, and asking for the sympathy and support of the world cooperative movement. The German and Italian cooperatives, having come under the autocratic domination of the State, have done what the Government has commanded them to do. The British cooperatives at first held back, but as soon as the

British Isles were threatened with invasion, they came in step with the Government and have given incalculably valuable assistance to the promotion of the war, in money, goods, productive resources, men, and morale.

In the first World War, the organized cooperative movement in the United States adhered to the principle of neutrality and did not commit itself to assist the Government. Some of its societies and most of its members did give support to the Government. In 1941, after war was declared by Japan and Germany on the United States, the individual membership of cooperative societies became so generally in sympathy with the Government's war aims as to prompt their societies to give whatever assistance they could to the promotion of the war. While the official acts of cooperative societies, even in war times, tend toward non-participation in political affairs, members of these societies, as individuals, are free to take any action they please toward war. Their society has no jurisdiction in the matter of their individual liberties.

Perhaps the most important thing is that cooperatives should do what is best to insure their survival. Whether their country is to win or lose its war, survival of the cooperatives is the cooperative need. If cooperation is good for a people under one political regime, when another regime gets control, cooperation still remains good for the people. A vanquished people may need it more than a victorious people.

When we imagine a country wholly cooperative, the picture is different. Such a situation would be associated with other countries in the same cooperative condition. War between them would be impossible because cooperation

seeks no profits from trade, desires no colonial expansion, breeds friendship with other cooperatives as it expands, and depends for its existence upon democracy and mutual aid in its relations with all other cooperatives. When we visualize a cooperative country attacked by a warring political state, or threatened by such attack, we see a country that by nature might seem not adapted to the promotion of war. However, if a cooperative democracy, extending over a whole country, should decide to go to war, war could be waged by such a democracy. A people with machinery of production and with man power can make munitions. They can drill and prepare themselves for war. This can all be brought about by democratic means. If these people went to war, it would be because they believed their democracy would best be preserved by that means. They might suffer disappointment and find in the end that by waging war they lost their democracy. But the decision and the trial are theirs.\*

It is to man's credit that, in peace, he builds effectively; but when he turns his energies to destruction, when he goes out to kill his fellow men and to despoil the products of civil building, he is out of his element. He is by nature for something different. What is accomplished by war is at an expense which in civil life would be inconceivable. Everyone who has gone through a war has tasted the bitter dregs of its profligacy. Millions of dead have tasted it, never to tell. Military autocrats, who have proclaimed that man's natural and noblest role is to be at war, are bunglers; they are not discovered building enduring values. Cooperation is the opposite of all this.

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\* See *Cooperation as a Way of Peace*.

In the circumstances of the world today, war is inevitable. There is no answer but war to the maniacal ambitions of fully armed predatory powers. The world has not yet adjusted itself to peace. In its quest, man confesses his inefficiency.

The answer to the question of the inability of cooperation to make war lies in its power to build social efficiency. Such efficiency means useful activity—capacity to accomplish socially desirable ends. That is the nature of cooperation. One test of the effectiveness of an institution, as well as of any growing thing, is its power to survive. In the presence of war, or threats of war, cooperation may be expected to bring to bear whatever force will best serve its survival and its development. This it may be expected to do in a constructive spirit.

Cooperation must be looked upon as illy adapted to war. Happily, when cooperative democracy has become dominant in any large country, it may be assumed that the cooperative method of carrying on economic affairs will have become so widespread throughout the world, that war will no longer be considered as a way of solving international problems, and cooperative democracy will not need to go to war. In the meantime, it behooves cooperation to give aid to every force making for democracy.

[ 8 ]

Antagonism of the Political State

*It is the enemy whom we do not suspect  
who is the most dangerous.* —ROJAS

GOVERNMENTS sometimes damage cooperatives. When the government in Russia under Lenin went into action,

all the property of the cooperatives was confiscated by the state. Later the properties were given back to the membership. Again, in 1935, the cooperatives in the cities were confiscated. The fascists in Italy and the nazis in Germany at the beginning of their regimes destroyed about one-third of the cooperatives in those countries. The remaining societies have been robbed by these autocratic governments and deprived of the democracy that made them truly cooperative.\*

A governmental hostility exists wherever the theory of the government is opposed to cooperation and where business interests which are hostile have sufficient influence with the government. It is this latter influence that places restrictions upon cooperation in most countries. At the present time a law imposing a tax of one-half of one per cent on the gross receipts of all cooperatives is before the legislature of the State of Massachusetts. This is class discrimination and would add a special burden to the fourteen taxes which the cooperatives already pay. Thanks to cooperative neutrality and the esteem in which cooperation is held, both Democratic and Republican legislators as well as clergymen of several denominations have argued against this bill. This law was proposed by the State Commissioner of Taxation, an official of the Government.†

That cooperative banks cannot give their members the use of checking accounts, is due to the influence which commercial banks exercise over the government. Everywhere the state is found limiting cooperative expansion in this field and that. This means antagonisms between the cooperatives and the state. It is natural that this should

\* See *Cooperative Democracy*, page 30.

† See page 179 herein, "Laws and Customs Against Cooperation."

exist between two institutions so wholly different in nature. The fact that the state must serve the dominant economic influence causes a varying attitude toward cooperation as cooperative membership is large or small.

The cooperatives can minimize this disharmony by keeping out of politics. The greatest antagonism exists between cooperation and the state where the cooperatives have engaged in politics and their party is not in power. This disaster is avoided by political neutrality. To go into politics, to be for the time on the winning side, and to have the government obligated to the cooperatives, may also be disastrous. Just now (1941) in Europe, governments seriously threaten cooperatives—some to the degree of robbing them of their autonomy, some to the point of their destruction. There is one insidious danger now pending. A country at war, where the cooperatives have always accepted socialistic guidance and philosophy, where cooperators have always talked about the "cooperative commonwealth," and where the cooperatives are patriotic and give support to the government, such a country as it moves toward totalitarianism may take over the whole cooperative movement and wipe it out completely. Socialist philosophy has prepared the way and in the end may prove the instrument that placidly and approvingly sees a great cooperative movement handed over to the government and ended. Had these cooperators during all the preceding years been politically neutral, they would at least have addressed their minds to the cooperative nonpolitical way, rather than falling easy victims of the socialistic trend.

The danger with which the totalitarian states threaten the cooperative movement in these days is terribly serious. The problem is not solved by a general attitude of hostil-

ity to stateism. Contempt is not enough. Despising an enemy may make him even more dangerous. The power of the totalitarian state must be recognized and understood. It must be dealt with deliberately and planfully. We in the United States must learn as much of the lesson as we can from what is now transpiring in the rest of the world. We may be next.

Cooperators throughout the world, who are free in the exercise of their cooperative functions, are unequivocally opposed to fascism and nazism. As free individuals they are found combating these forces. This is because fascism and nazism are diametrically opposed to democracy, and democracy is the foundation principle of the cooperation which these individuals find is for their good.

Thus far, the government which owns all social property and controls all business has tended to be rid of cooperative business along with other private businesses; but abolishing cooperatives has not been easy. The fascist countries are moving toward total stateism; and when they reach that point, it may be that they will attempt to "take over" the cooperatives with the rest. But that means destruction of a popular service. It is conceivable that, as these governments approach that end, they may be made to realize the disadvantages of complete stateism. They also may have learned of the value to the people of cooperation. And genuine or neutral cooperatives may be spared. Stateism is not enjoying happy progress, and a compromise which permits the consumer cooperatives to function is conceivable. Cooperative education, increasing the public esteem in which cooperation is held, can serve a great social end. Time and experience may teach the autocratic states that the people want their cooperative societies. Even though

the flame of the cooperatives is quenched, the light of the ideal survives. History is long, time is patient, and no unmitigated abuse of justice can permanently prevail.

## [ 9 ]

## Inability to Right Immediate Wrongs

*A fundamental error pervading the thinking of nearly all parties, political and social, is that evils admit of immediate and radical remedies.*

—HERBERT SPENCER

IT IS ARGUED that cooperation offers no immediate means to stop war, to give the unemployed work, to raze the slums, or to check crime. Such contentions are well founded. In this impatient world, people of good will are so distressed by the chaos and injustices that they want immediate results. For this reason they turn to the panaceas which claim to be able to solve the problem at once. Revolutionary methods are sought. But the one thing these methods fail to do is to solve the problem.\* Men must patiently learn to cooperate with the inevitable.

Evils that have become established by thousands of years of usage are not to be gotten rid of by overnight devices. It is true that institutions can be destroyed, but to set up in their places workable substitutes is the difficulty. Impatient people have refused to make use of cooperation to solve pressing problems because it seems too slow. They have spent years with other schemes without attaining the desired result. In the meantime cooperation is helping to solve the problems in its own deliberate way. It must be understood that a cooperative society can only

\* See *The Sure Way Is the Quick Way*, The Cooperative League.

develop slowly. There is no hastily developed cooperation. Cooperation means education and training; and these are not the products of haste.

There is a satisfaction in building cooperation, which people for a hundred years have enjoyed. If cooperation were now a completed, perfected, and accomplished fact, I do not know what these pioneering spirits would do. In hard times human sympathies are expanded and the fundamentals of economics are better understood. Adversity has an intellectual value. It offers occasions which a sincere learner would not miss. The great adventure of life lies in the solving of problems. The world is going to be made better; but it is going to be made better slowly. And many people are going to be educated and made better in the process.

Revolutions have been invoked to solve economic problems. Peter Kropotkin said: "A revolution must from its inception be an act of justice to the ill-treated and the oppressed, and not a promise to perform this act of reparation later on. If not, it is sure to fail." This is the reason revolutions fail. On the other hand, cooperation begins by putting into operation acts of justice. This is the reason it expands.



## CONCLUSION

*Come what come may;  
Time and the hour runs through the roughest day.*

—SHAKESPEARE

THE DISCIPLINE which error gives us helps us to advance. In these pages we have attempted to profit by mistakes. Usually vanity is the cause of the confession of faults. A thesis such as this exemplifies confidence in cooperation, if not pride, amounting to vanity. A comprehensive literature has discussed the accomplishments and the merits of the cooperative economy. The world knows what cooperation has done, and easy access to the information is available. Now comes the small dark cloud of cooperative problems across the sun-lit scene and by contrast accents the brightness of the day.

We have examined the deficiencies of cooperation and brought them out into view. When hostile attention is called to these defects, the cooperative movement is now in a position to know that they have already been acknowledged. The cooperative movement itself is aware of its weaknesses, and it calls attention to them. It wants them recognized and understood. It has nothing to conceal. This is a position which does not prevail in profit business.

It is possible that we have been discussing variations of cooperation and not deficiencies at all. Dr. Holmes, who enjoyed all seasons, said: "There is no bad weather; there are only different kinds of good weather." Perhaps the same may be said of cooperation. Its infinite variety characterizes its growth.

The only enemies that cooperation has in the United States are people engaged in profit business who cannot compete with cooperative business. They are naturally hostile to any other business which is more efficient than theirs, which serves consumers' needs at lower cost or with better quality or with more satisfaction. Criticism of cooperation comes from them with poor grace, for they know of its superiority and are irked by it, else they would not complain.

Theoretical critics of cooperation, inexperienced and unfamiliar with the practical aspects of production and distribution, find that cooperation does not supply human needs by using the mechanism which they think should be employed. These may be left with their theories, which perhaps do cooperation as little damage as they do these harmless critics good.

In the tumult of the changing world, incidental to the decline of the profit system, it is growing more and more obvious that, if civilization is to be saved, the cooperative method of business offers hope.\* Other methods are failing while cooperation goes on proving its success. The government in business is to be seen expanding to the utmost degree in Russia, Italy, Germany, and other countries, and is discovered as the most dangerous substitute for individualistic business. The hopeful method which is presented to the world is the cooperative method. It preserves democracy, respects the individuality of the individual, and does supply the people's needs.

In the totalitarian countries no adverse criticism of the regime is permitted, and decisions are not arrived at, they are issued. But democracy demands discussion. This whole

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\* See *The Socialistic Trend*, chapter on "Cooperation."

argument is based on the assumption that decision is best preceded by discussion, and discussion even without decision is better than decision without discussion.

Free discussion and criticism mark the difference between a fascist country and a country committed to democracy. The worst thing the totalitarian nations are doing against their own interest is denying themselves the advantage of criticism. Such a course is fatal. In the end, the countries which enjoy criticism from the citizens will survive; the autocracies will fade away. For a state to deny people the right to think and to express themselves degrades minds and destroys the state.

Since the human race began, it has moved upward, with periodic interruptions. The cooperative idea has always been invoked in man's advancement. The forces of time and evolution are working for it. Time is on its side. As the prevalent methods fail to function, a vacuum tendency is created and cooperation flows in and expands to fill the void. This is the natural way. It is also the salutary way.

The laws of evolution apply to the changes in society the same as they do to the changes in animal and vegetable life. Natural selection operates in economic affairs. What is not good for the perpetuation of society tends in time to be discarded; and what works best, in time, is accepted and expanded, although the time is often long and the ways devious. If cooperation is best, and the laws of survival hold, it will prevail. Time is required for evolution, and with its ups and downs it goes on and does its work. Impatience and the desire to hasten the natural processes give rise to books like this.

The cooperative method is hastened by the impatience of the men and women who are promoting it. It is has-

tened by their understanding of the need which it fills. It is hastened because they believe that without cooperation the world is destined to welter in disorder. Other methods of supplying the needs of society operate in the absence of plan; cooperation is a planned method of business and of life. Earnest people are promoting it. They are anxious to perfect this method and to make it succeed, because time is precious and to them the hour is late.

## INDEX

- Agricultural colonization, 160
- Airplanes, 95
- Ambitions, selfish, 76
- Angelo, Michael, 36
- Appearance of premises, 30
- Arbitration, cooperative, 154
- Architecture, art and, 31
- Aristocracy of economics, 147
- Art and architecture, 31
- Association, American Medical, 128
- Auditing, inadequate, 6
- Autocracy in cooperatives, 193
- Aztecs, 177
  
- Banking restricted, 199
- Bank insurance, Savings, 158
- Banking Trust, 127
- Bear hunting, 64
- Beaverbrook, Lord, 169
- Big Business, difficulties in acquiring, 173
- Bierce, Ambrose, 176
- Bohemians, 136
- Bookkeeping and accounting, 5
- Boston, early cooperation in, 178
- Branch store, 25
- Brooklyn housing societies, 114
- Buddha, Gospel of, 177
- Business, unfair, 119
- Buying club, 26
- By-laws, violation of, 139
  
- Campus cooperatives, 94, 169
- Capital, donated, 10  
    too little, 4
- Capitalists and traders, opposition of, 168
- Cash-and-carry, 29
- Cash business, 136
- Catholics and socialism, 167
- Catholic priests of St. F. X., 103
- Central Cooperative Wholesale, 35
- Central States Cooperatives, 16
- Chain store managers, 75
- Chamber of Commerce, 9
- Charity workers, aversion of, 100
- Children's cooperatives, 93
- Church teaches lesson, Catholic, 92
- Cicero, 119
- Colonies, agricultural, 160
- Committees, 19
- Communists, danger of, 68  
    societies maligned by, 67
- Competition, 8, 52 62, 171  
    among cooperatives, 153
- Confucius, Analects of, 177
- Consumers Coop. Services, 123
- Consumer Distribution Corporation, 31
- Control committee, 7
- Controversy, 22
- "Co-op" label, 13
- "Cooperative Commonwealth", 200
- Cooperative League, 11, 31, 110, 152  
    seal of, 32
- Cooperative Party, 151, 181
- Credit business, 2
- Credit unions, 3, 131
- Credit Union life insurance, 159
- Customers stop trading, 54
- Customs against cooperation, 179
  
- Dangers from without, 62
- Danville, Ill., cooperation in, 63
- David and Goliath, 144
- Defects as shown by autopsies, 1
- Democracy, 19, 105, 194, 201
- Dilettantes in cooperation, 78
- Dillonvale, Ohio, cooperation in, 55, 169

- Directors — duty of, 23, 51, 67  
    centralizing too much power in, 50  
    incompetent, 41  
    quality of, 41, 43
- District organization, 105
- Education, 11, 13, 15, 40  
    meaning of, 142  
    neglecting to maintain, 13
- Electrification rural, 190
- Employee stores, 10, 39
- Employees — from membership, 47  
    incompetent, 51  
    service of, 37  
    uninformed, 79
- Enemies of cooperation, 205
- England's drafting boards, 182
- Ephemeral movements, influence of, 165
- Epstein's law, 102
- Equipment, store, 26
- Errors in — educational and social work, 11  
    financial policy, 2  
    store, 24, 39
- Esthetics in the store, 30
- European stateism, 189
- Evolution, 206
- Executives hired away, 82
- Expenses, 36
  
- Factions in the society, 22
- False reports about cooperatives, 66
- Farm colonies, 160  
    cooperative, 16
- Farmers — marketing associations, 134, 189  
    fear Government, 192
- Fascism, 185  
    in Europe, 197  
    opposition to, 201
- Foreign and subversive coop., 177
- Federate, failure to, 60
- Financial policy, 2
- Fortune and work, 37
- Forum, store, 29
- Finns — and cooperation, 5, 17, 47, 55, 63, 136  
    as socialists, 168
- Fitchburg, Mass., United Cooperative Society, 55, 63
- Freidorf, Switzerland, 82
  
- Germany, 186  
    nazis in, 199  
    socialism in, 205
- Gifts to cooperatives, 10
- Golden Rule, 177
- Goliath and David, 144
- Great Britain, employees in, 82
- Grievance committee, 53
- Group health cooperatives, 141
- Growth, lack of, 156
- Groups ready to start, 46
- Government aid, 5, 10, 87, 147, 180, 181, 185, 190  
    control, 180  
    expansion dangerous, 189
  
- Health protection, coop., 141
- Hindrances, organic, 104
- Holmes, Oliver Wendell, 204
- Housing, 100, 111, 115
- How to buy wisely, 110
  
- Iceland, cooperation in, 194
- Inability to right wrongs, 202
- Incompetence, 52
- Incredulity, 95
- Indiana Farm Bureau Coop. Assoc., 118
- Indians, American, 177
- Indifference in membership, 77
- Individual — factor, 71  
    lack of opportunity for, 86  
    individualism criticized, 84
- Insurance by savings banks, 158
- Interest, 129, 135

- International — barriers, 183  
C.W.S., 183  
Italians, 136  
Italy — fascists in, 199  
socialism in, 205
- Jealousy, 72  
Johnson, Samuel, 145
- Kerensky regime, 136  
Konsum Spaar und Bauverein, 157  
Kropotkin, Peter, 203
- Labor — Committee of The Co-operative League, 159  
exploitation, 123  
exploitation of, 120  
Labour Party, 150  
Laski, Harold J., 150  
Law court, substitute for, 155  
Laws against cooperation, 179  
League, The Cooperative, 11, 31, 60, 61, 110, 152  
Legends or mottoes, 32  
L.I.D. pamphlet series, 149  
Literature, two kinds needed, 18  
Little Rock, Ark., laundry, 179  
Location, store in wrong, 24  
Losses, waste and, 35  
Loyalty, 17, 19, 20, 44, 45, 63, 66
- Management — autocratic, 48  
centralizing too much power in, 50  
errors in, 39  
inefficient and inadequate, 43  
incompetent, 44  
Manager — autocratic, 49  
no competent successor for, 72  
Managers and executives, need of, 46  
Man power taken by war, 182  
Marxism, 102, 111, 187  
Massachusetts tax law, 199
- Maynard, Mass., 53  
Medical Association, American, 128  
Medicine, cooperative, 141  
socialized, 141  
Meetings, members', 57, 78  
dull, 59  
well conducted, 59  
Members — admitting disloyal and disruptive, 68  
complaints, 53  
responsibility, 47  
Membership — indifferent, 77  
unfamiliar with cooperation, 11  
unlimited, 136  
Mennonites in Pa. and Va., 162  
Methods, autocratic, 48  
Michael Angelo, 36  
Milk Trust, 127  
Milwaukee Coop. Society, 123  
Misrepresentation not practicable, 117  
Monopoly, 126  
Mormons of Utah, 177  
Morticians' trust, 127  
Movements, changeful, 165  
Mussolini, 97
- National Cash Register Co., 54  
Nazism, opposition to, 201  
Negroes, 136  
Nelson, N. O., 39, 41  
Neutrality, violation of, 137, 148, 200  
New Bedford, Mass., 124  
Newcomb, Simon, 95  
New people, new things, 76  
New York, early coop. in, 178  
Nominating committee, 42  
Non-cooperative element, 71  
Nepotism, 56  
Nova Scotia, coop. in, 103
- Obligations of coop., 116  
Obstacles to coop. development, 69

- Oil societies in Minn. and Wis., 63  
Oil Trust, 127  
Organization, top-down, 39  
Owen, Robert, 160
- Parliamentary rules, violation of, 139  
Peace, coop. promotes, 195  
Pension employees, failure to, 164  
Petroleum supply, international, 184  
Philanthropy, 10, 39, 100  
Pine trees emblem, 32  
Pocopo economy 176  
Politics — abstaining from, 200  
and war, 196  
hindrances from, 179  
no solution, 182  
in building trust, 127  
Political state, antagonism of, 198  
Poor — as clients of social workers, 100  
as cooperators, 88, 109  
Population of U. S., character of, 73  
Prices, high, 108  
Principles, violation of coop., 132  
Private business, 148  
Producers served by consumer coop., 55  
Profit business, 180  
said to destroy, 165  
training, 75, 77  
Propaganda, dangers of, 144  
Prosperity sometimes the end, 114
- Radio, cooperative, 163  
Raiffeisen, 177  
Rainbow flag of I.C.A., 32  
Records of speeches, phonograph, 163  
Recreation committee, 12  
Recreational Education, Coop. Society for, 16  
Reeve, Joseph, 151  
Relatives, employing, 56
- Representation, voting, 135  
Reports, false, 66  
Resettlement Administration, 191  
Responsibility — of employees, 45  
of members, 47, 50  
Retail wholesaling, 28  
Revolutions, 203  
Rich as unwilling cooperators, 91  
Rochdale — Institute, 13, 80, 145, 183  
Pioneers, 96, 99, 129  
Principles, 133, 177, 180  
Rothermere, Lord, 169  
Rural Electrification Admin., 190  
Russia — confiscates, 198  
socialism in, 102, 186, 205
- Salesmanship and promotion, 14  
Savings — Bank insurance, 158  
small, 106  
returns, 8, 106, 135  
returns paid too soon, 8  
Schulze-Delitsch, 177  
Scottish Coop. Wholesale, 113  
Seaworthiness, 45  
Seeds, coop., 118  
Self-help coops., 89, 191  
Selfishness — in profit business, 74  
in coop. movement, 76  
Sermon on the Mount, 117  
Service, failure to give, 52  
Shakers, 177  
Share capital, par value of, 4  
Slowness in action, 99, 111, 202  
Smith, Sydney, 18  
Social — side of coop., ignoring, 16  
work, 11  
workers, 100  
Socialism, literature on, 149  
Socialist — guidance, 200  
Party, 149  
Socialistic trend, 186, 200  
Socialists, 151  
Socrates, 37, 55, 92

- Speakers, dull, 57  
Speaking, public, 58  
Spurious "coops.", 138  
Standard Oil Co., 64  
State — antagonism, 198  
    assuming qualities of, 193  
    help harmful, 190  
Stateism, 166, 185, 201  
Stealing, 6  
Stock, poor, 25  
Store — appearance, 30  
    equipment, 26  
    errors in, 24  
    ideal, 27  
    organization, 27  
"Super Market," 66  
Swedish cooperation, 7, 14, 32  
  
Teachers, incompetent, 141  
Teaching — conflicting, 152  
    inadequate, 140  
    uncoordinated, 148  
Telephone societies, farmers, 126  
Ten Commandments, 177  
Top-down organization, 40, 113  
Trade unions, 39, 124, 189  
  
Undemocracy of large organizations,  
    104  
  
Underselling by competitors, 62  
United Mine Workers, Ill., 125  
United States — and stateism, 188  
    population, 73  
    Steel Corporation, 173  
    War Dept., 95  
Universities, profs. of Oxford and  
    Cambridge, 96  
Utopia, 144  
  
Vessel, seaworthy, 45  
Vice Pres. sympathetic, 190  
Vision, lack of, 156  
"Volharding," Holland, 158  
  
War — manpower taken by, 182  
    inability to promote, 195  
Waste and losses, 35  
Weak and inexperienced, the, 80  
Webb, Beatrice, 149  
Wholesales, 20, 64  
    national, 184  
    international, 183  
    retail, 28  
Women store managers, 183  
Wright brothers' airplanes, 95  
Wrongs, inability to right, 202  
  
Youth, neglect of, 92



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