

CHAPTER XXXIV.

CO-OPERATION.

366. AMONG the various attempts to increase the rewards of laborers, to reduce the friction which often exists between employer and employed, and at the same time to touch the workmen at the point which stimulates their moral and industrial growth, are the several schemes of co-operation. Some observers look to co-operation as the means of relief from the "conflict of labor and capital"; but, even if this relief be not obtained by its means, it still promises much good to the working-classes by introducing a new spirit into the world of industry. The most notable forms in which co-operation appears are **Distributive Co-operation**, as in common stores; **Productive Co-operation**, as in co-operative manufactories; **Industrial Partnership**, in which laborers receive a share of the profits; and **People's Banks**, by which credit is obtained for building houses, buying tools, etc. We shall describe these in the order given.

367. Retail prices of common household supplies have been kept higher than they need be, because an excessive number of stores have been maintained to distribute the goods. Fewer stores could do more business, and do it more cheaply. The "**profits**" from such stores **can be saved** to the workingmen by distributive co-operation. By organizing **co-operative stores**, which buy at wholesale prices, and charge the members only the actual expenses

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of a plain establishment, the workingmen can get better goods at lower prices, and also build up a thriving business.

Better than the gain in cheaper goods is the resulting experience acquired in business habits and in the management of financial affairs. A simple co-operative store calls for no great executive skill and capacity, and may be made to succeed by care, honesty, patience, and forbearance. This form of co-operation has no small value in leading workmen by an easy path toward the management of complicated affairs. Having become familiar with the business of buying goods, with methods of economizing expenses, having formed prompt business habits and learned how to manage accounts and investments, they may be able, if properly gifted, to do something more ambitious than carrying on a store successfully.

368. A few energetic persons can start a co-operative store. The experience of many years has furnished the following **rules*** for this purpose: (1) Hold a meeting at which the advantages of co-operation may be explained, an organization effected, and persons appointed to secure the necessary capital. (2) As no credit can be given by a co-operative store, some capital must be paid in before one can be opened, though the amount need not be very great. (3) Each share ought to be about five dollars, and the number held by any one member should be limited. Each share of capital receives a fixed rate of interest (about five per cent), and, if members are encouraged to leave their dividends undrawn, these sums may be credited as payments on additional shares. If dividends are thus allowed to remain in the general fund, the capital of the

* The best book on this part of the subject is a little manual entitled "Working-Men Co-operators," by A. H. D. Acland and B. Jones, published by Cassell & Co., New York, 1884. See also the "Seventeenth Annual Report (1886) of the Massachusetts Bureau of Statistics of Labor."

store will be increased, and the store will also serve as a savings-bank for members. (4) If a member moves away he should be able to transfer his shares, with the consent of the committee. (5) The money subscribed as share capital need not all be paid at once. Weekly payments of ten cents are usual. Dividends on purchases also are to be credited as payments on the share until it is paid in full. (6) The selection of an executive committee is of great importance, for it controls the entire business. It appoints the storekeeper, oversees the purchases of goods and the finances, and the society will succeed only if the committee is honest and efficient. (7) At the start a room in the house of some member may be used until the business expands and success is assured. (8) "Goods well bought are half sold." Begin with staple groceries, and increase cautiously to hardware, crockery, ready-made shoes, clothing, staple dry-goods, hats, bread, coal, etc. Care should be taken where articles change with the fashion. (9) Sell at the same prices as are usual in private stores, but only for cash. (10) Give each member a check representing the amount of his purchase. At the end of a quarter he may present these and secure a dividend in proportion to his total purchases. (11) Outsiders may buy at the store, but members only receive dividends. (12) Account of stock should be taken quarterly or semi-annually, and profits then divided. (13) An auditor should be elected by the members to examine the accounts and make a report. (14) Profits should be estimated after first deducting from the gross receipts the following payments: (a) Interest on loans, if any; (b) charge for depreciation in the value of the stock and plant; (c) reduction of expenses incurred in forming the society, if any; (d) five-per-cent dividend on the share-capital; (e) a reserve fund; (f) dividend on purchases and bonus to employés.

369. By following these rules faithfully there might be

a successful store in every village. There have been a great many established in various countries, but the one at **Rochdale** in England is the best known. It began in 1844 in a modest room in Toad Lane, with 28 weavers as members, each subscribing £1. "When the day and hour for commencing business arrived, the little party assembled within . . . were abashed at the largeness of the crowd assembled. . . . Some delay took place before any one could muster up courage to take down the shutters, and when at last the 'store' and its contents were exposed to public view, all Toad Lane was in a roar. Long and loud were the shouts of derision. . . ." * But success was steadily won. In 1884 there were 11,161 members, with a share capital of £329,470, and investments of £242,432. The goods sold in 1884 amounted to £262,270, on which the net profit was £36,992, and the average dividend paid per pound was 2s. 9½d. † In Lawrence, Mass., the employés started a store in 1884 on a similar plan, with a capital of \$3,320, and the first year the capital was turned over eleven times, earning \$2,273 as net profits. ‡

370. When workingmen have tried to establish factories for **productive co-operation**, they have not always achieved such signal success. This has probably been due to the scarcity of *entrepreneurs*, or successful business managers. It is unnecessary to say that not

* W. T. Thornton, "On Labor," p. 376.

† The extension of retail co-operative stores led to the establishment of wholesale stores. These in England united, and now own manufacturing in London, Manchester, Newcastle, Leicester, Durham, and Crumpsall; depots in Cork, Limerick, Kilmallock, Waterford, Tipperary, Tralee, and Armagh for the purchase of butter, potatoes, and eggs; and four steamships. They have buyers in New York and Copenhagen, and a banking department with a "turn-over" of more than £12,000,000 annually.

‡ "Report of Massachusetts Bureau of Statistics of Labor, 1886," p. 151.

every workman can manage a shoe-factory or cotton-mill successfully; for the competition in producing goods is now so severe that the keenest business-men are put to their wits' end to equal their rivals. A greater and greater ability is needed to succeed in productive enterprises. Even if a co-operative society had in it a man capable of directing production successfully, it could not keep him unless it were to pay him as large wages of superintendence as he could get outside; and this such societies have generally been unwilling to do. In England, however, the directors of co-operative factories and mills have sometimes paid sufficient wages to secure competent managers.

The extension of co-operative stores should make co-operative production more easy. Having a market already secured in the stores of their societies, they should be to some extent relieved from the most difficult part of the manager's duty. But this will not always do; for, unless the retail stores can get their goods as cheaply from co-operative mills, they will buy from outsiders.* On the other hand, it will be to the interest of every workman to save materials, and to do good work, in order that the establishment of which he is a member should succeed. In times of depression, a reduction of wages to the necessities of life may be submitted to when voted by the members themselves.

371. Only men of honesty, energy, and good business capacity have been able to succeed in productive enterprises, while there have been many failures. The Co-operative Barrel Association, of Minneapolis,† established in 1874 with a membership of about twenty coopers, collected \$15 from each man, and levied \$5 a week on the wages of each as capital. They bought a shop for \$3,000,

* In 1883, it appears that the English retail stores bought from the wholesale society (whose capital is supplied by the retail associations) only 25½ per cent of the total goods sold by them.

† See "Co-operation in a Western City," by A. Shaw, 1886.

paying \$1,000 in cash. The profits were to be divided *in proportion to the work done*. In 1885, the paid-up capital amounted to \$50,000, and it is stated that the company's real estate was valued at \$23,000, and that it owned a stove-factory worth \$25,000.

The Somerset Co-operative Foundry Company, in Massachusetts, began in 1867 with a capital of \$15,000, and an annual product of \$25,000. No dividends were declared in 1872, 1875, 1879, and 1880, but in other years they have averaged over 10 per cent. The capital rose to \$30,000, and the value of the annual product to \$75,000.

In other countries productive co-operation has had varying success. In England, a natural difficulty arises, which is suggestive. The wholesale society furnishes the capital for productive establishments and owns them. Some expect to have the profits divided according to purchases; others claim that the profits should go to the employés in the factories who produce the goods. Here is the old question as to the proportion which shall go to the laborer and to the capitalist.

372. Because of the serious difficulties in carrying on production by themselves, workmen have had offered to them in some cases **a share in the profits** of the business in which they are engaged, in addition to the current rate of wages. Workmen thus treated feel a natural interest in the success of the establishment. They save materials, stop waste, work more efficiently and steadily, and often lose the hostile feeling which sometimes exists between employer and employed. After a certain allowance for capital and for the maintenance of buildings, machinery, etc., is made out of gross profits, the remainder is in these cases divided according to some rule between the owners and the workmen, the owners still keeping the management of the business in their hands, and supplying the capital. Business-men have objected to this plan, that competition is so fierce that "there are no

profits to divide." But, if the effect of the system be to increase the efficiency of workmen, and to increase the product, the amount to be divided is a new creation. It is also objected that workmen will be dissatisfied when no share is allotted to them, and to permit them to examine the books of the firm would be to publish to the world the private management of the firm, and would often injure its business and credit. This difficulty has been met by allowing the workmen a voice in choosing an auditor to examine the accounts and certify that the profits have been fairly divided.*

373. By making it clear to employés that good work, regularity, and temperance pay, not only is their interest enlisted in the success of the firm by this plan, but it has very wide-reaching and important effects upon the character and habits of the workmen themselves, who are led to improve their conduct and their workmanship. Not only does it lead them into a knowledge of the difficulties of business management, and give them forbearance based on knowledge, but it leads to habits of saving and industry. The painters employed by M. Leclaire, in Paris, had been men of wasteful and irregular habits, and his relations with them were decidedly unpleasant. In 1842 he began a system of profit-sharing, making a dividend in proportion to the amount of each man's wages. The effect on the habits of the workmen was remarkable; they became known as careful, steady, and trustworthy men. The change in the relations of the owners and workmen at the Briggs collieries in Yorkshire, England, after the introduction of an industrial partnership, was even more striking. Out of a period of strikes, threats, discontent, and low dividends, they emerged into a time of quiet, regular work, contentment, and high dividends. M. Leclaire, moreover, always maintained that he

* This is the system adopted by the Granite Works at Westerly, Rhode Island.

had accumulated a larger private fortune by this system of sharing with his workmen than was possible by a wholly selfish policy. Certainly, if, after paying insurance, interest on capital, and fair wages of superintendence to owners, a balance* remains which is due to increased efficiency, a large part of it belongs of right to the workmen.

374. In trying to set up stores, and especially in starting productive enterprises, it has been found to be more or less difficult for laborers to furnish capital. In short, one of the essential forces required for aiding workmen to stand on their own feet is the incentive to save and to accumulate capital. One of the most successful methods adopted for this purpose appears under the name of **building associations, or co-operative banks**. In a few years, by monthly payments, little, if any, greater than they would pay for rent, members of building associations may become the owners of their own homes. Each share is generally \$200, and is sold to a member to be paid for in monthly installments of \$1, until these payments, together with the profits earned by the share, amount to the par value of the share. The money paid in in this way is loaned to members who want to build a house; the security is the share of the borrowing member and a mortgage on the new house. The loans are made only to members, and are given to the one who, at auction, offers the highest premium for a loan. The borrower can get a small or a large sum, and has ample time for repayment, while the debt is constantly being extinguished. The chance of having a house of one's own is a very strong inducement to save, and it is made easy by small and regular installments. How effective this plan has been is to be seen by the results in and about Philadelphia, where it is said that one hundred thousand homes are owned by the workmen. There are miles of buildings owned by workmen, built by

* For the various systems of divisions tried, see "Report of Massachusetts Bureau of Statistics of Labor, 1886," p. 158, etc.

their own savings, which stand as testimony to the value of this scheme.

In Massachusetts these associations are known as co-operative banks,* while in Germany, Schultze, of Delitsch, established several years ago what were known as People's Banks, in order to enable workmen to get the credit with which to buy tools, materials, etc. They have been wonderfully prosperous there, and now do a business of hundreds of millions of dollars.

* For information as to the details of carrying on such associations see the law of 1877 in Massachusetts regulating their incorporation.

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