

334.5 (73)

# Cooperative Societies

## A Way Out For Consumers

A Brief Review

*by*

MRS. EDWARD P. COSTIGAN



**Pamphlet**

Committee on Living Costs  
National League of Women Voters

532 Seventeenth Street N. W.  
Washington, D. C.

1924



35

334 .  
50941

COS

334-50941 COS

### Women Voters and the Cooperative Movement



THE Committee on Living Costs of the National League of Women Voters has frequently declared that a working knowledge of the interplay of economic forces is vitally important to intelligent and effective citizenship. Indeed the Living Costs Committee is convinced that no more pressing responsibility confronts modern women than the task of acquiring a thorough and common understanding of economic causes and economic effects, which will enable women to render serviceable aid in applying proper remedies for the age-old evils—poverty, sickness, monopoly, high living costs, and war.

Food, clothing, and fuel are necessities of life. Women must help correct the present chaotic conditions surrounding the production, distribution, and consumption of such necessities. Therefore from year to year the Committee on Living Costs has continued its efforts on behalf of legislation, both Federal and in the States, which will lessen the margin of waste, speculation, and greed between producers and consumers, and which eventually may bring into existence a cooperative commonwealth in which public welfare will receive paramount consideration.

With these ends in view, the Living Costs Committee, as one of the chief features in its program, favors "promoting understanding of the aims, methods, and effectiveness of cooperative associations, organized and conducted in accordance with Rochdale principles."

### Aims of the Cooperative Movement

Cooperation, whether for producers or consumers, practices the substitution of the motive of service for the motive of private profit. Cooperation aims to produce and distribute the necessities and comforts of life primarily for general use rather than for individual enrichment. Its basic creed affirms that this ideal can best be realized through cooperative societies, conducted according to the Rochdale standards established in England 75 years ago.

### Cooperative Principles

The accepted Rochdale principles applied to any business are:

1. One vote for each member of the association regardless of the number of shares he holds. In cooperative societies, no matter how much money is invested in stock, each member has but one vote. Human beings, not dollars, vote in cooperation.
2. Unrestricted membership, with shares of low denomination.
3. Necessary invested capital to receive neither speculative returns nor large profits, but interest at a fixed low rate.
4. Goods to be sold at prevailing market prices.

3800125973

5. Savings, represented by the difference between costs and selling prices, to be divided among members in proportion to their patronage, after suitable reserves have been provided for the society's needs.

#### Success of Cooperatives

Acting in conformity with these principles of self-help, 24 poor weavers of Rochdale, England, 75 years ago during a period of economic distress, demonstrated the practical merits of a method which has since been used in every civilized country of the world.

#### Russia

In Russia this method has triumphed in our generation over the successive dangers of despotism, war, revolution, and communism; and today in that long distracted country, according to the reports of credible observers, "the volume of business of the cooperatives is six times greater in gold than before the war."

#### England

In England at the present time approximately one-third of the population are members of cooperative associations, and these societies annually distribute over a billion dollars' worth of commodities to such members. The savings of these organizations to their members aggregate about \$100,000,000 a year. The English Cooperative Society owns wheat fields in Canada and tea plantations in Ceylon. Eight flour mills operated by it produce thirty-five tons an hour. The Irlan Soap Works manufacture 500 tons of soap a week. The shoe factories of the English Cooperative Society turn out four million pairs of shoes a year. Its banking department is second in importance to the Bank of England. One-half of the industrial and life insurance business of England is written by the Cooperative Society at a cost of one-fourth of that which the profit-making companies pay. It is said that in Great Britain many families find that the "dividend" from the Cooperative store "pays the rent." Paradoxical though it may sound, there is, indeed, truth in the statement that the more the cooperator spends the more he saves.

#### Denmark

Denmark in some respects bears an even more striking relation to cooperative development. It is a genuinely cooperative commonwealth. In that country cooperative marketing is thoroughly organized and cooperative buying of most commodities required is also practiced. Concurrent with and, it is believed, largely because of these conditions, 89.9 per cent of the farmers own and operate their own farms—the largest percentage of such owner-

ship in the world. The cost of distribution in Denmark has been reduced from 25 to 28 per cent as compared with an estimated 63 to 65 per cent in the United States. Forty years ago Denmark stood twenty-seventh on the list in per capita wealth and today it is second.

#### The United States

Cooperation in the United States has been of slow development, but in recent years the growth of Producers' Cooperatives in particular has been distinctly noteworthy. The fruit growers of California do an annual business of over \$250,000,000. The farmers of Kansas and Nebraska are conducting cooperative business which has an aggregate value of hundreds of millions of dollars a year. Cotton growers and tobacco raisers are marketing their crops cooperatively to their great advantage. The largest commission houses in Chicago, St. Louis, Indianapolis, Buffalo, Omaha, Sioux City, and St. Joseph are cooperatively owned and managed, and there are at present over 4,000 cooperative elevators.

#### Consumers' Cooperative Associations

For obvious reasons the public interest requires cooperative associations of producers to be balanced and supplemented by like associations of consumers. Nevertheless consumers' cooperative associations have developed slowly.

One authority, under the title "Surely Good Americanism," says in explanation: "The American has always thought of himself economically as a producer rather than a consumer. That is why his special allegiance to his industry, to his employment, to his union, or to his profession has tended to triumph over his general allegiance to the community. Consumers' Cooperatives offer an available method, not merely of asserting the buyer's interest against that of the seller, but of restoring positive economic functions to the local community."\*

Today the United States has more than 3,000 consumers' cooperative enterprises with a membership of 750,000 and an annual turnover of \$250,000,000. Nearly half of these associations are subsidiary to the farmers' marketing organizations. The rest are independent societies and are to be found from Alaska to Florida.

#### Examples of Successful Cooperatives in the United States

We have learned much about cooperation from our naturalized citizens, whose traditions and experience in their countries have taught them the practice and its advantages. Notable among

\* Herbert Croly in "The New Republic," Nov. 15, 1922, pp. 295-6.

these adopted nationalities are the Finns, whose federated groups are numerous in Massachusetts and Wisconsin. One such group in Fitchburg, Massachusetts, beginning with a restaurant, a printing plant, a women's and men's furnishing supply exchange, and a bank, discovered a few years ago that farmers near at hand were killing their cows to avoid selling their milk at a loss. Cooperative babies require milk even as all other babies do, and to prevent such a community loss the cooperators at Fitchburg agreed to take the milk from 40 farms, paying the farmers  $7\frac{3}{4}$  cents a quart—1 cent more than they had previously received. In consequence the cooperators were able to deliver to their 400 members within six hours pasteurized milk at 14 cents a quart instead of 18 cents, the price at which it had been previously sold. With the savings thus earned the cooperators are now planning to buy the farms and thus supply their own milk requirements.

In Paterson, New Jersey, the poor mill workers joined together to get more bread for less money. Their cooperative sold bread at 6 cents a loaf. Private bakeries sought to destroy their cooperative rival, even resorting to giving bread away on certain days, but the cooperative grew until it served daily over a thousand members. During the war the price of food was fixed by the Federal Food Control Board. That Board having ruled that bread should be sold at 10 cents a loaf, the Purity Cooperative Association telegraphed Mr. Hoover, asking if they must raise the price 4 cents on every loaf. At the same time private bakeries all over the country were sending word that they would be ruined by so low a price. The reply to the Purity Cooperators was that no exception could be made in their case. The result of this forced advance in price was an early accumulation of a substantial surplus. A general meeting of the members was called to determine what should be done with that surplus. It was decided to reorganize along Rochdale lines and to return the profits to their members according to the amount of their purchases. This was done after \$70,000 had been set aside to build a sunny, white-tiled bakery, which turns out thousands of loaves a day.

The Franklin Cooperative Creamery of Minneapolis is only three years old. In 1922 it distributed 30,000 quarts of milk daily to approximately one-half the population of the city, using 100 wagons and trucks for that purpose. The testimony is that the quality of the milk has been improved, thereby raising the health standards of the whole city. The price to the farmer has been increased, the cost to the consumer lowered, and in 1923 the society divided \$90,849 among its members.

In New York cooperative societies are encouraged by the State law and many New Yorkers are enthusiastic cooperators. One society in New York City known as "Our Cooperative Cafeteria," which has been active about four years, does an annual business

of more than \$300,000. It has three branches, feeds 55,000 people each month, and has set aside \$40,000 with which to start new enterprises. It has paid 6% on its investment, and in addition has divided among its members an average of 6%.

"The housing problem" has been solved and the "rent profiteer" banished by a group of workers living in Brooklyn who have built 27 apartment houses where monthly rentals are from \$9 to \$12 per room.

### The Acceptance of Cooperation

Cooperation has passed the experimental stage. The time has come to use its sane and tested methods to promote a happier world. We can no longer entirely trust the law of supply and demand. Farmers in America, with fields yielding plentiful harvests, mortgage their farms because they cannot sell their wheat at paying prices, while people in Europe starve for bread. The lumber supply is curtailed and mills shut down when people most need houses. Food is hoarded and wasted in order to keep prices high, while speculators, monopolists, and profiteers gamble with the food supply of the nation and the world. In spite of regulation, combinations have become so strong that they control competition, and only by uniting in cooperative effort can individuals expect to cope with them on equal terms. The late President Warren G. Harding said, in one of his addresses, at Idaho Falls, Idaho, on June 28, 1923: "The need of this time is to shorten the bridge between the producer and the consumer and to reduce the toll that must be paid for passing over it. \* \* \* There is need to have working and practical cooperative associations of producers in the country and at the same time to have equally effective cooperatives among the consuming communities of the cities and towns."

In his recent book, "Cooperative Democracy," James P. Warbasse says: "An increasing number of people are arriving at the conclusion that production, distribution, and administration of economic and social affairs, for purposes of service, offer greater advantage to society than the profit purpose, and that social disorder and injustice will prevail until this becomes the dominant motive." \*

The League of Women Voters is to be congratulated on the fact that it has accepted the challenge of this fundamental problem and has joined the ranks of those who urge and foster the development of cooperation in the United States.

### Laws Concerning Cooperatives

In February, 1922, Congress passed a law legalizing cooperative associations of producers of agricultural products. The co-

\* James P. Warbasse, "Cooperative Democracy," p. 480 (1923).

operative laws of the States vary greatly, and study shows the need of uniform State cooperative laws by means of which all obstacles to legitimate cooperative enterprises may be removed and encouragement given to all cooperative societies based on sound principles.

Concerning laws in various States, Mr. Harry Rappaport, of the legal division of the Cooperative League of America, says: "With the exception of Minnesota, New York, and Wisconsin, we do not regard the State laws as entirely adequate. Some of them contain dangerous features, most of them do not contain necessary clauses to safeguard the interests of genuine societies, or to encourage sound methods of operation."

The Cooperative League of America has drafted a model law which embodies the necessary fundamental principles. This model draft may be used for testing the various State laws, or as a basis for new laws where none exist.

#### Practical Idealism

Cooperation deals with homely, practical things: The sale of a loaf of bread across the counter, the delivery of a quart of milk, the construction of houses, and the sharing of savings and profits. However, back of such concrete services are to found enlightened intelligence, loyalty, brotherhood, and the vision of "a state within the state," unaffected by industrial or political upheavals, whose motto is: "Self-help through mutual aid."

Complaints are constantly made about the high cost of living which remains forever high. The United States Bureau of Labor Statistics of the Department of Labor is authority for the statement that the consumer today pays \$1.73 to buy what a dollar would have bought at 1913 prices.\* One obvious and direct way by which consumers may lessen the burden of such conditions is to organize and operate upon Rochdale principles their own wholesale and retail cooperative concerns.

\* Monthly Labor Review, Vol. XVIII, No. 2 (February, 1924), p. 94.

#### BRIEF SELECTED BIBLIOGRAPHY BOOKS

- Gide, Charles: Consumers' Cooperative Societies (translated from the French). Manchester, 1921.  
Gide, Charles: Consumers' Cooperative Societies, American edition and notes, 1922.  
Harris, Emerson P.: Cooperation, the Hope of the Consumer. New York, Macmillan Company, 1918.  
Howe, Frederick C.: Denmark, a Cooperative Commonwealth. New York, Harcourt, Brace and Company, 1921.  
Sonnichsen, Albert: Consumers' Cooperation. New York, Macmillan Company, 1919.  
Warbasse, James P.: Cooperative Democracy. New York, Macmillan Company, 1923.  
Webb, Beatrice and Sidney: The Consumers' Cooperative Movement. London, 1921.  
Transactions, First (1918), Second (1920), and Third (1921) National Congresses of the Cooperative League.

#### PAMPHLETS

- Consumers' Cooperative Societies in the United States in 1920 (Florence Parker), Bulletin of the United States Bureau of Labor Statistics, No. 313.  
The following are pamphlets of the Cooperative League of America, 167 West Twelfth Street, New York City:

#### Historical

- Story of Cooperation.  
British Cooperative Movement.  
Consumers' Cooperative Movement.  
Consumers' Cooperative Societies in New York State (Published by Consumers' League of New York).  
A Baker and What He Baked (Belgian Movement).

#### Miscellaneous

- Model Cooperative State Law.  
Syllabus for Course of Lectures, with References and Bibliography.  
Credit Union and Cooperative Store.  
W. C. Lansdown: Course of Study in Successful Cooperation.

