

The Future of the Co-operative Movement

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The abnormal price, for the moment, exacted for labor, and the closing of many European markets hitherto available for supplies, are the main factors at present responsible for the high cost of living. Labor and capital, indeed, have become entangled in a vicious circle, in which mounting prices furnish the excuse or need for higher wages, which in turn necessarily enhance the cost of living. At the conclusion of the war it is inevitable that prices will fall, profits decline, and wages sink to lower levels. At present the factitious prosperity which has intoxicated the labor element in Canada and the United States conceals these facts; but, at the establishment of peace, they will become all too painfully evident. This continent will assuredly face a period of readjustment in the relations that exist between labor and capital, and it is essential that publicists even now take cognizance of that fact. It is intended in this article to briefly investigate one phase of this vital problem, namely, the value of co-operation as a means of securing industrial and social progress in Canada.

The trade union, notwithstanding the valuable contribution it has made toward working-class progress, has manifestly broken down in several important particulars. While on the one hand it has improved the quality of the work turned out and has done much, through self-discipline, to raise the workers' status in the community, it has, on the other hand made for a certain arrogance and exclusiveness among the ranks of the workmen themselves. It has produced an aristocracy of labor, and has left the mass of the workers untouched. It is not surprising, therefore, to discover that in many European countries, and even on this continent, the trade union as such tends more and more to be relegated into the background. It is demanded that not merely the favored few but the entire body of workers shall have the opportunity to rise in the social and economic scale. This new attitude of the working class to the problems of labor and capital has given rise to syndicalism in France, and to "direct action" and the general strike in Britain and the United States. It has aroused, also, a newer and more fruitful interest in co-operation as a method of solving the peculiar economic problems that confront the working class.

The Meaning of Producers' Co-Operation.

In the United Kingdom, in the middle of the last century, a group of able men—intellectuals and enthusiasts, and in large measure visionaries—advocated the formation of co-operative workshops to the end that the workmen concerned should not only secure all the profits of the industry, but complete control over labor conditions as well. So sanguine were they of the movement's success that one of the ablest economists of all time—John Stuart Mill—said: "The form of association which, if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and workpeople without a voice in the management, but the association of the laborers themselves on terms of equality, collectively owning the capital with which they carry on their operation, and working under managers elected and removable by themselves."

Mill, doubtless because of conditions obtaining when he wrote, rather confused the issue by placing the emphasis upon capital, rather than upon the organizer and director of industry. It is not in the least essential that the association of workmen shall own the capital invested in the business; in fact they may, and for the most part do, borrow the funds necessary for the carrying on of the business. It is not the capitalist with whom they wish to dispense, but the manager and profit-taker, so that they may be able to direct matters of work and wages themselves. Holyoake, one of the leaders in the English co-operative movement, outlined the essential features of producers' co-operation as follows: "In former times, capitalists hired labor, paid it its market price, and took all profits. Co-operative labor proposes to reverse this process. Its plan is to buy capital, pay it its market price, and itself take all profit. A co-operative business is thus one in which labor hires capital, devises its own arrangements, and works for its own hand."

It has been the usual practice in England, where producers' co-operation has met with most success, for workmen who intend to start a co-operative factory to subscribe all the capital they possibly can,

themselves; and then, on the basis of this capital as credit, to borrow a sufficient amount to begin business. The workers then rent, or buy, or build, a workshop; and engage such mechanical and business experts as they may require, paying the market rate of wages. The workmen are paid not wages, but advances. After rent, salaries, interest on capital, wage advances, and so forth, are deducted from gross income the balance is divided among the workmen, usually in proportion to salary or wage-payment.

The benefits accruing under this scheme are many. First, the workers themselves get, in addition to the outside market rate of wages, a considerable bonus in the shape of profit. Second, it was asserted that there would be a greater certainty of employment in dull times; for the workers, having a stake in the enterprise, would the more readily accept lower wages and eliminate profits altogether; whereas, under the usual conditions of carrying on business, the management usually close down the works if profits fall to zero. Considerable emphasis was laid upon the very great savings that would be effected through avoidance of strikes and lockouts; and the economies that would arise through greater individual interest in the output and the quantity of the work done. Intellectuals who furthered this movement were equally concerned with the regeneration that was expected to occur in the workman's character. Increased responsibility and opportunity in industry would effect a revolution in the sphere of politics as well as economics; for the laboring class would be better trained, more intelligent, more self-reliant and, therefore, better able to play a leading role in the great democracy that would naturally and necessarily arise on this economic foundation. For, it was firmly believed, self-government in industry would go along with self-government in politics.

The Success of the Movement.

It must be admitted that co-operation in the field of production has been a lamentable failure. Hundreds of experiments in France, in England and in the United States have ended in irretrievable disaster. Those that have succeeded have done so, for the most part, by abandoning the co-operative feature and turning themselves into the form of the ordinary joint-stock company. In England, where the experiment was conducted on the largest scale, the various enterprises—cotton-mills, boot and shoe factories, iron-works and other establishments—gradually were turned into joint-stock companies, or else became close corporations in which the majority of the men employed received no share of the profits, but merely the market rate of wages. There are, indeed, some genuinely co-operative industries in England and Scotland today; but they are so few in number that few, save the most optimistic, expect them to become the standard type of industrial organization.

One of the principal causes of the failure of this movement in the field of production has been the difficulty of securing adequate capital. The association has not, as a rule, been able to offer capitalists sufficient security for advances, with the result that plants have been poorly equipped or furnished with obsolete machinery. This made it increasingly difficult for them to meet on equal terms the intense competition of joint-stock companies that were able to command all the capital they required as well as the services of the ablest managers in the country. It is a well known fact, moreover, that lack of adequate capital is one of the most frequent causes of failure in the business world; and the co-operative societies could not hope to escape the disadvantages arising thereunder. But a more important factor in the failure of these ventures was the difficulty of securing and keeping an efficient organizer and manager of the co-operative concern. The members of the society are slow to recognise the market-value of the services of a first-class manager; and are prone to be satisfied with second-rate ability. They attempt to push to extremes their principles of democracy and equality in work and wages. The bad results of this policy soon become apparent. The manager, if a really good man, is engaged at a higher salary by some competing joint-stock concern; and his successor is neither able to conduct the business as successfully, nor to effect proper discipline among the working force. Throughout the day the men are fully subordinate to the manager;

but in the evening he may be, and often is, compelled to appear before one or other of the numerous committees representing the working force. At that time, as Mrs. Sidney Webb so clearly shows, "The manager stands as a servant before the board of directors. If the manager has refused to pass the work of a committeeman, if he has dismissed a relative or friend, if he has given out to the piece-workers material difficult to manipulate, but of a quality as good as could be bought at the price needful to secure a profitable market for the product—every act of commercial policy or administrative discipline is discussed and reviewed by the light of the individual interest of the wage-earners who act as directors, or select as constituents."

On the whole, then, it may be said that producers' co-operation has failed because of difficulties met with in the management of the association. Workmen are not willing that there shall be too great a discrepancy between the average rate of wages paid and the salary given to the manager. But it has been abundantly proved that such discrepancy must exist if productive operations are to meet with success. Workmen, therefore, as experience has showed, cannot expect to secure such abnormal wages that profits will tend to disappear, without endangering the success and permanency of the enterprise. This is a point that extreme radicals in the industrial sphere too often ignore.

The co-operative movement has, however, met with conspicuous success in another direction, and one that must prove of growing importance to Canadian workers. We refer to consumers' co-operative societies, which are designed to save for the members the profits that go to the middleman or merchants. The Rochdale Society, founded by a little group of twenty-eight weavers in the Lancashire town of Rochdale, in 1844, has met with such success that the principles under which it operates may be briefly described. First, membership is open to all, the shares being placed at one pound each to facilitate entrance. Second, no matter how many shares a man may have, he is entitled to only one vote. This prevents control of the organization falling into the hands of any group or clique. Third, sales are made at the current market rates, thus avoiding a war of cut-throat competition. Fourth, sales are for cash only, in order to secure the many advantages arising under the cash system of carrying on business. Fifth, the payment of only a limited rate of interest on the funds invested, the balance going to reserve and depreciation and for the payment of quarterly dividends to all who buy at the shop. This plan, with various adaptations, has been adopted by a great many such societies, almost all of which have been successful.

The movement spread rapidly. Wholesale societies were then organized to provide goods for all the retail stores, to save the wholesalers' and jobbers' profits. In 1872 the co-operators went further, and went into manufacturing and other productive enterprises, on a purely business basis. Biscuits, jam, flour, cocoa, boots and shoes, woollens and clothing, furniture, soap, tin-plate hardware, are manufactured by the English co-operative Wholesale Society. It buys flour and cheese in Canada, bacon and butter in Denmark, has tallow works in Australia and tea plantations in Ceylon. The Society has, also, a bank and an insurance company to complete its organization. One person in six in the United Kingdom deals at these co-operative stores. The English organization has now the largest business in the world. Incredible as it may appear, it does four times the business of the United States Steel Corporation, and does it more efficiently and cheaply.

The Future of Co-Operation in Canada.

It would appear, then, that Canadian workmen could better their condition materially, by forming co-operative consumers' societies in the English model. This would achieve two most desirable results. It would, in the first place, reduce the cost of living, and promote habits of economy and thrift. And in the second place, it would accomplish something in the way of getting out of the vicious circle, by which prices are increased through higher wages, and wages again advanced because of the higher cost of living. It is imperative that something be done to restore normal conditions in the labor market, after the war; for only so can our manufacturers compete on equal terms with foreign competitors. If this is to be effected, however, the cost of living must be reduced, and reduced materially, in order that a decent standard of living shall be maintained. The possibilities of co-operation are very great, and worthy of the most earnest consideration, if the desired ends are to be attained. Co-operation is not advocated as a panacea; but as an expedient that will enable Canada to overcome many difficulties when peace shall have been restored once more.