

CHAPTER XIV

COÖPERATION AS A PARTIAL SOLVENT OF CAPITALISM

INTEREST is not a return for labor. The majority of interest receivers are, indeed, regularly engaged at some active task, whether as day laborers, salaried employees, directors of industry, or members of the professions; but for these services they obtain specific and distinct compensation. The interest that they get comes to them solely in their capacity as owners of capital, independently of any personal activity. From the viewpoint of economic distribution, interest is a "workless" income. As such, it seems to challenge that ethical intuition which connects reward with effort and which inclines to regard income from any other source as not quite normal. Moreover, interest absorbs a large part of the national income, and perpetuates grave economic inequalities.¹

¹ As stated on a preceding page, the combined interest and rent annually obtained by landowners and capital owners, and not needed for the replacement and creation of capital, would, in the hypothesis of equal distribution, add \$262 per capita to the incomes of the 42,000,000 persons gainfully employed in the United States. In the case of a large proportion of these persons, however, the additions would be partially offset by the deductions which the change would cause in their total income. They would lose as capital owners a part, at least, of what they gained as workers. Nevertheless, the net gain to the great majority of the wage earners, particularly the lowest paid, would be very substantial, indeed.

Nor do present tendencies hold out any hope of an automatic reduction of the interest burden in the near future. According to Professor Taussig, "the absolute amount of income going to this [the capitalist] class tends to increase, and its share of the total income tends also to increase; whereas for the laborers, though their total income may increase, their share of income of society as a whole tends to decline," "Principles of Economics," II, 205.

Nevertheless, interest cannot be wholly abolished. As long as capital remains in private hands, its owners will demand and obtain interest. The only way of escape is by the road of Socialism, and this would prove a blind alley. As we have seen in a preceding chapter, Socialism is ethically and economically impossible.

May not the burdens and disadvantages of interest be mitigated or minimized? Such a result could conceivably be reached in two ways: the sum total of interest might be reduced, and the incomes derived from interest might be more widely distributed.

Reducing the Rate of Interest

No considerable diminution of the interest-volume can be expected through a decline in the interest rate. As far back as the middle of the eighteenth century, England and Holland were able to borrow money at three per cent. During the period that has since intervened, the rate has varied from three to six per cent on this class of loans. Between 1870 and 1890, the general rate of interest declined about two per cent, but it has risen since the latter date about one per cent.

On the other hand, the only definite grounds upon which a decline in the rate can be hoped for are either uncertain or unimportant. They are the rapid increase of capital, and the extension of government ownership and operation of natural monopolies.

The first is uncertain in its effects upon the rate of interest because the increased supply of capital is often neutralized by the process of substitution. That is, a large part of the new capital does not compete with and bring down the price of the old capital. Instead, it is absorbed in new inventions, new types of machinery, and new processes of production, all of which take the place of labor, thus tending to increase rather than diminish the demand for capital and the rate of interest. To be sure, the demand for capital thus arising has not always been

sufficient to offset the enlarged supply. Since the Industrial Revolution capital has at certain periods and in certain regions increased so rapidly that it could not all find employment in new forms and in old forms at the old rate. In some instances a decline in the rate of interest can be clearly traced to the disproportionately quick growth of capital. But this phenomenon has been far from uniform, and there is no indication that it will become so in the future. The possibilities of the process of substitution have been by no means exhausted.

The effects of government ownership are even more problematical. States and cities are, indeed, able to obtain capital more cheaply than private corporations for such public utilities as railways, telegraphs, tramways, and street lighting; and public ownership of all such concerns will probably become general in the not remote future. Nevertheless the social gain is not likely to be proportionate to the reduction of interest on this section of capital. A part, possibly a considerable part, of the saving in interest will be neutralized by the lower efficiency and greater cost of operation; for in this respect publicly managed are inferior to privately managed enterprises. Consequently, the charges to the public for the services rendered by these utilities cannot be reduced to the same degree as the rate of interest on the capital. On the other hand, the exclusion of private operating capital from this very large field of public utilities should increase competition among the various units of capital, and thus bring down its rewards. To what extent this would happen cannot be estimated even approximately. The only safe statement is that the decline in the general rate of interest would probably be slight.

Need for a Wider Distribution of Capital

The main hope of lightening the social burden of interest lies in the possible reduction in the necessary volume of capital, and especially in a wider distribution of interest-

incomes. In many parts of the industrial field there is a considerable waste of capital through unnecessary duplication. This means that a large amount of unnecessary interest is paid by the consumer in the form of unnecessarily high prices. Again, the owners of capital and receivers of interest constitute only a minority of the population of all countries, with the possible exception of the United States. The great majority of the wage earners in all lands possess no capital, and obtain no interest. Not only are their incomes small, often pitiably small, but their lack of capital deprives them of the security, confidence, and independence which are required for comfortable existence and efficient citizenship. They have no income from productive property to protect them against the cessation of wages. During periods of unemployment they are frequently compelled to have recourse to charity, and to forego many of the necessary comforts of life. So long as the bulk of the means of production remains in the hands of a distinct capitalist class, this demoralizing insecurity of the workers must continue as an essential part of our industrial system. While it might conceivably be eliminated through a comprehensive scheme of State insurance, this would substitute dependence upon the State for dependence upon the capitalist, and be much less desirable than ownership of income-bearing property.

The workers who possess no capital do not enjoy a normal and reasonable degree of independence, self-respect, or self-confidence. They have not sufficient control over the wage contract and the other conditions of employment, and they have nothing at all to say concerning the goods that they shall produce, or the persons to whom their product shall be sold. They lack the incentive to put forth their best efforts in production. They cannot satisfy adequately the instinct of property, the desire to control some of the determining forms of material possession. They are deprived of that consciousness of power which is generated exclusively by property, and which contributes

so powerfully toward the making of a contented and efficient life. They do not possess a normal amount of freedom in politics, nor in those civic and social relations which lie outside the spheres of industry and politics. In a word, the worker without capital has not sufficient power over the ordering of his own life.

The Essence of Coöperative Enterprise

The most effective means of lessening the volume of interest, and bringing about a wider distribution of capital, is to be found in coöperative enterprise. Coöperation in general denotes the unified action of a group of persons for a common end. A church, a debating club, a joint stock company, exemplifies coöperation in this sense. In the strict and technical sense, it has received various definitions. Professor Taussig declares that it "consists essentially in getting rid of the managing employer"; but this description is applicable only to coöperatives of production. "A combination of individuals to economize by buying in common, or increase their profits by selling in common" (Encyclopedia Britannica) is likewise too narrow, since it fits only distributive and agricultural coöperation. According to C. R. Fay, a coöperative society is "an association for the purpose of joint trading, originating among the weak, and conducted always in an unselfish spirit." If the word, "trading" be stretched to comprehend manufacturing as well as commercial activities, Fay's definition is fairly satisfactory. The distinguishing circumstance, "originating among the weak," is also emphasized by Father Pesch in his statement that the essence, aim, and meaning of coöperation are to be found in "a combination of the economically weak in common efforts for the security and betterment of their condition."¹ In order to give the proper connotation for our purpose, we shall define coöperation as, that joint economic action which seeks to obtain for a relatively weak

¹ "Lehrbuch der Nationaloekonomie," III, 517.

group all or part of the profits and interest which in the ordinary capitalist enterprise are taken by a small and different group. This formula puts in the foreground the important fact that in every form of coöperative effort, some interest or profits, or both, are diverted from those who would have received them under purely capitalistic arrangements, and distributed among a larger number of persons. Thus it indicates the bearing of coöperation upon the social burden of interest.

From the viewpoint of economic function, coöperation may be divided into two general kinds, producers' and consumers'. The best example of the former is a wage earners' productive society; of the latter, a coöperative store. Credit coöperatives and agricultural coöperatives fall mainly under the former head, inasmuch as their principal object is to assist production, and to benefit men as producers rather than as consumers. Hence from the viewpoint of type, coöperation may be classified as credit, agricultural, distributive, and productive.

Coöperative Credit Societies

A coöperative credit society is a bank controlled by the persons who patronize it, and lending on personal rather than material security. Such banks are intended almost exclusively for the relatively helpless borrower, as the small farmer, artisan, shopkeeper, and the small man generally. Fundamentally they are associations of neighbors who combine their resources and their credit in order to obtain loans on better terms than are accorded by the ordinary commercial banks. The capital is derived partly from the sale of shares of stock, partly from deposits, and partly from borrowed money. In Germany, where credit associations have been more widely extended and more highly developed than in any other country, they are of two kinds, named after their respective founders, Schulze-Delitzsch and Raiffeisen. The former operates chiefly in the cities, serves the middle classes rather than

the very poor, requires all its members to subscribe for capital stock, commits them to a long course of saving, and thus develops their interest as lenders. The Raiffeisen societies have, as a rule, very little share capital, exist chiefly in the country districts, especially among the poorest of the peasantry, are based mostly on personal credit, and do not profess to encourage greatly the saving and lending activities of their members. Both forms of association loan money to their members at lower rates of interest than these persons could obtain elsewhere. Hence credit coöperation directly reduces the burden of interest.

Over and over again in Ireland, Russia, Denmark, Germany, India, etc., whole villages have been freed from the hands of land sharks and usurers, and turned from backward, poverty-stricken conditions into flourishing and progressive communities by coöperative credit societies. Some form of coöperative banking is well established in every important country of Europe, except Great Britain. Its absence from Great Britain is apparently due to the credit system provided by the large landholders, to the scarcity of peasant proprietors, and to general lack of initiative. It is especially strong in Italy, Belgium, and Austria, and it has made a promising beginning in Ireland. In every country in which it has obtained a foothold, it gives indication of steady and continuous progress. Nevertheless it is subject to definite limits. It can never make much headway among that class of persons whose material resources are sufficiently large and palpable to command loans on the usual terms offered by the commercial banks. As a rule, these terms are quite as favorable as those available through the coöperative credit associations. It is only because the poorer men cannot obtain loans from the commercial banks on the prevailing conditions that they are impelled to have recourse to the coöperative associations.

In the United States coöperative credit societies are known as "Credit Unions." Their number has increased

rapidly in the last few years, being now more than three hundred. The Labor Banks, now numbering upwards of forty, and having assets of more than \$150,000,000, are organized and owned by the labor unions. They exhibit one important coöperative feature: dividends on stock are limited to ten per cent, the surplus being used for the benefit of borrowers.

Coöperative Agricultural Societies

The chief operations of agricultural coöperative societies are manufacturing, marketing and purchasing. In the first named field the most important example is the coöperative dairy. The owners of cows hold the stock or shares of the concern, and in addition to dividends receive profits in proportion to the amount of milk that they supply. In Ireland and some other countries, a portion of the profits goes to the employees of the dairy as a dividend on wages. Other productive coöperatives of agriculture are found in cheese making, bacon curing, distilling, and wine making. All are conducted on the same general principles as the coöperative dairy.

Through the marketing societies and purchasing societies, the farmers are enabled to sell their products to better advantage, and to obtain materials needed for carrying on agricultural operations more cheaply than would be possible by isolated individual action. Some of the products marketed by the selling societies are eggs, milk, poultry, fruit, vegetables, live stock, and various kinds of grain. The purchasing societies supply for the most part manures, seeds, and machinery. Occasionally they buy the most costly machinery in such a way that the association becomes the corporate owner of the implements. In these cases the individual members have only the use of the machines, but they would be unable to enjoy even that advantage were it not for the intervention of the coöperative society. This arrangement exemplifies not only coöperative buying but coöperative ownership.

Agricultural coöperation has become most widely extended in Denmark, and has displayed its most striking possibilities in Ireland. Relatively to its population, the former country has more farmers in coöperative societies, and has derived more profit therefrom, than any other nation. The rapid growth and achievements of agricultural coöperation in the peculiarly unfavorable circumstances of Ireland constitute the most convincing proof to be found anywhere of the essential soundness and efficacy of the movement. Various forms of rural coöperative societies are solidly established in Germany, France, Belgium, Italy, and Switzerland. At the beginning of the year 1926 there were approximately 12,000 active farmers' coöperative associations in the United States, having a total membership of about 2,700,000. The associations conducted marketing operations in grain, dairy products, live stock, cotton, tobacco, fruits and vegetables, wool, poultry and poultry products, nuts and forage crops. Almost half the marketing societies carried on coöperative buying. The total business of the farmers' coöperatives in 1925 amounted to \$2,400,000,000.

The extent of the coöperative business done in the three Western grain provinces is shown by the report of the Canadian Coöperative Wheat Producers, Ltd., the central selling agency of the Alberta, Saskatchewan and Manitoba pools. This organization handled 187,200,000 bushels of wheat out of a total of 357,559,637 bushels actually delivered to all agencies, private and coöperative—over 52 per cent of the total deliveries.

The transformation in the rural life of more than one European community through coöperation has amounted to little less than a revolution. Higher standards of agricultural products and production have been set up and maintained, better methods of farming have been inculcated and enforced, and the whole social, moral, and civic life of the people has been raised to a higher level. From the viewpoint of material gain, the chief benefits of agri-

cultural coöperation have been the elimination of unnecessary middlemen, and the economies of buying in large quantities, selling in the best markets, and employing the most efficient implements. As compared with farming conducted on a large scale, the small farm possesses certain advantages, and is subject to certain disadvantages. It is less wasteful, permits greater attention to details, and makes a greater appeal to the self-interest of the cultivator; but the small farmer cannot afford to buy the best machinery, nor is he in a position to carry on to the best advantage the commercial features of his occupation, such as borrowing, buying, and marketing. Coöperation frees him from all these handicaps. "The coöperative community . . . is one in which groups of humble men combine their efforts, and to some extent their resources, in order to secure for themselves those advantages in industry which the masters of capital derive from the organization of labor, from the use of costly machinery, and from the economies of business when done on a large scale. They apply in their industry the methods by which the fortunes of the magnates in commerce and manufacture are made." These words, uttered by a prominent member of the Irish coöperative movement, summarize the aims and achievements of agricultural coöperation in every country of Europe in which it has obtained a strong foothold. In every such community the small farm has gained at the expense of the large farm system. Finally, agricultural coöperation reduces the burden of interest by eliminating some unnecessary capital, stimulates saving among the tillers of the soil by providing a ready and safe means of investment, and in manifold ways contributes materially toward a better distribution of wealth.

Coöperative Mercantile Societies

Coöperative stores are organized by and for consumers. In every country they follow rather closely the Rochdale system, so called from the English town in which the first

store of this kind was established in 1844. The members of the coöperative society furnish the capital, and receive thereon interest at the prevailing rate, usually five per cent. The stores sell goods at about the same prices as their privately owned competitors, but return a dividend on the purchases of all those customers who are members of the society. The dividends are provided from the surplus which remains after wages, interest on the capital stock, and all other expenses have been paid. In some coöperative stores non-members receive a dividend on their purchases at half the rate accorded to members of the society, but only on condition that these payments shall be invested in the capital stock of the enterprise. And the members themselves are strongly urged to make this disposition of their purchase-dividends. Since the latter are paid only quarterly, the coöperative store exercises a considerable influence toward inducing its patrons to save and to become small capitalists.

In Great Britain the vast majority of the retail stores have been federated into two great wholesale societies, one in England and the other in Scotland. The retail stores provide the capital, and participate in the profits according to the amounts purchased, just as the individual consumers furnish the capital and share the profits of the retail establishments. The Scottish Wholesale Society divides a part of the profits among its employees. Besides their operations as jobbers, the wholesale societies are bankers for the retail stores, and own and operate factories, farms, warehouses, and steamships. Many of the retail coöperatives likewise carry on productive enterprises, such as milling, tailoring bread making, and the manufacture of boots, shoes, and other commodities, and some of them build, sell, and rent cottages, and lend money to members who desire to obtain homes.

The coöperative store movement has made greatest progress in its original home, Great Britain. In 1924, the retail consumers' societies of that country had upward

of four and three-quarter million members—equivalent to approximately that number of families,—did a total business of over \$800,000,000 and returned dividends on purchases to the amount of \$65,000,000. The latter figure implies that the customers received back about eight cents out of every dollar that they expended. In its report on "Coöperation in Foreign Countries" (1925) the Federal Trade Commission reviews the coöperative store movement in some thirty countries of Europe and Asia and presents for the most part a record of steady progress. The last few years have witnessed a considerable increase in the number of coöperative stores in Canada and the United States. Owing, however, to the exaggerated individualism and the superior economic conditions obtaining in these two countries, no rapid increase can be expected in consumers' coöperation.

As in the case of agricultural coöperation, the money benefits accruing to the members of the coöperative stores consist mainly of profits rather than interest. In the absence of the store societies, these profits would have gone for the most part to middlemen as payments for the risks and labor of conducting privately owned establishments. Had the members invested an equal amount in other enterprises they could, indeed, have obtained about the same rate and amount of interest, but in the absence of the coöperative stores their inducements and opportunities to save would have been much smaller. For it must be kept in mind that a very large part of the capital stock in the coöperative stores is derived from the members' dividends on their purchases at such stores, and would not have come into existence at all without these establishments. The gains of the coöperative stores, whether classified as profits or as interest, are evidently a not inconsiderable indication of a better distribution of wealth.

In recent years coöperative housing has made great progress in several European countries and a promising beginning in the United States. Sometimes the stock in these

concerns is owned entirely by the occupiers of the houses; sometimes a part of it is held by other persons. As a general rule, the majority ownership and the management are retained by the tenants. By the terms of a Wisconsin law, any municipality or county may purchase stock in coöperative housing enterprises. Under this authorization the Garden Homes Company has been organized in Milwaukee. The preferred stock may be owned by anyone, but the common stock is reserved for the occupants of the houses. Each of the latter must subscribe for an amount of the common stock equal to the cost of his house or apartment. In return he obtains property in that much housing, but not title to the specific dwelling that he occupies. Hence, the increases in land value go to the coöperative housing society, to the occupiers of the houses collectively, instead of individually. Ultimately the preferred stock will be retired and the common stock, held only by house occupiers, will have exclusive control of the enterprise. The common stock is procured by a system of monthly payments, spread over a period of twenty years. The purchaser occupies a house as soon as he has made the first payment.

Coöperation in Production

Coöperative production has occasionally been pronounced a failure. This judgment is too sweeping and too severe. "As a matter of fact," says a prominent London weekly, "the coöperators' success has been even more remarkable in production than in distribution. The coöperative movement runs five of the largest of our flour mills; it has, among others, the very largest of our boot factories; it makes cotton cloth and woollens, and all sorts of clothing; it has even a corset factory of its own; it turns out huge quantities of soap; it makes every article of household furniture; it produces cocoa and confectionery; it grows its own fruit and makes its own jams; it has one of the largest tobacco factories, and so

on." Obviously this passage refers to that kind of productive coöperation which is carried on by the stores, not to productive concerns owned and managed by the workers therein employed. Nevertheless the enterprises in question are coöperatively managed, and hence exemplify coöperation rather than private and competitive industry. They ought not to be left out of any statement of the field occupied by coöperative production. The limitations and possibilities of coöperation in production can best be set forth by considering its forms separately.

The "perfect" form occurs when all the workers engaged in a concern own all the share capital, control the entire management, and receive the whole of the wages, profits, and interest. In this field the failures have been much more numerous and conspicuous than the successes.

In 1920, Great Britain had 105 coöperative productive societies, but none of them was owned exclusively by its working force. While the total number of employees was 11,500, the shareholders exceeded 43,000. The Franklin Coöperative Creamery, of Minneapolis, may not improperly be cited as an example of this limited sort of producers' coöperation. Although its stockholders include thousands of persons who are not its employees, it was organized by milk drivers who had lost a strike against the private milk distributing concerns. Apparently, the employees have the dominant voice in its operation. Although less than six years have elapsed since this coöperative concern began to do business, it has now two creameries and constitutes the largest milk distributing plant in the Northwest. In 1925 its sales exceeded three and one-half million dollars and it paid a seven per cent dividend. The property is worth about one and one quarter million dollars. The society conducts a clinic and a training school in coöperative management. Its record provides substantial ground for the belief that the union workers of the United States have the capacity to establish and carry on successfully a great variety and quantity

of productive coöperative enterprises, if they are willing to bring to the task a reasonable supply of energy, patience, and confidence.

A second kind of productive coöperation is found in the arrangement known as co-partnership. This is "the system under which, in the first place, a substantial and known share of the profit of a business belongs to the workers in it, not by right of any shares they may hold, or any other title, but simply by right of the labor they have contributed to make the profit; and, in the second place, every worker is at liberty to invest his profit, or any other savings, in shares of the society or company, and so become a member entitled to vote on the affairs of the body which employs him."¹ So far as its first, or profit sharing, feature is concerned, co-partnership is not genuine coöperation, for it includes neither ownership of capital nor management of the business. Coöperative action begins only with the adoption of the second element. In most of the existing co-partnership concerns, all the employees are urged, and many of them required to invest at least a part of their profits in the capital stock. Probably the most conspicuous example of co-partnership in the United States is that which has been established in the Philadelphia Rapid Transit. Through a plan of coöperation with the management, sharing in resultant profits, and investment of their profits, the employees have within the space of fifteen years become owners of 220,000 of the 600,000 shares of stock issued by that company. The value of the employee holdings exceeds \$12,000,000 upon which the annual dividends are almost \$900,000. The employees are represented on the board of directors, and, according to the President of the company, Mr. Mitten, have "practical control" of the concern. In his opinion, the plan is applicable to all the great industries of the country. He maintains that it would enable the railroad employees and the anthracite coal workers to obtain control

¹ Schloss, "Methods of Industrial Remuneration," pp. 353, 354.

of their respective industries in ten years, and the bituminous wage earners to attain a similar position within fifteen years.

As already noted, the coöperative stores exemplify a third type of coöperative production. In some cases the productive concern is under the management of a local retail establishment, but the great majority of them are conducted by the English and Scottish Wholesale Societies. As regards the employees of these enterprises, the arrangement is not true coöperation, since they have no part in the ownership of the capital. The Scottish Wholesale Society, as we have seen, permits the employees of its productive works to share in the profits thereof; nevertheless it does not admit them as stockholders, nor give them any voice in the management. In all cases the workers may, indeed, become owners of stock in their local retail stores. Since the latter are stockholders in the wholesale societies, which in turn own the productive enterprises, the workers have a certain indirect and attenuated proprietorship in the productive concerns. But they derive therefrom no dividends. All the interest and most of the profits of the productive establishments are taken by the wholesale and retail stores. For it is the theory of the wholesale societies that the employees in the works of production should share in the gains thereof only as consumers. They are to profit only in the same way and to the same extent as other consumer-members of the local retail establishments.

The most effective and beneficial form of coöperative production is evidently that which has been described as the "perfect" type. Were all production organized on this plan, the social burden of interest would be insignificant, industrial despotism would be ended, and industrial democracy realized. As things are, however, the establishments exemplifying this type are of small importance. Their increase and expansion are impeded by lack of directive ability and of capital, and the risk to the

workers' savings. Yet none of these obstacles is necessarily insuperable. Directive ability can be developed in the course of time, just as it was in the coöperative stores. Capital can be obtained fast enough perhaps to keep pace with the supply of directive ability and the spirit of coöperation. The risk undertaken by workers who put their savings into productive concerns owned and managed by themselves need not be greater than that now borne by investors in private enterprises of the same kind. There is no essential reason why the former should not provide the same profits and insurance against business risks as the latter. While the employees assume none of the risks of capitalistic industry, neither do they receive any of the profits. If the coöperative factory exhibits the same degree of business efficiency as the private enterprise it will necessarily afford the workers adequate protection for their savings and capital. Indeed, if "perfect" coöperative production is to be successful at all its profits will be larger than those of the capitalistic concern, owing to the greater interest taken by the workers in their tasks, and in the management of the business.

The labor co-partnership form of coöperation is susceptible of much wider and more rapid extension. It can be adapted readily to the very large as well as to the small and medium sized concerns. Since it requires the workers to own but a part of the capital, it can be established in any enterprise in which the capitalists show themselves willing and sympathetic. In every industrial corporation there are some employees who possess savings, and these can be considerably increased through the profit sharing feature of co-partnership. A very long time must, indeed, elapse before the workers in any of the large enterprises could get possession of all, or even of a controlling share of the capital, and a considerable time would be needed to educate and fit them for successful management.

Production under the direction of the coöperative stores can be extended faster than either of the other two forms,

and it has before it a very wide even though definitely limited field. The British wholesale societies have already shown themselves able to conduct with great success large manufacturing concerns, have trained and attracted an adequate number of competent leaders, and have accumulated so much capital that they have been obliged to invest several million pounds in other enterprises. The possible scope of the stores and their coöperative production has been well described by C. R. Fay: "distribution of goods for personal consumption, first, among the working class population, secondly, among the salaried classes who feel a homogeneity of professional interest; production by working class organizations alone (with rare exceptions in Italy) of all the goods which they distribute to their members. But this is its limit. Distribution among the remaining sections of the industrial population; production for distribution to these members; production of the instruments of production, and production for international trade; the services of transport and exchange: all these industrial departments are, so far as can be seen, permanently outside the domain of a store movement."¹

The theory by which the stores attempt to justify the exclusion of the employees of their productive concerns from a share of the profits thereof is that all profits come ultimately from the pockets of the consumer, and should all return to that source. The defect in this theory is that it ignores the question whether the consumers ought not to be required to pay a sufficiently high price for their goods to provide the producers with profits in addition to wages. While the wholesale stores are the owners and managers of the capital in the productive enterprises, and on the capitalistic principle should obtain the profits, the question remains whether this is necessarily a sound principle, and whether it is in harmony with the theory and ideals of coöperation. In those concerns which have adopted the labor co-partnership scheme, the workers, even

¹ *Op. cit.*, p. 341.

when they own none of the capital, are accorded a part of the profits. It is assumed that this is a fairer and wiser method of distribution than that which gives the laborer only wages, leaving all the profits to the manager-capitalist. This feature of co-partnership rests on the theory that the workers can, if they will, increase their efficiency and reduce the friction between themselves and their employer to such an extent as to make the profit-sharing arrangement a good thing for both parties. Consequently the profits obtained by the workers are a payment for this specific contribution to the prosperity of the business. Why should not this theory find recognition in productive enterprises conducted by the coöperative stores?

In the second place, the workers in these concerns ought to be permitted to participate in the capital ownership and management. They would thus be strongly encouraged to become better workers, to save more money, and to increase their capacity for initiative and self-government. Moreover, this arrangement would go farther than any other system toward reconciling the interests of producer and consumer. As producer, the worker would obtain, besides his wages, interest and profits up to the limit set by the competition of private productive concerns. As consumer, he would share in the profits and interest which would otherwise have gone to the private distributive enterprises. In this way the producer and consumer would each get the gains that were due specifically and respectively to his activity and efficiency.

Advantages and Prospects of Coöperation

At this point it will perhaps be well to sum up the advantages and to estimate the prospects of the coöperative movement. In all its forms coöperation eliminates some waste of capital and energy, and therefore transfers some interest and profits from a special capitalist and undertaking class to a larger and economically weaker group of persons. For it must be borne in mind that all coöp-

erative enterprises are conducted mainly by and for laborers or small farmers. Hence the system always makes directly for a better distribution of wealth. To a considerable extent it transfers capital ownership from those who do not themselves work with or upon capital to those who are so engaged; namely, the laborers and the farmers; thus it diminishes the unhealthy separation now existing between the owners and the users of the instruments of production. Coöperation has, in the second place, a very great educational value. It enables and induces the weaker members of economic society to combine and utilize energies and resources that would otherwise remain unused and undeveloped; and it greatly stimulates and fosters initiative, self-confidence, self-restraint, self-government, and the capacity for democracy. In other words, it vastly increases the development and efficiency of the individual. It likewise induces him to practice thrift, and frequently provides better fields for investment than would be open to him outside the coöperative movement. It diminishes selfishness and inculcates altruism; for no coöperative enterprise can succeed in which the individual members are not willing to make greater sacrifices for the common good than are ordinarily evoked by private enterprise. Precisely because coöperation makes such heavy demands upon the capacity for altruism, its progress always has been and must always continue to be relatively slow. Its fundamental and perhaps chief merit is that it does provide the mechanism and the atmosphere for a greater development of the altruistic spirit than is possible under any other economic system that has ever been tried.

By putting productive property into the hands of those who now possess little or nothing, coöperation promotes social stability and social progress. This statement is true in some degree of all forms of coöperation, but it applies with particular force to those forms which are carried on by the working classes. A steadily growing number of keen-sighted social students are coming to

realize that an industrial system which permits a comparatively small section of society to own the means of production and the instrumentalities of distribution, leaving to the great majority of the workers nothing but their labor power, is fundamentally unstable, and contains within itself the germs of inevitable dissolution. No mere adequacy of wages and other working conditions, and no mere security of the workers' livelihood, can permanently avert this danger, nor compensate the individual for the lack of power to determine those activities of life which depend upon the possession of property. Through coöperation this unnatural divorce of the users from the owners of capital can be minimized. The worker is converted from a mere wage earner to a wage earner plus a property owner, thus becoming a safer and more useful member of society. In a word, coöperation produces all the well recognized individual and social benefits which have in all ages been evoked by the "magic of property."

Finally, coöperation is a golden mean between individualism and Socialism. It includes all the good features and excludes all the evil features of both. On the one hand, it demands and develops individual initiative and self-reliance, makes the rewards of the individual depend upon his own efforts and efficiency, and gives him full ownership of specific pieces of property. On the other hand, it compels him to submerge much of the selfishness and indifference to the welfare of his fellows which characterize our individualist economy. It embraces all the good that is claimed for Socialism because it induces men to consider and to work earnestly for the common good, eliminates much of the waste of competitive industry, reduces and redistributes the burdens of profits and interest, and puts the workers in control of capital and industry. At the same time, it avoids the evils of an industrial despotism, of bureaucratic inefficiency, of individual indifference, and of an all-pervading collective ownership. The resemblances that Socialists sometimes profess to see be-

tween their system and coöperation are superficial and far less important than the differences. Under both arrangements the workers would, we are told, own and control the means of production; but the members of a coöperative society directly own and immediately control a *definite amount of specific capital*, which is essentially *private* property. In a Socialist régime the workers' ownership of capital would be collective, not private; general, not specific, while their control of the productive instruments with which they worked would be shared with other citizens. The latter would vastly outnumber the workers in any particular industry, and would be interested therein not as producers but as consumers. No less obvious are the differences in favor of coöperation as regards the vital matters of freedom, opportunity, and efficiency.

In so far as the future of coöperation can be predicted from its past, the outlook is distinctly encouraging. The success attained in credit, agriculture, and distribution, is a sufficient guaranty for these departments. While productive coöperation has experienced more failures than successes, it has finally shown itself to be sound in principle, and feasible in practice. Its extension will necessarily be slow, but this is exactly what should be expected by any one who is acquainted with the limitations of human nature, and the history of human progress. If a movement that is capable of modifying so profoundly the condition of the workers as is coöperative production, gave indications of increasing rapidly, we should be inclined to question its soundness and permanence. Experience has given us abundant proof that no mere system or machinery can effect a revolutionary improvement in economic conditions. No social system can do more than provide a favorable environment for the development of those individual capacities and energies which are the true and the only causal forces of betterment.

Nor is it to be expected that any of the other three forms of coöperation will ever cover the entire field to which it

might, absolutely speaking, be extended; or that coöperation as a whole will become the one industrial system of the future. Even if the latter contingency were possible it would not be desirable. The elements of our economic life, and the capacities of human nature, are too varied and too complex to be forced with advantage into any one system, whether capitalism, Socialism, or coöperation. Any single system or form of socio-economic organization would prove an intolerable obstacle to individual opportunity and social progress. Multiplicity and variety in social and industrial orders are required for an effective range of choices, and an adequate scope for human effort. In a general way the limits of coöperation in relation to the other forms of economic organization have been satisfactorily stated by Mr. Aneurin Williams: "I suggest, therefore, that where there are great monopolies, either natural or created by the combination of businesses, there you have a presumption in favor of State and municipal ownership. In those forms of industry where individuality is everything; where there are new inventions to make, or to develop or put on the market, or merely to adopt in some rapidly transformed industry; where the eye of the master is everything; where reference to a committee, or appeals from one official to another, would cause fatal delay: there is the natural sphere of individual enterprise pure and simple. Between these two extremes there is surely a great sphere for voluntary association to carry on commerce, manufacture, and retail trade, in circumstances where there is no natural monopoly, and where the routine of work is not rapidly changing, but on the whole fairly well established and constant."¹

The province open to coöperation is, indeed, very large. If it were fully occupied the danger of a social revolution would be non-existent, and what remained of the socio-industrial problem would be relatively undisturbing and

¹ "Co-partnership and Profit-Sharing," p. 235.

unimportant. The "specialization of function" in industrial organization, as outlined by Mr. Williams, would give a balanced economy in which the three great socio-economic systems and principles would have full play, and each would be required to do its best in fair competition with the other two. Economic life would exhibit a diversity making strongly for social satisfaction and stability, inasmuch as no very large section of the industrial population would desire to overthrow the existing order. Finally, the choice of three great systems of industry would offer the utmost opportunity and scope for the energies and the development of the individual. And this, when all is said, remains the supreme end of a just and efficient socio-industrial organization.

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