The Cooperative Movement and Industrial Democracy

AN ADDRESS

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The Cooperative Movement and Industrial Democracy.

There is no question about the fact that the world is sick and almost anyone is willing to prescribe a remedy. Like a physician, when we prescribe we deal in large phrases and high-sounding words. Perhaps some of us do not understand many of these phrases any more than we do those that are written on the face of a medical prescription. In fact, I find that the majority of people are thoroughly misinformed as to many of the expressions current in every day conversation. We talk glibly of world reconstruction, of international parliaments, of leagues of nations, of labor unrest, of social justice. Mr. Smith says to Mr. Jones on the trolley car in the morning: “The old industrial order has broken down and we are going to have a new world”; and Mrs. Jones says exactly the same thing to Mrs. Smith in the afternoon over a cup of tea. But here the conversation stops. Just how the new world is to be created out of the old, no one really knows. One man tells us that the only way is the adoption of socialism, another prescribes communism, and a third tells us that a soviet form of government is the way out, and so on and so forth. While all of these remedies are advanced in a spirit of great hope and confidence, we cannot help asking ourselves: Will they work? Can they feed and protect
the people? Can they keep the peace? Are they possible in this hard and practical world?

I do not know whether any of these programs is the answer or not, but I do know that whatever plan survives will need to meet certain indispensable conditions. It must satisfy not only the idealistic but the practical needs of man; it must be a plan that will work now; it must be based on the present capacities of man; and while satisfying the immediate needs for food, shelter, and safety it must above all be developing new capacities if the new world is to be anything more than a dream; for in the last analysis a better future will depend upon the social and political capacities of those who live in it and these needed social and political capacities must be developed.

One of the programs suggested by many people is the adoption of the co-operative system of industry, and whether or not the co-operative system is the final solution to our social and economic problems I believe that the co-operative movement gives us some hints as to the possibility and methods of educating citizens for a better society and if it can give us those hints it is worth our close study, for in the matter of social-mindedness and the deeper democratic experiences we are all fearfully handicapped. I think one of our greatest troubles today is that we are trying to put into operation the machinery of democracy while we ourselves are neither socially-minded nor democratically-inclined. The very men who conceive the best plans for reconstruction are frequently defective in the very elements that are necessary to make those plans realities. Therefore my theme this morning is co-operation as an educator in democracy, as an instrument of democratic experience.

It would be very easy to talk about the co-operative movement, to tell you when and where it began, to what extent it has succeeded, what defective elements in our present economic system it seeks to eliminate, and what its prospects for the future are. I could say that in 1843, in Rochdale, England, the co-operative movement began with a group of 28 working men, and then go on to describe the struggles and achievements of these men, but in such a treatment the very point I want to make would be ignored. The men could not have done the work they did if they had not been prepared for it. They were without schooling, but they had intellectual equipment and interests; they had no money, but they had a vision of social
change; they had the memories of terrible sufferings; they had been trained by taking part in social movements; they had those supremely necessary things—the ability to work together, to trust each other and not to be discouraged. These men were the product of the age that had preceded them. Their effort was an attempt to meet the conditions created by what we call the industrial revolution.

I trust that you are all acquainted with the history of the industrial revolution, which took place about a century ago, and its effects upon civilized society. If not, you had better study that period, for no one can understand the present economic situation without a knowledge of this great industrial upheaval. For some reason about the middle of the eighteenth century the genius of man turned itself to the invention of machinery and thereby completely transformed the methods of creating and distributing all the material necessities of life. Here within the period of only a few years inventions and discoveries were made which changed the whole face of industrial England. The little individual workshops in which each man worked for himself gave way to the great roaring factories in which each man became the wage-slave of an industrial monarch; the little cottages scattered along the hillsides disappeared and the great industrial centers with their crowded tenements arose. And the change was not alone material. There were likewise psychological changes. First in England and then throughout the world those of quick intelligence seized the opportunity created by this invention of machinery, and there was a new outbreak of the fever for wealth, a disease which, while it is always prevalent, has its ups and downs like the lines on a fever chart. Cheap labor was demanded as never before and at the beginning of the last century those in control of affairs were sending women down into the mines and children into the factories in unknown numbers, and these women and children were helpless. The only thing men were thinking of then, as now, was profits, an almost inevitable result of the capitalist system. Things were, of course, much worse then because unions were illegal; social legislation, as we understand it now, was unknown, and the government of England was in the hands of its hereditary rulers with the driving force largely supplied by the new industries.

At this time there began some of those agitations and movements in which we are still engaged, such as the agitation against child labor, the movement for the protection of women workers, the demand for legislative remedies—those things in the accomplishment of which social reformers have been largely engaged during the past century. If they have not been very successful, it is because their advocates have
been very weak in comparison with the evil and the shame with which they were trying to cope. As early as 1802 there began a struggle for better social legislation and for the rights of the unions. It was carried on up to the splendid victory largely engineered by Francis Place, the radical tailor whose name should ever be remembered in this connection. He had received his elementary education on social problems sitting in his room with his wife and child, all three starving. This education was supplemented by much reading and study, and later by large experience in relations with thinkers and statesmen, as well as by business and political agitation. It takes such an education to write great laws and make them effective. These laws helped very little to protect the women and the children, but one important thing they did: They gave the working men the right to organize in the interest of improving their conditions. Then there sprang up in England about this time the Chartist movement, chiefly among the young men of the working classes, although like any other radical movement it drew many of the more fortunate into its ranks, especially college students. Then began the agitation which, although doomed to failure in its immediate purpose, stirred the social life of England to its very depths. Although the Chartist movement failed, it merged into the successful Corn Laws movement, carried on by Richard Cobden and John Bright, men of the upper classes. These agitations with their partial successes and partial failures under the leadership of men of different classes had helped to school the people of England in their attempt to live together peacefully.

The next step leading up to the introduction of the co-operative organizations was the work of Robert Owen, the great British rationalist and philanthropist. He was a business man who had accumulated a great fortune which he later spent in promoting schemes which now seem foolish and which then were impracticable, but which gave men’s minds a great impetus. He was a man of remarkable intelligence and of considerable feeling, and the condition of the five hundred orphans in his mills particularly touched him. He shortened the hours for these children in his own mills and he persuaded England to reduce the working day for children everywhere to ten hours. He established remarkable schools which were visited by people from all over the world. He eventually came to the conclusion that the creation of more or less wealth was a small matter beside the wholesale degradation of character involved in a system based on the unscrupulous pursuit of individual gain. And this philosophy led him from his work as a philanthropist and high-minded employer to the task of establishing co-operative enterprises.
One of his best known enterprises was launched in this country. He bought a great tract of land at New Harmony, Indiana, and there established a co-operative colony. When he arrived in America he made several addresses announcing his purpose and by the time he reached Indiana the place was crowded with all sorts of queer people. It is strange but true that those who cannot get along with anybody else are most anxious to enter into co-operative enterprises, which reminds me of the old fable of the nightingale and the wolf, with which you are no doubt familiar. The wolf comes along with his pack on his back, grumbling. The nightingale asks where he is going. He replies that he is going to leave this wretched part of the world where all the beasts quarrel and take advantage of one another, and go out into the woods where he understands they are establishing fraternal organizations in which exist only harmony and peace. He invites the nightingale to accompany him. The nightingale replies: "All right, I will go with you when you leave behind you those long fangs and those sharp claws." Unfortunately, all those who would begin a new way of living take with them their old habits, some good and some bad, their old ideas, largely individualistic, and their well-developed inability to live with others in peace and harmony. So it was at New Harmony. The members of this new colony had not left behind them their teeth and their nails, and it was not long until the colony split up into groups which afterwards subdivided, and Robert Owen returned to England to try his hand at new ventures. While his practical enterprises did not succeed and his philosophy certainly could not be adopted, he gave a new direction to men's thinking, for he was practically the founder of the social movement in England and it was his thinking perhaps more than that of any other one man that gave the impetus to the idea of men and women coming together to produce and distribute to the advantage of all, to work out the practical problems of life in a mutually helpful way.

Coming directly now to the beginning of the co-operative movement, it was at Rochdale in 1843 that a little group of mill hands and miners sat discussing the dark outlook. Their minds dwelt upon the sad experiences of the last thirty or forty years, and the present strike in the woolen mills. They were troubled by their debts to the stores and they were planning many possible changes. The one that took hold was the idea of a co-operative store—a store which should be owned and operated by those who patronized it, a store which, therefore, would be operated for the benefit of the consumers rather than for the benefit of some individual who owned it. And yet it was to be much more than a store. Like most of us they liked the large phrases. Their purpose was "to arrange the powers of production
and distribution, education and government, so as to create a self-supporting home colony." They did not lack purpose, as you will note, but they had absolutely no money. So they began to collect capital, each paying in two pence a week. Slowly but surely the money came in until they had $140.00. With this they rented a little store on Toad Lane, bought a few groceries, and were ready to begin an enterprise which, as we shall see, grew to a point where it included every phase of industrial life.

Of course they were ridiculed and laughed at by the business people in the village, but they stuck to their purpose. The store was open on Monday and Saturday evenings and during the first week they sold a few pounds of flour, sugar, butter and oat meal, the sales in all amounting to $10.00. The work of running the store was divided among the members: One was cashier, another salesman, another secretary, another treasurer, and so forth. Many were the discussions of this little group over their small affairs; but to their great satisfaction and to the surprise and irritation of some of their fellow citizens the little store on Toad Lane grew and served as a model for others until seventy years later there were in Great Britain 1,400 retail stores with hundreds of branch stores. Some of the buildings loom up in the small cities and towns of England and are the dominant features of the landscape. The $140 of capital had grown into $300,000,000; the sales had increased from $10 per week to $650,000,000 a year. There could not have been much profit in that first week's sales, but the surplus dividends at the end of the year 1914 amounted to $71,000,000. The 28 members had increased to over 3,000,000, which, with the families they represented, must have been something like one-fifth of the population of Great Britain. As soon as the movement began to spread to various parts of the country the stores were made the object of discrimination by the wholesalers who wished, of course, to discourage the co-operative enterprise. This is always true. I noticed in the paper a few days ago that the meeting of wholesale grocers in this city voted to use every effort to crush the retail co-operative enterprises in this section of the country. There is a natural antagonism between the spirit of capitalistic industry, which is, of course, the spirit of individualism, and the spirit of any co-operative undertaking. As a result the stores were able to purchase but a limited number of commodities and these at relatively high prices. To eliminate these and other disadvantages there was developed a plan of establishing co-operative wholesale stores, and in 1863, about twenty years after the beginning of the movement, a central warehouse was established in Manchester. At first the wholesale stores limited themselves, as the retail stores had done, to groceries, but they soon opened a boot and shoe
department, and then clothing, furniture, agricultural and printing departments, until eventually they included practically all the necessities of modern life. Branches began to appear in London and other large cities, with attractive sales-rooms, and now large co-operative wholesale stores and warehouses are to be found everywhere in the United Kingdom.

The co-operators were not satisfied yet, for they still felt they must get nearer the producer; so they decided to become their own brokers and sent their representatives to all parts of the world, establishing purchasing agencies in every great market on the earth. And then they said: "We have become our own retailers and wholesalers, our own brokers and purchasing agents, why can't we become our own producers, especially for the working class necessities for which there is a steady demand?" Without their own factories they could not insure the quality of the goods and were forced to pay rent, interest and profit to the manufacturer. The result of this line of thought was the organization of a long line of factories, first for food-stuffs, later for boots and shoes and clothing. These all proved successful and in 1847 the manufacture of soap was begun and now there are co-operative factories producing practically all the necessities of life. Pretty soon another cry was raised—that of "Back to the Land." True co-operation, it was argued, cannot be reached until the movement possesses some part of the soil and grows its own raw materials. So after much discussion and planning, which is always the best part of any co-operative enterprise, the directors of the movement decided in 1896 to purchase an estate of almost eight hundred acres in the western part of England at a cost of $150,000, on which it raised food products. On this same estate a convalescent home was built for its members. Eight years later another estate was bought especially for the purpose of growing fresh fruits and in connection with these farms, purchasing departments were established in the rural districts of England. At the beginning of the war the extent of land in England which was worked exclusively by and for the co-operators was about 2,500 acres. During these years it was quite natural that the stores should develop a large tea trade. In 1913 the co-operative wholesale stores sold over 27,000,000 pounds of tea. It was to be expected, therefore, that they should follow the tea industry to its source. As early as 1902 their first estate in Ceylon was purchased and in 1907 and the years following their holdings were greatly increased until now nearly all the tea handled by the co-operative stores in England is produced on their own farms in India. It was inevitable, also, that they should eventually have their own carriers and stop paying tribute to privately owned ships, and today goods from
all parts of the world are shipped in the co-operative company's own steamers, and fleets of ships are constantly going around the world carrying their own produce. In some communities the new movement has become a sort of new type of landlord. In place of the old baronial castle there is a co-operative building in which is centered the landholding power. In 1907 over four hundred co-operative stores had expended nearly $50,000,000 in acquiring or building about 50,000 dwelling houses, most of them to pass ultimately to the ownership of the individual members.

One of the most brilliant of their achievements has been along the line of financing. In 1872 the English Wholesale Society began its career as a banker, opening for this purpose a deposit and loan department which later developed into the banking department of the Cooperative Wholesale Societies. It permitted the retail dealers to deposit money and it loaned funds to them according to their need. It was not long until the wisdom of this undertaking was realized, for during the last generation hundreds of thousands of dollars have been saved to co-operators which would otherwise have gone into the pockets of private bankers. In the year 1913 the deposits and withdrawals of this department amounted to $850,000,000, and more than one thousand of the retail societies are keeping their accounts in these institutions. Another incursion into the domain of private business was the establishment of insurance departments. The wholesale stores early began to take care of their fire insurance, but it was soon felt that the guarantee of the maintenance of human beings was equally important, and in 1911 they formed "The Insurance Cooperative Society." The greatest achievement of this department is one that indicates the exceeding waste involved in private insurance schemes. The plan of insuring whole societies was first begun by the co-operatives in this manner: The retail store gave the insurance department two cents a year for each five dollars of purchases made by its members. As a result of this all of the members of the retail stores became automatically insured. There were no heavy overhead expenses, such as agents, selling insurance, premiums, and no costly offices to maintain. In 1913 over four hundred co-operative societies had taken advantage of this collective plan, insuring eight hundred thousand members, and the expense of administering the whole scheme was found to be about five per cent of the premium paid. For every twenty-five cents paid into the ordinary industrial insurance company, it is said that eleven cents is used for expenses, while for every twenty-
five cents paid into the co-operative company about one
cent is needed to cover the expense.

While the co-operative movement has dealt largely with
dollars and cents, it has from the beginning been a forum
for ideas. At the very start the Rochdale founders put
aside money for education and many of the retail societies
still appropriate two and one-half per cent of their earn­
ings for educational work. This work is centered largely
in what is known as "The Cooperative Union." Each soci­
ety contributes to this central association. This Union
besides holding annual conferences has had a great educa­
tional influence on the entire organization. It publishes
tracts and lectures; has established scores of libraries and
reading rooms and conducted thousands of courses on co-op­
erative and civic problems. More recently it has exerted
considerable political influence and has taken part in what
is commonly known as social work throughout the British
Empire.

The figures which I have given you, you have noticed,
were taken from statistics before the war. No statistics
since then have been published, but the war, I am told, has
given great impetus to the movement. During the first
two years of the war over one million new members were
admitted and the profits distributed among its members for
the year 1917 were $42,000,000, more than they had ever
been before. A story almost similar to this might be
related about the co-operative movement in other European
countries—in Germany and France and Belgium, and espe­
cially in Russia, where the people have been largely fed
and cared for during the chaotic period of the revolution by
the Russian co-operative societies, which previous to the
war counted more than ten million members. I have now
spent an undue amount of time in describing the results
in business and money terms, but I have wanted to demon­
strate above all else the exceedingly practical character
of the movement. Although equally large or greater figures
can be found in other industries, there is one thing that can
not be found in any other industry in the world, and that
is the basis of organization.

While this basis of organization is determined by the
societies themselves and differs in various parts of the
world, it is always constructed on the frame-work of the
original plan in England. One becomes a member of the
co-operative movement by paying or beginning to pay five
dollars. Full membership is granted the moment the first
twenty-five cents is deposited. With this membership goes
the right to participate in the meetings and to vote. A
member may own as much as two hundred dollars' worth
of stock, though no more, but the right to vote (please note
this fact) depends on membership and not upon the amount of stock owned. That is, each member has one vote, regardless of the amount of stock owned. You see this is a sort of industrial democracy, patterned after our political democracy, in which each man gets a vote regardless of the amount of property he owns. The shares pay five per cent per annum and the profit is divided not on the stock but on the amount of purchases. In other words, the basis of the distribution of profits is not according to capital, but according to the usefulness of a person to the enterprise. This marks the fundamental industrial difference between the co-operative system and the capitalistic system. So far as the control goes it rests equally with all on the basis of one man one vote, or one woman one vote. The representatives at the local meetings choose their directors and the directors choose the manager. The smaller organizations control the wholesale dealers and that is all there is to it. The organization is as simple as a b c.

Now what does such an organization mean? To my mind it means the application of the principles of democracy to industry, and after all, is not that the cure for our present industrial disease? The underlying causes of the great unrest of this period lie in the fact that industry is organized on lines which run counter to the aspirations and ideals of modern society. In the nineteenth century the world suffered a change of heart—man became definitely a democratic being. While institutions and governments did not change immediately from oligarchy to democracy in every country, it became certain that sooner or later those institutions which did not change and fit themselves to man's new-born ideals would be destroyed. And so the history of the nineteenth century is largely the history of the gradual democratization of the different parts of human life. The process is still going on and practically every institution today is being revolutionized by the fundamental beliefs which underlie democracy.

And what does democracy mean? Democracy means exactly what the two Greek words of which it is composed mean. It means that the people have the power. It means that no individual or group should be subordinate to any other individual or group. It refuses to recognize the voice of authority unless it speaks in the name of the whole of which each man is a part. We were told years ago that in politics it means "government of the people, by the people, for the people," and that is what it means in every other department of life. Now this idea has profoundly modified nearly every department of society in the last one hundred years, but the one department which has remained almost untouched by democracy is the industrial. The organization of industry is purely oligarchical. Industry is organized
in such a way that the power remains not in the hands of the many, but in the hands of the few. The control of industry is concentrated in the hands of the few who own the capital. It is they who decide what is to be made; when, where and how it is to be made; and the millions of the wage-earners who spend the greater part of their lives working as parts of the industrial machine have absolutely no control of the machine and very little control over the conditions of their employment.

The importance of the co-operative movement and the necessity of understanding its policy and its methods really lie in this one fact—that it claims and always has claimed to have discovered a system of industry which is democratic. Industry, the co-operator says, is controlled within the movement, not by a small class for its own interests, but by all classes for the interests of all classes "by the people, for the people"; and the power which determines industrial operation is not the necessity of money making money, but the needs of the individuals forming the community. And we have proved, he continues, not only that it is possible to democratize industry in this way, but that our system is just as efficient and just as materially successful as the capitalist system. Not only that, but it is more truly economical, avoiding the waste and friction of competition of the capitalist system. Now, if these claims of the cooperator are correct, and they seem to be, then a careful study of the co-operative movement is necessary to any consideration of the industrial problems which confront us at this time. A system of industry which is democratic, efficient and of almost universal application would, one would hope, practically abolish those evils which seem to be inherent in the working of the present industrial machine.

But what to my mind is more important still is the spirit which the co-operative movement engenders. A man cannot be a co-operator long without losing some of his individualism and growing in social responsibility. It is constantly and everywhere putting one in touch with the democratic spirit, which, after all, is merely the spirit of cooperation. And the undertaking thus far has never lost its idealistic strain. No one will ever understand the genius of the movement in England who does not know the nature of the educational work and the emphasis laid upon it. It has always remained a firm tradition that it was the business of the co-operative societies to free the minds as well as the bodies of the people and above all things to attempt to throw light on the right relations existing between men. It felt that this education in citizenship was necessary because only as men and women have the right idea of their relations to other men and women and to the state as a whole would
the co-operative movement ever succeed. To this end it recognized that the time and money and power expended in developing the thought and the understanding, and making clear the purpose of the co-operative life, is as important as the price of foodstuffs. The old idea of co-operation as expressed in the “Economist,” published by Robert Owen, involved “unrestrained co-operation among all men for all the purposes of social life.” While this ideal perhaps may not have been reached great progress has been made. Co-operators have always been inspired by the ancient doctrine of human fellowship and the new spirit of social service and the firm faith that the day would come when each man and women would work, not for personal sustenance or individual gain, but for the good of the whole community.

The co-operative movement has among many millions of men stopped the practice of short weights and improved the quality of all the necessities of life. It has saved for people millions of dollars not only by eliminating all profits but by eliminating the salesman superbly trained to sell people things they do not want. It has successfully fought among millions of men the thriftlessness of the credit system of the small store, and it gets along without the expensive middleman whose operations form the most significant part of the increase in prices over the cost of production. The co-operative movement stands today as one of the most practical and most successful efforts in industrial welfare. It has established a new principle in the matter of distribution of the profits of industry. In the practice of the principles of democracy, and in the vast number which it reaches, its success has been astounding. It has quickened the ideals of men. It has somewhat ennobled the practice of men in industry. It has helped to quicken the current of men’s thoughts and feelings where they were most sluggish. For millions of people it has changed the struggle for existence into co-operation for living. It is, indeed, the most promising movement of the last generation, and I am inclined to believe with Sidney Webb that “Intelligent co-operation is the economical hope of mankind.”

In America little progress so far has been made either in the understanding or the practice of co-operation. It may be that we are as yet in too individualistic a stage, that we are too favored in material opportunities. What the reason is I do not know, but there is no doubt that in this directions as in others, a great change is coming. It is marvelous the way in which co-operation is taking hold of the thoughts and activities of the people at present. The farmers, especially all over this state, have recently organized co-operative creameries, co-operative elevators, co-operative stock selling associations, co-operative telephones, and before
long the whole farming industry will be put on a co-opera-
tive basis. In this city there has recently been organized
the Franklin Co-operative Creamery, which is serving milk
to all parts of the city at the cost of production and deliv-
ery; the Women's Garment Association, which is making
suits and coats for its members on a co-operative basis;
and there is now forming a large co-operative enterprise
which hopes to place a retail store in every ward of the
city. And all this is as it should be. The co-operative move-
ment above all things is democratic and we in America
ought to be willing to learn and practice wherever we can
the principles, the methods, and the ideals of democracy.
If we are considering a new and more democratic method
in industry then we should not forget what has been done
during the past seventy-five years in England and other
countries of Europe, but seriously study and consider these
developments for ourselves. We know that the future is
big with change. We know, too, all the terrible faults and
shortcomings of our industrial and political systems. We
know these things, but do we realize what they mean? My
purpose in calling your attention this morning to the co-op-
erative movement is that for seventy-five years men have
been practising some of the elements of democracy of which
we know nothing. We have been called upon during the
last few years to make great sacrifices for democracy—on
the battlefields millions of young men have died for it, but
now that the sacrifice has been made what are we doing
to justify their sacrifice? I call to witness the economic
system of America, with its socially inadequate conduct of
stores and factories. I call to witness the homes of the
poor where there is so much unwarranted suffering. I
call to witness the uneducated and undeveloped mass of
working men and the similarly undeveloped captains of
industry. Not by profit-sharing schemes, not by old age
pensions and industrial insurance alone, but by funda-
mental changes only can the results we want be attained—
not by autocracy, nor by anarchy, but by democracy, the
kind of democracy taught and practiced by the co-operative
movement.