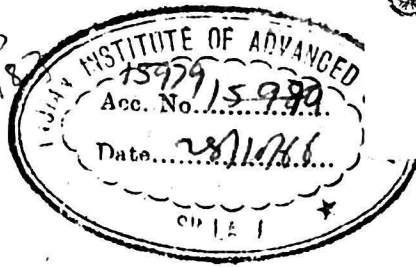


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THE CAPTURE OF THE CO-OPERATIVE MOVEMENT

At the Co-operative Congress at Cheltenham in Whit week, on the motion of Mr. Barnes, M.P., it was decided, by the narrow majority of 117 on a card vote, that the National Executive Committee of the Co-operative Union should go into politics as the ally of the Socialist Party.

To grasp the full import of this fateful decision, it is necessary to devote some little time to studying the history of the Co-operative Movement. That it is worth while to do this will be evident when it is realised that the Co-operative Union of Consumers and Producers have a share capital of 90,064,875*l.* and a membership of over 5,000,000; the number of employees in 1926 was 103,080 in the Consumers or Distributive Societies, and 47,984 in the Productive Societies, earning respectively in wages 12,991,323*l.* and 6,232,190*l.* per annum; the progressive character of the movement is shown by the fact that in 1925 200,000 new members joined, and in 1926 362,431, while the retail trade in 1925 jumped by eight and a half millions and in 1926 reached the colossal total of 191,312,596*l.*; the total sales of the Co-operative Wholesale Society for 1927 are estimated to reach 80,000,000*l.* !

In 1884 twenty-eight flannel weavers of Rochdale formed themselves into a co-operative society for the purpose of buying goods which they required, at wholesale prices, for distribution among the members. This pioneer society was born out of the travail through which the weavers had laboured in 1883 in their struggle with the mill-owners for better conditions of labour and better wages. It was the darkest period of the Industrial Revolution, when the principle of buying in the cheapest market included the enslavement of human beings, men, women and children, and when Robert Owen's teaching was everywhere inspiring the revolt against capitalist exploitation, which has since become a religion with the Socialists and a consuming fire in the hands of the Communists.

The men who founded the parent Co-operative Society stated their objects in the following 'Laws of the Association':

The objects of this society are to form arrangements for the pecuniary benefit and improvement of the social and domestic condition of the members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements.

1. The establishment of a store for the sale of provisions, clothing, etc.
2. The building, purchasing, or erecting a number of houses, in which those members desiring to assist each other in improving their domestic and social condition may reside.

3. To commence the manufacture of such articles as the society may determine upon for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions of wages.

4. As a further benefit and security to the members of the society, the society shall purchase or rent an estate or estates of land which shall be cultivated by the members who may be out of employment, or whose labours may be badly remunerated.

5. That as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education, and government : or in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

The idea was, in short, to proceed by slow stages : first, to acquire capital by weekly deposits and the profits from the establishment of a retail shop ; second, to settle their members in houses built or purchased by the society ; and third, to employ their own members in manufacture and agriculture for the society. In other words, to attain Communism through an association of producers, and to obtain the capital necessary for financing the undertaking by opening a retail shop.

Co-operative societies which had hitherto attempted to carry their Communist theories into practice had found that wherever the retail shop was sufficiently well managed to produce the capital necessary to finance the Communistic experiments, the members became, by force of circumstances, *de facto* capitalists ; they were the shareholders in a profitable business, and the more the profits accumulated, the more inclined they became to withdraw their gains for personal use rather than risk them in probably uneconomic Communistic experiments.

The Rochdale experiment solved this difficulty by introducing the system of repayment to members of a rebate or deferred discount on the purchases made by them during the half-year, out of the accrued profits of trading.

Thus the accumulation of capital was avoided ; but at the same time the Utopia of the Communist colony was definitely removed from the material to the ideal plane, which was undoubtedly better for the co-operators but bad for Communism.

Probably the Rochdale pioneers did not realise what a big thing they were doing when they introduced the system of a deferred discount on purchases, affectionately termed the ' divi '

by every housewife who draws it. This system at once planted the co-operative societies on a firm and lasting foundation based on the very general desire of the mistresses of working-class households to receive their savings in a lump sum from the 'Co-op.' instead of painfully and laboriously trying to put by a few pennies weekly which only constitute a little hoard liable to constant raiding and never likely to accumulate to a sufficiently respectable sum to pay for a child's school outfit, a holiday by the sea, or some other equally essential requirement.

The certainty of receiving the 'divi' on a fixed date is the loadstar which buoys up the spirits of the wives and mothers in hundreds of thousands of working-class families through weary months of toil and anxiety in the endeavour to make ends meet, and it is the cornerstone of the co-operative edifice.

But it is not Communism! The Communistic ideal has receded far into the background, or, on the other hand, has been relegated to such a distant future that no one bothers about it except the people who have a political object in view which may be very remote from the aspirations of most of the members of the Co-operative Societies.

The co-operators have their feet firmly planted on the earth; the Communists may believe that they have their heads in heaven, but their feet are most certainly in the air.

The outstanding discovery and practical achievement of the Rochdale pioneers was to organise industry from the consumers' end instead of from the producers' end: to place it from the start upon the basis of production for use instead of production for profit, under the control and direction of themselves, not as producers, but as consumers; and to popularise mutual co-operative societies by the payment of a dividend or deferred discount on purchases, instead of accumulating capital for Communistic experiments, or paying dividends to shareholders on the principle of joint stock companies which trade for profit.

The growth of the mutual co-operative movement from this pioneer society was rapid. A new society is usually formed by recruiting about a hundred members who promise to deal at the new store and to take one or more shares of a pound each, for which they pay by small instalments. With the capital thus obtained a shop is rented and a manager engaged. The stock is usually limited at first to the articles of grocery in general demand, and is obtained either from wholesale dealers or preferably from the Co-operative Wholesale Society, which facilitates the starting of new shops to an extent undreamed of by the early adventurers in co-operative dealing.

Retail prices are usually fixed at about the same level as those ruling in the neighbourhood, the excess over the wholesale rates

servicing to cover maintenance and running expenses, allow for depreciation, provide a reserve fund, pay the fixed rate of interest on the share capital (usually 5 per cent.), and finally to provide the 'dividend' which experience has shown to be the mainstay of 'co-op.' popularity.

It is this returning to the purchasers of the margin between the cost of production and marketing, and of the price paid by them in the retail shop, in direct proportion to the value of their purchases, which distinguishes these *mutual* co-operative societies from other so-called co-operative societies, which are merely joint stock undertakings for the profit of the shareholders in proportion to the amount of their share holding, and altogether irrespective of the value of their purchases as members; in the latter case the disposable balance is paid over to the shareholders, while in the former it is paid out to the members in proportion to their purchases, irrespective of the number of shares which they may hold. In the mutual co-operative societies all members are equal, and have an equal voice in the management whether they hold one share or a hundred shares; so far as their shares are concerned, they can only draw the fixed rate of interest just as debenture-holders in a joint stock company.

It may be argued that the mutual co-operative stores should sell their goods at a reduced figure instead of charging the prices current in the neighbourhood, and thus abolish the 'divi,' the existence of which free of tax arouses the resentment of the income tax payer who is not a member of the co-operative society.

The reply is that the 'divi' is a deferred discount on purchases and as such is not taxable; that it is an extraordinarily popular plan for accumulating savings; and finally that if the co-operative shop substantially lowered its prices it would create bitter ill-feeling among the small shopkeepers in the neighbourhood.

The question of income tax, however, deserves more than passing notice, and, as it was recently raised in the House of Commons in the debate on the Finance Bill, we cannot do better than give the Chancellor's reply in his own words:

The other question which had been raised was the allegation that co-operative societies did not pay their proper share of income tax. He had used the full machinery of the Inland Revenue to explore that subject, and in the result he had been convinced that the societies very nearly paid the full tax that could be exacted from them under the law. The published accounts of the trading co-operative societies showed that as a result of their year's work, they had about 21,000,000*l.* in hand, and of that sum they paid away 14,000,000*l.* as discount on their purchases, which was known in working-class communities as 'divi,' and which could not possibly be charged with income tax. It was a trade discount, and trade discount was immune, in every sphere of our taxation, from income tax.

If an attempt were made to charge income tax upon it, that could be evaded by the simple expedient of selling the article at a cheaper price. If it were decided to alter the law in regard to trade discounts, although they might surcharge individual co-operators on their dividends for income tax, in nearly every case they would be below the income tax level.

Calculated on that basis, 100,000*l.* would be recovered, and to obtain that 100,000*l.* it would be necessary to impinge upon the principle of mutual trading, which ruled over a wide sphere. He had done his best to test the figures which he had given, and he believed that they could not be shaken, and he did not see what good an inquiry could do. One could sympathise with the private traders who felt themselves oppressed by the immense collective powers of the co-operative societies. He thought it was a great pity that the co-operative societies did not come forward themselves in some way and endeavour to bridge the gap of 100,000*l.*, as it was hardly worth their while to have all those aspersions cast upon them, with their immense wealth and power, for the sake of such a small sum.

The taxation of the 'divi' would mean that millions of working men and women whose income is below the income tax level would be irritated beyond endurance by having to put in claims for a rebate of the tax on their 'divi,' and the Inland Revenue Department would be snowed under with application forms. The net result to the Exchequer might be 100,000*l.*, but the whole force of the co-operative movement would be employed to bring down the Government which had perpetrated such a blunder, and the Socialists would have the whole co-operative movement in their pocket without any further trouble.

The operations of the Co-operative Wholesale Society are controlled by an executive or 'general committee' of thirty-two directors who are elected by the societies; the executive is responsible to the quarterly business meeting of the delegates of the federated societies in which is invested the ultimate control of industry. Each society has one vote for every 500 members in the election of directors, and can send one delegate for the same number to the quarterly business meeting. The unit of control is thus, in theory, the individual man or woman who is a member of the retail society—a perfect democratic system theoretically; in practice, however, it is found that the system may be liable to grave abuse.

It is interesting to note that at the quarterly meeting of the Co-operative Wholesale Society held at Manchester on July 23 this year the question was raised as to whether the grant of 1000*l.* to the Co-operative Party as a political entity should be renewed or not. It was decided that, as this point was the same as that raised by the decision of the Cheltenham Congress in favour of action which would really make the co-operative movement an appendage of the Socialist Party, the question should be referred to the individual societies. Many protests were made

against the policy of uniting the co-operative movement to the Socialist Party.

The majority of members of a trade union or of a co-operative society will always be slack in attending lodge meetings, a slackness which is by no means repugnant to the executive officers of the organisation, since it affords them a considerable degree of freedom of action without tiresome interference. Trade union rules provide that each member shall pay 1s. per annum to the political fund of the Labour Party, and that those who do not wish to pay may obtain exemption; the Trade Unions and Trade Disputes Act, 1927, deals with the abuses which have arisen in the matter of the political levy; nearly 41,000*l.* a year has hitherto accrued to the coffers of the Labour Party from this source. The certainty of a considerable fall in the amount of political contributions when under the provisions of the Act they become *de facto* voluntary is regarded in Socialist circles with much apprehension, and renewed efforts to 'capture the "co-op."' will follow as a natural result from the decision of the Cheltenham Congress that the Co-operative Union should go into politics as the ally of the Socialist Party.

There has always been a small but active party in the co-operative movement with a distinctly Communist bias, which has tried to bring about joint industrial and political action with the trade unions and the Labour Party. The proposals for combined action were for a long time defeated by the traditional opposition of the co-operative movement to identify itself with any particular religious or political party; the opponents to 'fusion of forces' considered that the existence of a joint programme of the movement and the political Labour Party might make Conservatives and Liberals shy of joining co-operative societies and would be certain to lead to dissension by the introduction of political controversy and bias into a purely unpolitical democratic organisation. From the very nature of things, the co-operative movement is primarily a 'working class' movement, but it by no means follows that all its members, or even a majority of them, are either Socialists or Communists. Moreover, membership of a co-operative society is not confined to any particular class or creed or party; on the contrary, some of the leaders of the movement cherish the aspiration of a co-operative commonwealth which shall come into existence, not by any revolutionary upheaval, but automatically, by the gradual absorption of the majority of society into the organisation. Identification with any political party would obviously bring the movement into direct conflict with such an ideal.

'The triumph of Co-operation would have nothing to do with class antagonisms, or class victories, . . . it would imply merely a reconcilia-

tion of class interests . . . one of the most pressing problems of modern industry is to reconcile the conflict of the interests of Labour with those of the employer and consumer.¹

Labour leaders are too fond of assuming that every organisation of working men must necessarily support the political Labour Party, and there is no doubt that the name alone secures many votes which would not so readily be given to Socialism or Communism. There are, of course, hundreds of thousands of working men whose political affinities are Conservative or Liberal, but they do not take the trouble to oppose Socialist and Communist penetration into their societies and unions, though they will in many cases vote for the Conservative or Liberal parliamentary candidate or the local government candidate under the protection of the secret ballot. The fact is that the majority do not want to be bothered with politics, and probably not more than 30 per cent. in the trade unions pay the political levy willingly. Prior to 1887 there was no independent Labour representative in the House, though in 1874 fourteen trade union working men went to the poll, and two secured election by arrangement with the Liberal Party. In 1885 the number increased to eleven and in 1892 to fifteen, of whom only one—Keir Hardie—was an independent Labour man, the remainder being 'Lib.-Labs.' In 1893 a conference was held at Bradford under the presidency of Keir Hardie, at which the Independent Labour Party, consisting of individual members, was formed. This organisation was purely socialistic, and during the ensuing years made repeated efforts to capture the trade unions, and gradually succeeded, notwithstanding the indifference, or even active opposition, of the rank and file, in penetrating the executive of the trade union machinery to a steadily increasing extent; the Taff Vale judgment assured their success. In 1906 fifty Independent Labour Party candidates went to the poll, and twenty-nine were returned to Parliament. In addition to these there were twelve working-men members elected under the auspices of the Liberal Party; the subsequent accession of the miners' representatives brought up the total working-class representation in the House to forty-one and formed the official Parliamentary Labour Party. The rapid saturation of the trade union movement by the Socialist Party and the class legislation which the Liberal Government passed in order to secure the 'Labour' vote followed, and the complete capture of the trade union machine by the Socialists became assured. The indifference of the bulk of the members to politics allowed the executives a fairly free hand, and the system of card voting enabled delegates to amass the

¹ *Co-operation and the Future of Industry*, by Leonard S. Woolf.

most astonishing majorities in favour of any Socialist resolutions which it was desired by the executive to carry.

From the inception of the Socialist Party in 1900 under the title of the 'Labour Representation Committee,' attempts were made to gather in the co-operative societies as well as the trade unions, but for a long time the co-operative movement held aloof and kept resolutely apart, not only from Socialism, but from politics altogether, and from the trade unions.

It took a quarter of a century to convert the trade union movement from its original objects into an aggressive political force with a programme of extreme Socialist aims, a force which, in the creation of the Triple Alliance and the Council of Action, assumed its most threatening aspect soon after the war, and from that time never ceased to cultivate closer relations with Moscow and to become more openly Communist than was altogether convenient for the orthodox Socialist. The Miners' Federation appears to have definitely adopted a policy of nationalisation as a step to pure Syndicalism—*i.e.*, 'the mines for the miners' (Conference of Miners' Federation at Southport, July 26).

It is of the deepest interest to study concurrently the attitude of the Federation of Labour in the United States towards the same problems. The late Mr. Samuel Gompers, who was its leader for forty years, was inflexibly opposed to any Socialist doctrine or to any attempt to achieve the ends of trade union effort by means of a political party pursuing the Labour policy. The Federation has consistently opposed any move towards the recognition of the Soviet Government or for dealing with Russia in any shape or form, and has recently organised a vigorous campaign in New York to stamp out Communism in the clothing trade. Mr. H. H. Butler, deputy director of the International Labour Office of the League of Nations, in his report (published July 25, 1927) on Industrial Relations in the United States, says: 'At the present time a transitional stage seems to have been reached in which the creed of combat is being challenged by a new doctrine of co-operation which has found considerable support among employers and workers.'

The fiasco of the General Strike in England, and the object-lesson of its deplorable results to the workers, have given a salutary check to the influence of the extremists which is likely to be rendered really effective by the Trade Unions Act, 1927; an impetus has been given to the further development of non-political unions² to co-operation between employers and em-

² At the Special Delegate Meeting of the National Union of Seamen in London on August 1 a resolution to grant 10,000*l.* as a loan free of interest to assist the non-political miners was agreed to almost unanimously, there being only three dissentients.

ployees in industry, and there is a feeling among the rank and file that individual liberty will be restored and the workers will be able to hold up their heads as free men, and that the spectre of the boycott will be banished for ever from the industrial field. All these things will assuredly come to pass if employers will scrupulously avoid giving any pretext to the unions which would serve to unite the whole of Labour against the working of the Act. The action of a single employer who might take what appears to be unfair advantage of the wording of a clause capable of being twisted by legal jugglery into expressing something which was far from the intention of the framer of the Act would at once 'put the fat in the fire.' The only hope for the smooth working of the Act is that employers, *all* employers, shall interpret it, in the spirit as well as in the letter, in such a fashion as to ensure its success and thus give no handle to the firebrands who live by the class war. And it is well to take note of the attitude of such firebrands as indicated by Mr. Mardy Jones, M.P., at the recent congress of the Miners' Federation at Southport when the Trade Unions Bill was being discussed. 'You need not be unduly alarmed about the Bill,' he said; 'we shall be able to ignore it and outwit its every clause.'

The distinctive note of the Conference, however, on that occasion was the outspoken condemnation of Moscow methods, the ridicule cast upon the delegate who advocated another General Strike, and the severe trouncing which the President administered to the Communist element: truly a more robust attitude on the part of the moderates than has hitherto been shown in face of the Communist and minority movement attacks on the Labour leaders.

Socialism is, however, always a destructive force which acts as a perpetual irritant on the nervous system of the worker by substituting the false doctrine of a 'divine discontent' with his lot for a healthy ambition to improve it by his own exertions. It has no creative or constructive energy and is essentially the antithesis of the co-operative movement inspired by the doctrine of self help by mutual help, and mutual help by self help.

The foundation principle of the co-operative movement is sound, and, 'so far from being Socialism, it is the very antithesis of Socialism.'³ There is no socialistic element in it, though there is a social element which is its very life. It makes no appeal to and places no reliance on the State; its appeal is to the legitimate self-interest and pride of the workman. The same might have been said of trade unionism before it was captured by political Socialism and tainted by Communism, for the trade union movement in its inception had much in common with the co-operative movement; both were spontaneous in origin and voluntary in

³ *Religion of Socialism*, by Belford Bax, p. 44.

character and distinctly workers' organisations for self-help and mutual support based on personal and corporate responsibility.

Up till 1917 the small politically minded Socialist elements in the co-operative movement were unable to make any headway, but in that year a strong feeling of resentment against the treatment of the societies by the Government in regard to food control and the excess profits tax caused the Congress at Swansea to reverse its former attitude and to pass a resolution to enter politics and make common cause with the Socialist Party. This decision met with general approval subsequently when Mr. Lloyd George refused to receive a deputation to lay the grievances of the co-operators before the Government on the ground that he had no time, although he found time to receive the Jockey Club. The effect of this insult was electrical, and later in the year a special conference adopted a policy of joint action with the trade unions and a scheme for parliamentary and municipal representation. This departure from the traditional policy of the co-operative movement, however, was not due so much to any spontaneous outburst of revolt on the part of the rank and file as by the leaven of Socialist yeast working as a ferment in the comparatively inert co-operative dough. Having secured a hold on the executive machinery, the Socialists proceeded to dig themselves in by methods which are painfully familiar in all nominally democratic societies which include an aggressive left wing, but they were careful not to show the cloven hoof in their first programme, and the attempts made at the Congresses of 1920 and 1921 to establish political union with the Parliamentary Labour Party were unsuccessful. But in 1922 the co-operative programme included such purely Socialist items as land nationalisation, the capital levy, and work or full maintenance for the unemployed, and the four Co-operative members of Parliament voted with the Socialist Labour Party.

Steady spade work ever since and a policy of peaceful penetration into the executives of the co-operative societies have brought about the result obtained at the Cheltenham Congress, and the impetus thus given to Socialist domination may, unless it be checked, ultimately swamp the co-operative movement as it, formerly swamped the trade union movement and convert it into a machine for the aggrandisement of a political party and sort of milch cow to provide the funds to finance it.

But will these funds prove inexhaustible ?

The whole principle of saving and the system of the 'divi' is anathema to the Socialist because it savours of capitalism. The experience of those who have engaged in social work among the working classes is that the Socialists bitterly resent any attempts to persuade workers to invest in National Saving Certificates,

on the ground that such action converts them into capitalists and thereby plants them firmly in the opposition camp to Socialism.

It may be inferred that if the Socialists ever succeed in getting complete control of the co-operative movement the 'divi' would very soon disappear under their unsympathetic *régime* and the 'disposable balances' would be poured into the greedy maw of the political machine.

A twofold process of decay would then begin to sap the wonderful prosperity of the co-operative societies: for, concurrently with the diversion of the 'disposable balances' from the members' 'divi' to the political fund, there would ensure a steady loss of membership on the part of those who had no sympathy with political Socialism as part of the co-operative programme, as well as from the unpopularity of a policy which deprived them of their dividends and was frankly antagonistic to the saving interests of the consumers.

Socialism would assert itself again as a disruptive force, true to its past and present record, incapable of constructive realism and too often the tool of destructive Communism. It has steadily and successfully fought against any sort of understanding between capital and labour, between employers and employees; it has preached a gospel of class hatred which has affected the mentality of masses of our people to an extent bordering on fanaticism and utterly beyond the reach of reason; it has made a bugbear of capital as the enemy of labour, instead of harnessing the pair of them in the interests of both; and it has fashioned a political weapon which, if ever the day of revolution should come, will be snatched from its nerveless grasp by the Communist vipers which it has covertly nourished in its bosom.

Co-operation, on the other hand, is a great constructive force conserving the resources of the society and of the individual, making an equitable distribution of the profits on trading and industry, and capable of restraining capitalism from the unrestricted exploitation of the workers, by methods far more effective and lasting than any ill-considered political experiments in the economic field.

Seen in its proper light, the co-operative movement should be the representative of the consumer in a triple entente with capital and labour, maintaining the balance of power between the three interests, which, in harmonious adjustment, should ensure the well-being of the worker, the conservation and intelligent employment of capital, and the protection of the consumer from exploitation by a purely selfish combination of the other two partners at his expense.

The success of the non-political unions in the mining industry

and in the National Seamen's Union already shows the strength of the reaction in the trade union movement against political exploitation. It rests now with the members of every co-operative society to rouse themselves from their indifference, and drive out the menace of Socialist domination from their midst before it can capture the executives which are the driving force of the movement.

F. G. STONE.



