

THE CONSUMERS' CO-
OPERATIVE MOVEMENT.
BY SIDNEY & BEATRICE
WEBB

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PREFACE

THE reader will find in this book, not a history of the Co-operative Movement in Great Britain, but a descriptive analysis of its present position, with a survey of its relation to other manifestations of Democracy and of its possibilities for the future.

We have now been for thirty years investigating and describing democratic institutions,* and only in the twenty-ninth year did we publish any volume dealing with national government or the Political State. We started at the opposite end, not only because the other manifestations of Democracy—in Trade Unionism and consumers' Co-operation, and in the various developments of Local Government—had been relatively neglected by writers on Political Science; but also because, to us as Socialists, these other manifestations seemed actually of greater importance than the Political State itself. For we have always held that it is in this spontaneous undergrowth of social tissue, rather than in a further hypertrophy of the national government, that will be found, for the most part, the institutions destined increasingly to supersede the Capitalist System. Accordingly, we first spent six years in analysing Trade Unionism,¹ and then another decade or so in investigating the origins of the

¹ *History of Trade Unionism*, 1894, newest edition, 1920; *Industrial Democracy*, 1897, newest edition, 1920; *Problems of Modern Industry*, 1898, newest edition, 1920; *The Works Manager To-day*, 1917; *The Story of the Durham Miners*, 1921.

English Local Government of to-day and its contemporary working¹—our studies being meanwhile illuminated by active participation in administration. We now revert to the voluntary associations of consumers, with which one of us had dealt at the outset,² and which have since grown into a democracy comparable in magnitude and importance with either Trade Unionism or Local Government. In the volume published last year under the title of *A Constitution for the Socialist Commonwealth of Great Britain* will be found our tentative suggestions for the co-ordination of these democracies of consumers and democracies of producers, and of all of them with the Political State.

In the present work, which may be regarded as analogous to our *Industrial Democracy* on the subject of Trade Unionism, we treat exclusively of the very considerable achievements of the British Co-operative Movement. It will be seen that we do not regard Co-operation particularly as a method by which poor men may make savings and advance their own position in the world, nor yet as a philanthropic device for eking out wages and producing contentment. To us the social and political significance of the Co-operative Movement lies in the fact that it provides a means by which, in substitution for the Capitalist System, the operations of industry may be (and are increasingly being) carried on under democratic control without the incentive of profitmaking, or the stimulus of pecuniary gain. Those who doubt or deny the possibility of

¹ *The Parish and the County*, 1907; *The Manor and the Borough*, 1908; *The History of Liquor Licensing*, 1903; *The Story of the King's Highway*, 1913; *Statutory Authorities for Special Purposes*, 1922; *English Prisons under Local Government*, 1920; *English Poor Law History*, Part I., *The Old Poor Law*, 1927; *English Poor Law History*, Part II., *The Last Hundred Years*, 1929.

² *The Co-operative Movement in Great Britain*, by Beatrice Potter (Mrs. Sidney Webb), 1891, latest edition, 1893. Something of interest on the purpose and methods of this work will be found in *My Apprenticeship*, 1926, by the same author.

there being any practicable substitute for capitalist profitmaking will find it instructive to consider to what extent, by what means, and with what results, democratic associations of consumers have achieved their success.¹

Just because we take the consumers' Co-operative Movement very seriously, as constituting one of the principal elements in the State of To-morrow, we have not hesitated to explore what seems to us to be its shortcomings and its characteristic defects; and we have even ventured to suggest how some of its difficulties may be overcome and its imperfections made good. We realise that this plain speaking, imperfectly informed as it must necessarily sometimes be, will provoke controversy among Co-operators, and may be resented by some who think it unwise ever to give points for use by hostile critics. But the consumers' Co-operative Movement has, like Local Government and Trade Unionism, outgrown the stage at which it can be injured by malicious criticism, which will never be at a loss for material or excuse. Co-operators have sufficient courage to take lessons from their own failures—or what seem to outsiders to be their failures—as well as from those of the Capitalist System. An analysis of these seeming failures, however imperfect, may be of use in showing how they can be converted into acknowledged success.

As this book is avowedly about the consumers' Co-operative Movement, the reader will not expect to find in it any account of other forms of combination,

¹ It may not be needless to point out that no valid distinction can be made in industry between "production" and "distribution." There is, of course, in no case any actual "production" of either matter or force. What is effected, alike in mining or manufacturing, transport or retailing, is only a change of position and grouping. What is "produced" is always exclusively an increase of utility. We shall therefore be on our guard against the common error of supposing that Co-operation has succeeded better in "distribution" than in "production," or that one form of Co-operation may succeed best in "distribution," and another in "production."

which have often been included in the term Co-operation. We make no attempt to deal with the various associations of manufacturing producers, or their experiments in "self-governing workshops," profit-sharing agreements or "industrial copartnerships." Nor do we explore the extensive and extremely important developments, in various countries, of combinations among agricultural producers, whether for the conduct of creameries, the buying of their requirements, or the marketing of their produce. We leave equally on one side the widespread and in some countries extensive associations, mainly of producers, for Co-operative credit. We must state plainly that these omissions do not imply that we undervalue the really great achievements, notably in Denmark, Germany, Ireland, and India, of one or other of these forms of associations of producers. But in our view they differ fundamentally in character from the associations of consumers, which have come to constitute 99 per cent of the British Co-operative Movement; and it seems to us only to darken counsel to use the term Co-operation to designate both forms of combination, the one aiming at taking production and distribution out of the hands of the individual profitmaker, and at the total elimination of profit; whilst the other—possibly of equal efficacy in its own appropriate sphere—is designed actually to strengthen the financial position of the individual producer, and to increase his pecuniary profit. We think that both associations of consumers and associations of producers will be more accurately understood if they are separately studied and separately described. We mean, therefore, by the Co-operative Movement, exclusively the associations of consumers for the purpose of superseding the capitalist profitmaker in the conduct of industries and services.¹

¹ The materials for a study of the Co-operative Movement are to be found, for the most part, not in descriptive books or economic treatises,

We could not have made our analysis, nor written our description, without the cordial assistance of the Co-operators themselves, to whom we offer our warmest thanks. We have been particularly helped, at every stage of the work, by the directors, committeemen and officials, as well as by mere purchasing members, not only of Co-operative societies all over

neither of which deal adequately, nor, in our opinion, even accurately, with the development and the problems of the Movement, but in its voluminous internal literature which is scarcely ever collected and preserved by public libraries. The largest collection of reports, proceedings, and accounts of Co-operative societies, their Jubilee Histories, and their conferences and congresses, together with the extensive pamphlet literature (including unpublished Owenite manuscripts), is probably that at the office of the Co-operative Union, Holyoake House, Manchester. For the period prior to 1850 much is to be found in the Goldsmiths' Library at the University of London, South Kensington. An extensive but chiefly modern collection, including many Co-operative reports and much else that is neither in the Goldsmiths' Library nor in the British Museum, is at the London School of Economics and Political Science.

A very elaborate *International Co-operative Bibliography* was published by the International Co-operative Alliance in 1906. The best introductory accounts of the Movement are *Working Men Co-operators*, by Sir Arthur Acland and Benjamin Jones; *The Story Retold*, by J. P. Madams, 1920; *Co-operation in Scotland*, by James Lucas, 1920; *Co-operation in Ireland*, by Lionel Smith-Gordon, 1920; *Co-operation and the Future of Industry*, by Leonard S. Woolf, 1918, and *Socialism and Co-operation*, by the same, 1921; *The Co-operative Movement in Great Britain*, by Beatrice Potter (Mrs. Sidney Webb), 1893; *Co-operation at Home and Abroad*, by C. R. Fay; *Industrial Co-operation*, by Catherine Webb, 1904, latest edition, 1917; *Co-operative Industry*, by E. Aves, 1907; *The Co-operative Movement To-day*, by G. J. Holyoake, 1906; *Co-operation*, by J. Clayton, 1912; *Co-operation for All*, by P. Redfern, 1914, and *The Consumers' Place in Society*, by the same, 1920; and *Consumers' Co-operation*, by Albert Sonnichsen, New York, 1919; see also *Die Konsumvereinsbewegung in Grossbritannien*, by T. O. Cassan, 1915; *Theorie, Geschichte und Praxis der Konsumenten Organisation*, by V. Totomiantz, 1914; *Les Sociétés co-opératives de consommation*, by Charles Gide, 1910, translated as *Consumers' Co-operative Societies*, and *La République co-opérative*, by Ernest Poisson, 1920.

For the early history of Co-operation in Great Britain the reader should consult the various works of George Jacob Holyoake and the biographies and writings of Robert Owen, Rev. F. D. Maurice, Thomas Hughes, J. M. Ludlow, and Rev. C. Kingsley (see *Christian Socialism*, by Rev. C. E. Raven, 1920); *Co-operative Production*, by Benjamin Jones, 2 vols., 1894; and for an account of that almost forgotten prophet, Dr. George King, the *Year Book of the International Co-operative Alliance* for 1910. Detailed annals, written "from inside" will be found in *The Story of the C.W.S.*, by Percy Redfern, 1914; *History of Co-operation in Scotland*, by William Maxwell, 1910; and *Wholesale Co-operation in Scotland*, by James A. Flanagan, 1919.

Great Britain, but also of the great federal institutions of the Movement, the Co-operative Union and the English and Scottish Co-operative Wholesale Societies. We owe to all of them many valuable suggestions, and the correction of many mistakes. We have sought to incorporate what we have learned from an army of willing informers. But the whole responsibility for the book (and for the errors which it cannot fail still to contain) is our own. We have insisted on making our own investigations, and on forming our own judgments; and for what we say no one in the Co-operative Movement has any responsibility whatever. To our secretary, Miss Ivy Schmidt, we owe thanks for unwearied intelligent help, in investigation as well as in the construction of the book, and for the entire preparation of the index.

Just as this book goes to press, we are enabled, by the courtesy of the Co-operative Union, to insert some of the statistics for 1920, which emphasise the wonderful growth of the Movement. The separate Retail Societies have grown from 1357 in 1919 to 1379 in 1920; their total membership from 4,131,477 to 4,504,852, or by over 9 per cent; their aggregate sales from £198,930,437 to £254,158,144, or by more than 27 per cent; their share and loan capital from £74,411,306 to £86,553,168, or by over 16 per cent; and the sales per member from about £48 to about £56. Meanwhile the net sales of the English C.W.S. rose from £89,349,318 to £105,439,628, or by 18 per cent; its share and loan capital and deposits from £20,706,513 to £24,856,371, being 20 per cent; whilst the net sales of the Scottish C.W.S. rose from £24,789,040 to £29,559,314, being 19 per cent. How far the increase in membership must be discounted by reason of the extension of the practice of enrolling more than one member of a family; and to what extent the growth of total sales and of sales per member

represents merely a rise in prices cannot be accurately gauged. Something like three-sevenths of all the families or households in Great Britain are now enrolled as Co-operators. Roughly speaking, the Co-operative Movement supplies, to this three-sevenths of the population, one-half of their foodstuffs, and one-tenth of their other household purchases.

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41 GROSVENOR ROAD, WESTMINSTER,
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Made in Great Britain

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CHAPTER I

THE CO-OPERATIVE STORE

ALL the world knows the story of the twenty-eight flannel weavers of Rochdale who, in 1844, put their pence together to buy and divide among themselves the commodities that they required. What is of interest to us is the unself-consciousness of their act. The self-governing workshop, as has often been pointed out, was born of a theory; and the whole movement of associations of producers has been, in one country after another, nursed and dandled by successive generations of intellectual philanthropists and world reformers. The Co-operative Movement of Great Britain, manifested in the "Store" and the "Wholesale"—perhaps because it was genuinely of working-class origin—achieved without intending: grew, indeed, to maturity before there was any accurate formulation of the theory on which it was based. The immediate object of the twenty-eight flannel weavers of Rochdale was to free themselves from the adulteration and credit system of the little shopkeeper and the "truck shop" of the employer; but their ultimate purpose was their emancipation from wage-slavery by such a reorganisation of industry as would enable them to provide themselves with employment—to use their own words, so "to arrange the powers of production, distribution, education, and government" as to "create a self-supporting home colony." But

they were weavers of flannel, and what they had need of was food. They came face to face with the fact that the commodities that they and their families required were not those that they themselves produced : that as soon as there is widespread division of labour the consumers of any commodity are necessarily a different body of people from the producers of it. To organise industry from the consumption end, and to place it, from the start, upon the basis of production for use instead of production for exchange, under the control and direction, not of themselves as producers, but of themselves as consumers, was the outstanding discovery and practical achievement of the Rochdale Pioneers. At first they merely bought collectively, in wholesale quantities, the groceries and draperies and household requisites that their families needed, and retailed them to themselves individually. Step by step, during the past three-quarters of a century, we see the associated consumers pushing their control of industry further back. They begin by dispensing with the profit and management of the retail shop-keeper. The federated stores go on to create their own wholesale warehouse, supplying every conceivable article, thus eliminating the wholesale dealer. They send their own agents abroad, and presently dispense, for particular lines of goods, with the importing merchant, the broker, and the shipper. They acquire their own tea plantations, their own butter factories, and for their jam works their own fruit farms. As householders cease to bake their own bread, the store sets up a bakery ; and presently a group of stores combine to erect their own flour mill. From mending boots and clogs they come to making them in giant factories ; and the " fine drapery emporia " into which the crowded sales counters have developed in some cities, together with the growing tailoring and dress-making departments, have come to be very largely

supplied from their own cloth and flannel and cotton mills. They have similarly their own factories for hosiery, corsets, margarine, soap, candles, furniture, saddlery, hardware and brushes, along with cigars, tobacco, cocoa, and sweets. All this vast organisation of industries of the most diverse kind, with works dispersed throughout the United Kingdom—with depots and agencies, indeed, in ten different countries—has come, without alteration of purpose, without even any deliberate formulation of theory, by mere expansion from the original Rochdale Store.¹ The three or four millions of working-class families (comprising possibly one-third of the whole population) who in the United Kingdom constitute the membership of the thirteen hundred separate Co-operative societies have thus, in the fullest sense, organised, and now, without restriction, democratically control, on the basis of production for use instead of that of production for

¹ It was nearly half a century before the Co-operators became aware of their Movement as, not one of "workers'" control, but a "consumers' democracy." Throughout all the books of G. J. Holyoake it is assumed that, whilst the mere distribution of products might be left to the consumers' representatives, all production should be the work of self-governing associations of workers as such. In the widely distributed text-book of the Movement by A. H. D. (now the Rt. Hon. Sir A. D.) Acland and Benjamin Jones, entitled *Working Men Co-operators*, first published in 1883, the note is still that of "artizans' co-operation," enabling the members of the store to "become small capitalists." J. W. T. Mitchell, of Rochdale, for a quarter of a century chairman of the Co-operative Wholesale Society, was always struggling to express the contrary conception of a self-governing democracy of consumers, eventually becoming co-extensive with the whole nation of citizens. The theoretical justification for a consumers' Co-operative Movement, organising both manufacture and distribution on the basis of supplying ascertained wants; to be supplemented by an absolutely co-extensive organisation of the workers as such in Trade Unions and Professional Associations, for the maintenance of their Standard of Life; and both to be completed by a national and municipal organisation of citizens as such for essentially civic functions, was, we think, first definitely promulgated in *The Co-operative Movement in Great Britain* by Beatrice Potter (Mrs. Sidney Webb), 1891; and in her paper entitled *The Relationship between Co-operation and Trade Unionism*, read at a Conference of Trade Union officials and Co-operators at Tynemouth, August 15, 1892, published by the Co-operative Union in 1892, and reprinted in *Problems of Modern Industry*, by S. and B. Webb, 1898. See also *Towards Social Democracy?*, by Sidney Webb, 1916; and *A Constitution for the Socialist Commonwealth of Great Britain*, by S. and B. Webb, 1920.

exchange, the provision for themselves and their families of commodities amounting to a couple of hundred million pounds annually. Their business increases year after year at several times the rate at which the population is increasing. We have here, it is plain, a genuine and demonstrably successful alternative to the organisation based on the diametrically opposite idea of production and distribution for private profit which we term the Capitalist System.

THE ECONOMIC BASIS OF THE CO-OPERATIVE SOCIETY

The organisation by which this enormous business is managed and controlled is still so unfamiliar to any but its working-class members that a somewhat detailed description must be pardoned. The unit is the Co-operative society, established for the purpose of starting a "store" or general shop. A Co-operative society is an association which usually begins by the recruiting of a hundred or so members, who promise to deal at the new store, and to take one or more shares of a pound each, which they may pay for by small instalments. With the exiguous capital thus furnished, a shop is rented and a manager is engaged. The stock is at first limited to the articles of grocery in most universal demand, which are obtained either from enterprising wholesale dealers or, at the present day, if the committee is wise, entirely from the Co-operative Wholesale Society. Retail prices are usually fixed at those ruling in the neighbourhood, the excess over wholesale rates serving to cover the expenses, allow for depreciation of plant, provide a reserve fund, and finally supply the "dividend," which experience proves to be such an attraction to the members. On making any purchase, however small, the customer receives a paper or metal voucher, stating its amount.

At the end of each half-year the ascertained surplus is, after payment of the salaries of the manager and shop assistants, of a fixed interest on capital, and of all other expenses, returned to the members in exact proportion to their purchases.

It is this returning to the purchasers of the margin between the cost of production and the price paid that distinguishes the Co-operative society from capitalist joint-stock trading. In the British Co-operative Movement the characteristic, and even to this day the most generally adopted method for this distribution of the surplus, misnamed "profit," is by a dividend upon the amount of each member's purchases during the period of the account. In adopting this "dividend on purchases," as contrasted with dividend on share capital, the twenty-eight flannel weavers of Rochdale¹

¹ The Rochdale Pioneers Society, was, of course, neither the first Co-operative store, nor even the first association of consumers to divide its surplus by the device of "dividend on purchases." This device was, however, apparently an independent and, so to speak, spontaneous discovery of the Rochdale weavers after several Co-operative societies had failed in Rochdale itself; and by the constant propaganda of G. J. Holyoake and others, their enterprise, which their own efforts spread through South Lancashire, became the prototype of successful Co-operation, not only for Great Britain but also for the rest of the civilised world. For the history of the extensive but usually short-lived Co-operative experiments in the eighteenth century, and in the first decades of the nineteenth century, see *History of Co-operation* by G. J. Holyoake; *Co-operative Production*, by Benjamin Jones; *History of Co-operation in Scotland*, by William Maxwell; *Memoirs of a Century (Record of the Lennoxtown Friendly Victualling Society)*, by James A. Flanagan; *History of the Scottish Co-operative Wholesale Society*, by the same; *The Story of the C.W.S.*, by Percy Redfern; and the *International Co-operative Bulletin* for July 1913. Among existing Co-operative societies, those of Sheerness (1816) and Ripponden Valley (1837) in England, and the Bridgeton Old Victualling Society (1800), the Lennoxtown Victualling Society (1812), the Larkhall Victualling Society (1821), and various others in Scotland, are older than the Rochdale Pioneers. "Dividend on Purchase" is said to have been advocated by Owen's principal Scottish disciple, Alexander Campbell, as early as 1830, and to have been put in operation in some of the short-lived Scottish societies of that decade (see Campbell's letter of 1865, printed in *The Co-operative Educator*, October 1920); and in 1827 it was in force in a little society at Meltham Mills near Huddersfield, which has lasted to this day, having, in 1919, 263 members, and sales of £11,147. Probably Charles Howarth, the Rochdale flannel weaver, was an independent discoverer, for whom Holyoake's continuous propaganda secured the credit of being the "first begetter." Early Co-operative societies on the Continent are said to have also made the discovery