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Sinclair, John F.

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1912

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ADVANCE SHEETS  
WISCONSIN STATE BOARD OF PUBLIC  
AFFAIRS

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REPORT UPON CO-OPERATION  
AND MARKETINC

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Part IV

Distributive or Store Co-operation

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JOHN F. SINCLAIR



MADISON, WISCONSIN  
DEMOCRAT PRINTING COMPANY, STATE PRINTER  
1912

# WISCONSIN

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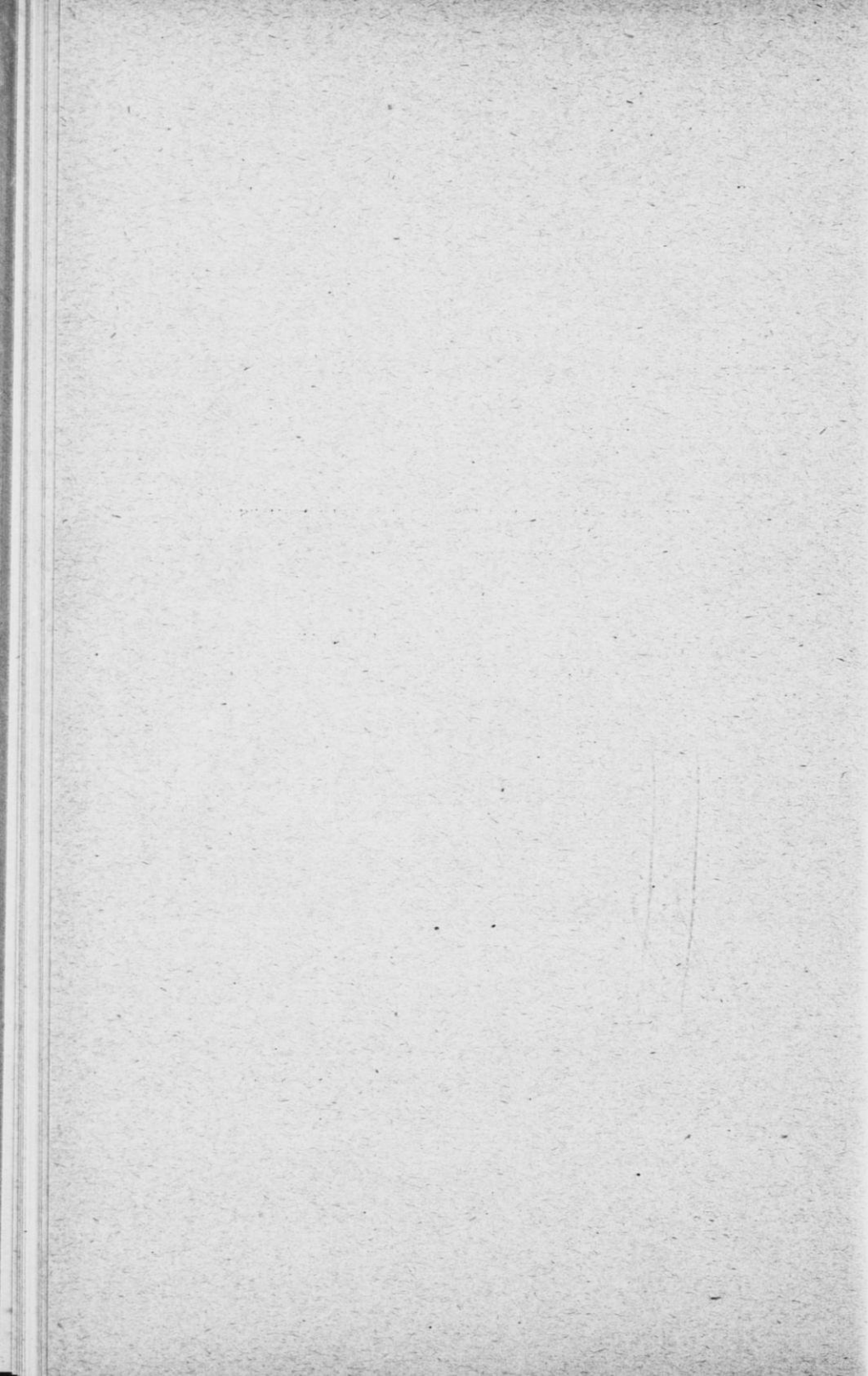
**THE WISCONSIN STATE BOARD OF PUBLIC AFFAIRS**

**PRESENTS HEREWITH**

**PART IV**

**ON ITS REPORT ON CO-OPERATION AND**

**MARKETING.**



## CONTENTS

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Chapter I. Coöperative Stores Abroad.

1. Retail.
2. Wholesale.

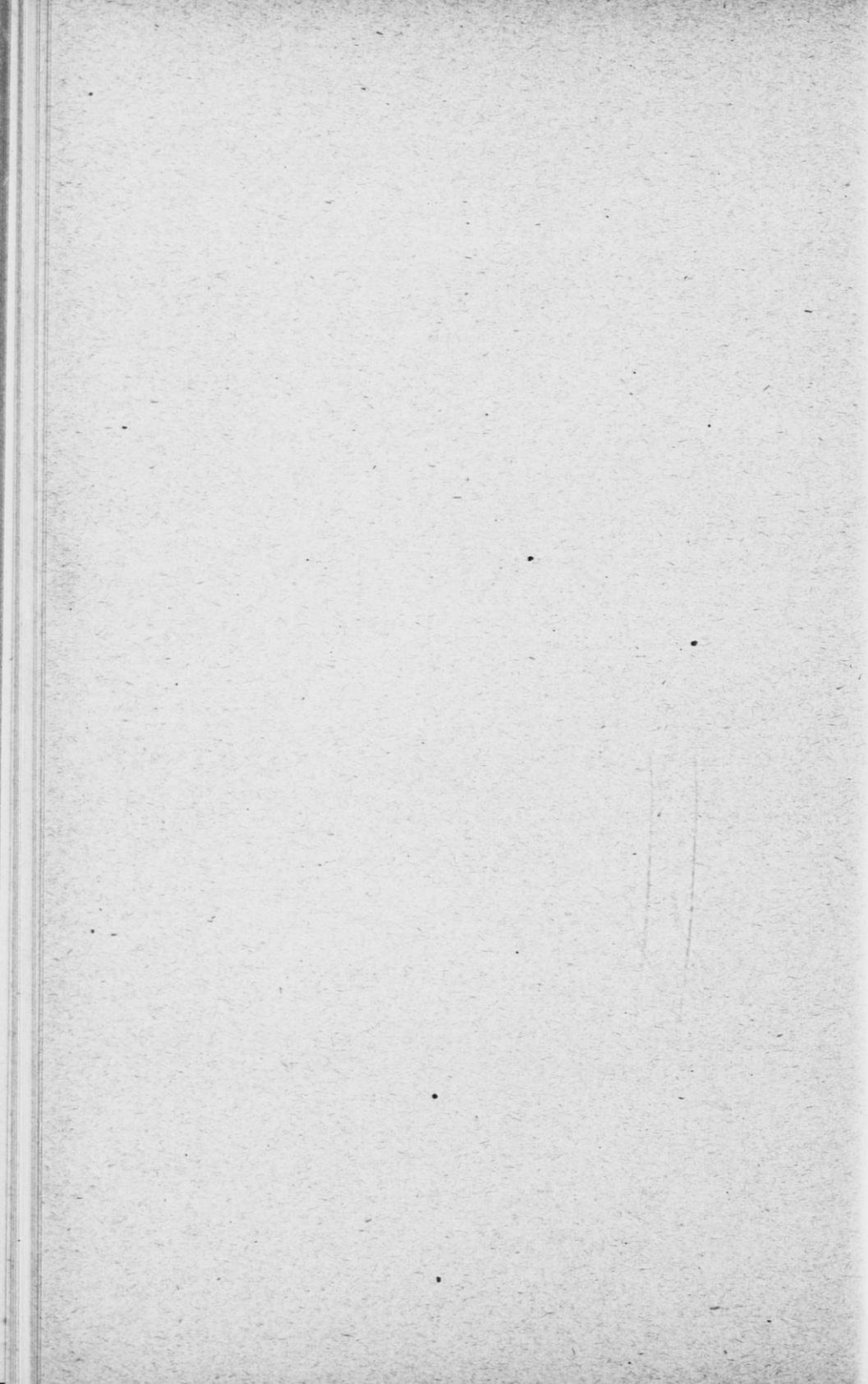
Chapter II. Coöperative Stores in the United States.

Chapter III. Coöperative Stores in Wisconsin.

1. Early Merchandising.
2. Coöperative stores in Wisconsin at present.

Appendix.

Bibliography—compiled by W. E. Jillson, Madison, Wis.,  
March, 1912.



## CO-OPERATIVE STORES ABROAD.

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### RETAIL AND WHOLESALE.

The coöperative store movement is organized from the standpoint of the individual as a consumer. It exists in all the countries of Europe and its organization is in its essentials the same everywhere. Great Britain holds the unchallenged position as the place of origin and of greatest development of this movement. One society has been used as a model by most if not all succeeding coöperative store movements—the Rochdale pioneers. The Rochdale pioneers may be said to have been the first association organized on fundamental coöperative lines as we now know them. This store was founded in 1844 by a few poor weavers in the flannel industry, then out of work and hard pressed. They decided to unite, with the little capital they could raise, and organize under the following rules:

1. Capital should be of their own providing and bear a fixed rate of interest.
2. Only the purest provisions obtainable should be supplied to members.
3. Honest measure should prevail.
4. Market prices should be charged and no credit given or asked.
5. Profits should be divided in proportion to the total amount of purchases made by each member (with deduction for dividend and education as herein noted: See 1 and 8).
6. The principle of "one member, one vote" should obtain and the equality of the sexes in membership.
7. The management should be in the hands of the officers and committee elected periodically.
8. That a definite percentage of profits should be allotted to education.



Wherever these principles have been rigorously adhered to, the coöperative movement has grown.

The coöperative stores will be discussed from the standpoints of retail and wholesale stores:

#### GREAT BRITAIN.

##### *Retail Stores.*

Among all nationalities the working class of England was the first to realize its position and it was in the districts most upset and exhausted by the industrial revolution that coöperative organization first took root—in the counties of Lancashire and Yorkshire. One bar lay across its path, legal disability. The act of 1846 gave legal recognition to “friendly societies formed for the frugal investment of the savings of the members, so as to better enable them to purchase food, clothing and other necessities and provide education for the children.” The act of 1852 gave the stores, incidentally, the right to sell to non-members and more important, the legal personality which enabled them to sue fraudulent officials. But the act of 1862, which Fay calls “the Magna Charta of Coöperation” permitted a limited liability and allowed registered societies to invest in other societies up to a certain amount. This provision made it possible to establish the wholesale societies in coöperative form.

The following account, taken from the latest report on coöperative societies, issued by the Board of Trade, in 1912, gives a graphic picture of the success of the store movement in the United Kingdom:

“These associations numbered, exclusive of home industry societies, 1,430 in 1909, and varied in size from the Leeds Industrial, with a membership of 48,927, a total capital of £921,629, and sales of £1,621,819 in 1909, to the Society at Forth in Scotland, which has ten members, but possesses no capital, whether share or loan, the members sending periodical orders for goods to the Scottish Wholesale Society, to be delivered at the house of one of their number, where meetings are held and the goods distributed among the members.”

The following table shows the progress made in distribution by the whole group of retail societies. The membership, capital, sales, profits, and number of employes in the distributive departments of the societies are given for the two years 1899

and 1909, together with the increase under each heading during the ten years:

## UNITED KINGDOM.

Year.	No. of societies.	No. of members.	Share capital.	Loan capital.	Reserve and insurance funds.	Sales.	Profit including interest paid on shares.	Number of persons employed in distributive departments.
1			£	£	£	£	£	
1899.....	1,446	1,613,461	18,934,023	2,519,519	841,082	45,047,446	7,025,748	43,103
1909.....	1,430	2,461,396	30,814,878	4,780,693	2,076,564	70,423,359	10,851,739	6,206
Increase ....	<sup>2</sup> 16	855,935	11,880,855	2,261,174	1,235,482	25,375,913	3,825,991	19,103
Percentage Increase.....		53.0	62.7	89.7	146.9	56.5	54.5	44.3

<sup>1</sup>One £ equals \$4.86.

<sup>2</sup>Decrease.

### *Constitution and Method of Working.*

With the exception of the older societies, established before the foundation of the Coöperative Union, most of the societies of the class under consideration work under model rules prepared by the late Mr. Edward Vansittart Neale, general secretary of the Union, these being adapted to local requirements by special rules prefixed to the model rules. Membership is invariably open (subject to election by the committee of management) to all persons of either sex over sixteen years of age.

At the quarterly or other meetings of shareholders each member is entitled to one vote only, irrespective of the number of shares which he may happen to hold. Voting by proxy is practically unknown among these as among all other types of workmen's coöperative associations in this country, excepting the Tenant's Copartnership societies.

The executive body, managing the affairs of these societies under the general supervision of the shareholders' meetings, is a committee, usually consisting of from ten to fifteen members, elected by the shareholders in general meeting, male and female members being equally eligible. The usual practice is for a portion only of the committee to retire at one time. This arrangement being made with a view to preserving continuity of

policy in administration. Retiring committeemen and officers are usually eligible for re-election. In a certain number of societies, however, the rules provide that a member who has served on the committee for a given period, usually three years, shall not be eligible for re-election for a period of one year. It is urged, in defence of this practice, that it prevents committeemen from acquiring the habit of looking at the interests of the members from a merely official point of view, and that it enables a large number of members to obtain a close acquaintance with the management and business of the society. It is contended, on the other hand, that it is unwise to render it impossible by rule for the members to re-elect a committeeman who has acquired experience, and has possibly shown considerable administrative ability and earnestness in the work of the society.

In most societies the services of the committee are unpaid; but in some of the larger societies a small fee is given as an allowance for out-of-pocket expenses. The office of secretary, except in the case of the large societies, seldom carries with it a salary sufficient to enable the holder to devote his whole time to the work of his office. A very large part of the secretarial work of coöperative societies is done by men engaged in other occupations during the day, who regard the work which they do for their society as occupation for their leisure hours, and are frequently willing to perform this work without remuneration. In many cases a secretary is subject to periodical retirement and re-election. The office of treasurer is usually subject to the same conditions as that of secretary; but of late years, there has been a tendency to abolish the office of treasurer, and to substitute the society's bank as treasurer.

The total capital of these societies at the end of 1909 amounted to £37,672,135 of which £30,814,878 was share capital, £4,780,693 loans and deposits and £2,076,564 reserve and insurance funds.

Shares in these societies are of the nominal value of one pound, and may be paid in full on allotment or by installments, usually of 3*d.* per week per share. In large societies, a first subscription of one shilling is frequently the only payment in cash required and the balance is paid from the share in the profits to which the member is from time to time entitled and which is credited to his share account. The Industrial and Provident Societies Act prohibits any member from holding

shares exceeding \$1,000 in value; but loan capital may be invested up to any limit fixed by the rules of the societies. In many of the older societies the capital has increased beyond their requirements, and in these cases the amount of share capital that may be held by the member has been limited to \$500 or less. The first share taken up by a member is usually a transferable share, with which he can part only by finding another person to take his place in the share register, but the society usually affords facilities for the ready transfer of the share to a new holder. Subsequent shares may be withdrawn, the holder having the right to the repayment, on short notice, of the amount paid up on his share. In many societies withdrawable share capital is regarded by the members as in the nature of a savings bank account.

The return on share capital in the retail distributive societies is always confined to a fixed rate of interest, usually five per cent. In recent years, owing to the increase of capital beyond immediate requirements, the interest on share capital has, in many societies, been reduced to four per cent, and in some even lower. Frequently this varies as between the different shareholders, those making purchases from the society to a large amount being allowed a higher rate of interest. Not only does the interest on share capital vary with the amount of purchases according to a sliding-scale, but the view that the society exists in the interest of the consumer is held so strongly that members who do not purchase goods up to a certain value within a given period are required to forego all interest on their shares, or are even compelled eventually to withdraw from membership.

Members who have already paid up their shares, sometimes allow the interest on their shares and the dividend on their purchases to be added to their share account. This has accumulated at compound interest until they have acquired the full limit of share capital permitted by statute or the rules of the society. When this limit has been reached all the additional money, as it becomes due, is credited as loan capital advanced to the society.

It is this process of transfer of interest and dividend to share and loan capital that has led to the large accumulation of capital in the retail distributive societies, and has given to these societies the character of an automatic savings bank, in which

a member's capital is constantly increasing without direct investments being made from his ordinary income.

Another reason which accounts for the steady growth of capital in these societies must be looked for in the provisions of the Acts of Parliament which permit societies to receive deposits not exceeding ten shillings in one sum or £20 in all from any one person, withdrawable at short notice. These provisions are in many cases utilized for carrying on a small savings bank department.

As already stated, the societies, as a whole, possess considerably more capital than is required for their ordinary business. Frequent conferences are held in various parts of the country to discuss the best method of utilizing the surplus. At the end of 1909 a total of £20,405,988 was invested by retail distributive societies otherwise than in their own undertakings, including the wholesale societies, the corn mills and other productive societies, while £7,727,811 was invested in house property, partly let to members and partly held on mortgage as security for advances made to members.

The total retail distributive sales in 1909 amounted to £70,423,359 or about £28 10s per member, an increase over 1899 of about 12s. per member, and it will be interesting to show approximately what proportion of these goods was produced by coöperators in their own workshops and factories. If from the total sales the estimated gross profit of retail societies be deducted (about £16,000,000), the remainder (about £54,500,000), represents the approximate wholesale value of the goods sold during the year. The total value of goods produced by industrial societies alone in their own factories and workshops during the year 1909 amounted to £24,332,927. This amount is equal to 44.6 per cent of the estimated wholesale value of the goods sold by the retail societies, and as the great bulk of the butter produced by the coöperative dairies is also sold to the retail societies, it may be assumed that about fifty per cent of the goods sold have been produced by people employed under conditions controlled by coöperators themselves. To this extent, therefore, they are able to exercise some degree of control over the industrial conditions under which the goods they consume have been produced, and they have secured for themselves the profit arising from the productive operations involved.

The committee, periodically balancing the accounts of a society, ascertains the amount of disposable profit left after meeting all expenses, including the fixed rate of interest on shares. They then recommend that the balance—after providing for reserve fund, charitable grants, or an educational fund—be divided among the customers, as a dividend upon the purchases made. Non-members receive one-half the rate given to members. Goods are sold to the general public at the same prices as to members, every customer being given at the time of purchase a token representing the value of his purchase. These tokens are returned at the end of a quarter or half-year, as evidence of the amount of the purchases.

The average rate of dividend to members for the years 1900–1910 was 2s. 7d on the £1. Owing to a constant advocacy of lower prices in order to bring in the poorer classes of the community, the dividend has shown a tendency to decrease. This dividend is frequently paid in cash; but in the case of a member in arrears with the installments upon his shares, the whole or part of the dividend is placed to his credit.

The practice of crediting the surplus profits to the customers in proportion to the amount of their purchases has largely contributed to the success of coöperative societies and the rapid growth of their capital, while many of their members have thus been enabled to save considerable sums.

There is, perhaps, some ground for the belief that in districts where competition is not severe, where the coöperators have almost monopolized the trade of the district, the value of the dividend system in encouraging saving has led committees of societies to keep selling prices unnecessarily high. This is done in order to increase the dividend much of which will be allowed to accumulate as capital. It is urged that the lowering of prices will bring into the societies the poorer classes who, as yet, are largely outside of them. They cannot afford to wait for a prospective dividend and purchase at the lowest prices in the ordinary shops.

A further proposal, which is being discussed at the present time is that the larger and stronger societies shall open branch stores in poor localities at which goods shall be sold at a very small margin over cost prices, plus expenses; and that dividend shall be paid to customers at such branches at a lower rate than at other shops.

During 1909 the sum of £46,150 was allotted out of the profits of retail distributive societies for charitable purposes; £88,842 was devoted to educational purposes, such as libraries, lectures, classes, entertainments, etc.; and £9,979 was subscribed to the Coöperative Union for propagandist organization and defensive purposes. The total of £144,971 devoted to these objects was equal to about one and one-third per cent of the total profits of this group of societies. It will be seen from these figures that the standard of two and one-half per cent of profits for educational purposes set by the Rochdale pioneers, and in the model rules of the coöperative union is still far from being adopted by the majority of the societies.

A large number of the retail coöperative societies have opened departments for the encouragement of saving, especially among the children of members, by giving facilities for the investment of small sums ranging from one penny to ten shillings at each deposit. Such investments may be withdrawn at call, or upon short notice. No recent statistics have been collected relating to these departments, but at the Coöperative Congress of 1904 a report was submitted showing that there were then 587 societies with "Penny Banks," having 570,886 depositors. The total credit of these depositors was £995,818. Interest at the rate of four and one-sixth per cent is usually credited upon the quarterly balances of depositors.

Coöperators have always emphasized the importance of cash trading, and the rules of many societies expressly prohibit the giving of credit.

Returns published in recent years prove, however, that there has been a considerable departure from this principle, and many societies now allow credit to members within limits both as to time and amount. In some cases credit is given to the extent of a certain proportion or even the whole of the share capital held by the customer.

Statistics presented to the Coöperative Congress of 1909, by a special committee of the coöperative union appointed to inquire into the subject, showed that in 1908-9, 1,000 societies, seventy-one per cent of the whole, had given credit to the amount of £1,056,819, an increase of £81,883 over the previous year.

The growth of the practice of giving credit has caused considerable concern among the leaders of the coöperative move-

ment, and for several years past the annual congress has appointed a special committee to consider the best method of inducing societies to adhere to the principle of cash payments.

It should be stated that the rules of coöperative societies usually give the society a lien upon a member's share capital for debts due to it by such member. To this extent the societies are secured against loss by bad debts.

The English and Scottish Wholesale Societies are federations, mainly of retail distributive societies, formed for the purpose of enabling coöperators to make their purchases in an advantageous manner. They seek to accomplish this by avoiding competition in the open markets, and to overcome the difficulties caused by the opposition of private traders, who bring pressure to bear upon the wholesale merchants to prevent the supply of goods to coöperative societies.

In the English society membership is confined to societies registered (with limited liability) under the Industrial and Provident Societies Acts or the Companies Acts. They are required to hold one £5 share for each five members for whom they have taken up shares.

The Scottish Wholesale Society admits as members only societies registered under the Industrial and Provident Societies Acts, excluding those dealing in intoxicating liquors, which are required to hold one £1 share for each of their members, and have one vote by right of membership, and an additional vote for the first £1,500 of purchases made in the preceding year, and a further vote for every complete £3,000 of purchases beyond that amount during the quarter immediately preceding any general meeting. In addition to admitting societies to membership, this society has, since 1892, permitted its employees to become holders of from five to fifty shares of £1 each, and they are entitled to send one representative to the general meetings, with an additional representative for every 150 employees who become shareholders. No employee, however, can hold any office in the committee or be an auditor of the society. At the end of 1909, 552 of the employees of a total of 7,547 were shareholders, holding 15,159 shares, upon which £13,281 was paid up; and, in addition, £53,046 of the loan capital of the society belonged to its employees, members and non-members together; the balance sheets not showing separately the amount belonging to each class.



In both societies a first deposit of one shilling upon each share taken up is required, the balance being paid by the accumulation of interest on capital and dividend upon purchases.

Both societies are managed by committees elected by the members, a small proportion retiring each quarter, but being eligible for re-election.

The two societies render considerable assistance to each other, and in certain departments have joint buyers and depots, of which they share the expenses and management. A legal limited partnership of the two societies under the title of "The Joint Committee of the English and Scottish Wholesale Societies" was established in 1902, under the control of which certain businesses, including the owning and working of tea estates in Ceylon, the manufacture of cocoa at Luton, and the blending and packing of tea in London, are carried on in common.

The following table shows the number of federated societies, capital, and sales in the years 1899 and 1909 respectively.

Year.	No. of Federated Societies.	Capital (Share, Loan, Reserve and Insurance.)	Sales.
ENGLISH WHOLESALE SOCIETY.			
1899.....	1,079	£ 2,829,561	£ 14,212,375
1909.....	1,163	6,161,316	25,675,938
SCOTTISH WHOLESALE SOCIETY.			
1899.....	290	£ 1,457,645	£ 5,014,183
1909.....	276	3,346,873	7,457,136

Most of the business of the wholesale societies is conducted on premises owned by them, the English Wholesale Society having up to the end of 1909, expended a total of £4,363,432 on land and buildings, machinery, steamships, and fixtures, and the Scottish society £1,555,055.

The English society owns in its shipping department four steamships, acquired at a total cost of £30,280, the whole of which has been written off by depreciation. It has also established a banking department for the use of its members. In 1909, more than 900 societies had opened current accounts with

the banking department, which made a profit during the year of £34,104 upon a turnover of £127,661,984.

The societies carry on jointly numerous purchasing depots in foreign countries.

The society owns an estate of 741 acres at Roden, in Shropshire, part of which it cultivates and part of which it lets to tenant farmers. The Scottish society also owns the Calderwood estate of 1,112 acres at East Kilbride, part of which is cultivated by the society, and part let to tenants.

The English and Scottish Wholesale Societies carry on production mainly for the requirements of their distributive departments. These in turn distribute the goods produced to the retail distributive societies, which form the members of the wholesale societies. In recent years, however, both societies have obtained contracts for the supply of certain of their productions to municipal and other public authorities. The following table shows the value of the productions transferred from the productive to the distributive departments of the wholesale societies during the years 1899 and 1909, the total for 1909 being equal to 28.1 per cent of the distributive sales of the two societies:—

Year.	ENGLISH SOCIETY.		SCOTTISH SOCIETY.		TOTALS. BOTH SOCIETIES.	
	Number of productive employees.	Value of productions.	Number of productive employees.	Value of productions.	Number of productive employees.	Value of productions.
1899.....	7,382	£ 2,272,031	4,224	£ 1,286,153	11,606	£ 3,558,184
1909.....	12,672	6,676,213	5,653	2,460,432	18,325	9,136,645

\*In addition, certain productive departments are carried on by a joint committee of the two societies established in 1902: the number of persons employed in these at the end of 1909 being 266, and the value of goods produced £173,815.

It will be seen that the value of goods produced in 1909 as compared with 1899 has been trebled in the case of the English society and doubled in the case of the Scottish Society.

Unlike the balance-sheets of many of the retail societies, the wholesale societies' accounts show in considerable detail the financial working of their several productive departments, including the nominal profit or loss resulting therefrom. Although there is no actual sale of the goods when transferred

from the productive to the distributive departments, and therefore no real profit, the goods so transferred are charged to the distributive departments at prices agreed upon between the managers of the respective departments, and the profit thus shown is regarded by the societies as a reasonable test of the efficient management of their various productive departments.

#### GERMANY.

##### *Retail Stores.*

The coöperative law was passed in 1889 permitting limited liability. Thereupon the stores entered upon a period of rapid growth. The period between 1890 and 1902 was a period of internal strife. On the one side the credit banks controlled a large number of old-fashioned stores; on the other were the working-class stores headed by the Verwartz-Verband of industrial Saxony.

In 1898 the leaders of the Hamburg Wholesale, the recent creation of the working class stores, visited the coöperative establishments of Great Britain and carried back to Germany the reports of the wonders of Rochdale and Manchester. But the break did not come till 1902, and these stores controlled by the banks attempted to expel the workingmen's stores from membership in the Allgemeiner-Verband. The one hundred stores which had been named for expulsion withdrew from the association and were joined by all the provincial associations save four. The dissenters, some 500 in all, established themselves with headquarters at Hamburg. Since 1902 they have gained steadily, and in 1905 there were 787 of these stores as against 260 of the others.

#### WHOLESALE.

The present German wholesale was established in 1894. In addition to the central warehouses at Berlin four branch warehouses were established throughout the empire. The movement has had a national scope from the very beginning aiming eventually at the wholesale production of all articles sold to in-

dividual stores. In 1906 the German Wholesale had a membership, 448 societies, with a trade of forty-six million marks. (\$9,200,000).

#### SWITZERLAND.

##### *Retail Stores.*

It was the hunger year of 1847 that induced the beginning of the coöperative stores in Switzerland. Fruit and food societies were formed for the supply of cheap corn and meal. The immediate cause of their establishment was the rapid rise in the price of necessities. In 1895 there were 110 stores. Their growth was not rapid until 1890, when they were combined into a general union. In 1905 there were 204 stores with a membership of 140,768, and a trade of over \$13,500,000.

##### *Wholesale.*

Unlike the German and the British system, the wholesale society is a department of the general coöperative movement. It was established in 1892 and in 1908, by a revision of the statutes, its scope was defined; "Election of establishments for the common purchase and production of necessities and household articles in demand by the allied societies." The wholesale work is developing very rapidly as is shown by the following figures:

Turn over in francs	Net profits in francs
In 1895..... 1,134,954	
In 1905..... 9,143,129	110,039

#### FRANCE.

##### *Retail Stores.*

France has more individual stores and less business per store than any other nation of Europe. The stores are divided and the majority have no interest in a national union. Retail coöperation has not been well worked out in France. The largest union has its central office in Paris, called the Union coöperative, which comprises 333 societies.

*Wholesale.*

As in other nations, the wholesale federation is the central point of the coöperative unions' program. The institution established in 1887 failed but was revised in 1900, and did a business of \$250,000 in 1907. It buys teas from the British wholesalers and cheese from the Swiss wholesalers. The organization of the coöperative store movement has not proven successful in France either in its wholesale or retail departments.

## BELGIUM.

*Retail Stores.*

Coöperatives stores in Belgium date from about the year 1846. As in Germany the stores at first were philanthropic institutions created by the government to moderate the economic pressure on the working classes. The Socialist stores predominate in Belgium although there are three other groups; namely, the neutral societies, stores confined to government employees, and the Catholic societies. The coöperative stores number over 200. Most of these began as bakeries. According to Fay, the incentive to organize in Belgium comes from one or the other of the following demands—cheap living, better wages, relief of sick, social relaxation, political discussion. A point is also made of demanding from members that they must supply themselves with bread from the stores.

*Wholesale.*

Three attempts have been made to organize the wholesale movement in Belgium. The last in 1899 was successful. In 1905 it had federated 99 of the 168 stores making returns. Until 1902 it acted as wholesale agent only, but in 1906 it began to build storehouses of its own.

## ITALY.

The first great retail store in Italy, surviving from 1850 to 1865, was at Turin. It sold at cost price. Not until about 1880 did the influence of English experience come in. From then on it spread very rapidly. In 1888 there were 506 regis-

tered stores and 1,448 in 1906. There are perhaps a third as many more unregistered. Fay says of the 861 stores which he examined in 1903, that he found 226 selling at market price, 256 at cost price, 260 sold to non-members, and 326 to members only.<sup>1</sup> There is no single coöperative union, no wholesale federation and no definite consistent policy.

In summing up the striking features of retail coöperation in the nations considered we come to these conclusions:

(1) The stores which have attained the best results in the long run have sold goods at market prices. This has tended to prevent friction with private shop-keepers who are trying to make a living in the same community. It has proven, moreover, a better business policy, for it is next to impossible to judge accurately what the expenses are going to be so as to sell goods at cost plus expenses.

(2) The movement has been most successful where the principles laid down by the Rochdale pioneers have been adhered to.

(3) Judging from the rapid growth of the movement, it would seem that this branch of coöperation is offering one of the best solutions yet devised to maintain and even increase the real income of men engaged in manual labor.

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<sup>1</sup>Fay, Coöperation at Home and Abroad, p. 306.

## CHAPTER II.

## CO-OPERATIVE STORES IN THE UNITED STATES.

The Rochdale system was introduced into the United States in the year 1864 by the members of the Philadelphia Coöperative Store. They prospered for a time, but failed eventually, owing to excessive expense for management.

The next departure in coöperation was its adoption by the Patrons of Husbandry or the Grange. Founded in 1867 this organization grew so rapidly that by 1875 there were more than ten thousand branches and over 763,000 members, mostly farmers. The Grange appointed state agents who were to buy for the different individual members. These agents, who had confidential lists of wholesalers favorable to the organization, passed on their orders to such dealers who shipped direct to the farmers. This system grew very rapidly in some of the states. The Ohio Agency in one year purchased about \$1,000,000 worth of goods. At one time the Grange had five steamboat lines, thirty-two grain elevators and twenty-two warehouses. The discounts enjoyed by members varied from fifteen to fifty per cent. Reapers which had previously sold for \$275 were retailed to them at \$175; threshing machines were reduced from \$300 to \$200 and wagons from \$150 to \$90. In Iowa the Grangers received a discount of forty per cent upon sewing machines, thirty-three per cent on hay forks, and twenty-five per cent on harrows and cultivators. Such activities of course often spelled bankruptcy for the retailer. A reaction set in. The purchase by agents of goods of inferior quality caused widespread dissatisfaction. As a result the National Grange recommended, in 1877, that all state agencies be abolished.

The agitation for coöperative stores, however, continued to grow. Stores, modeled in almost every respect on the Rochdale system, sprang up at almost every point where Grangers were

located. In Wisconsin, in 1878, there were at least twenty coöperative stores, the majority of which were members of the state coöperative association, which met at the same time as the National Grange. As early as 1876 a movement was under way to form a national society of coöperative distribution. The United States was to be divided into six districts. Each would have a central shipping point of warehouses and other necessary equipment.

In the trying years following the panic of 1873, the same reaction which abolished the state agencies also descended on the system of coöperative stores, so that not only was the district warehouse plan never carried into effect, but the number of stores established by the Patrons has gradually dwindled until very few are left today. Of the many reasons given for this decline the chief seemed to be that the stores were not strategically located for the greatest convenience of service, and the managers were generally incompetent because of having had only an agricultural training.

After this several industrial or agricultural associations attempted to sustain the coöperative movement. The Sovereigns of Industry organized in 1874 for this purpose, but factionalism and jealousy caused the failure of most of their undertakings. A small number, however, still remain.

The Industrial Brotherhood, which was merged in the Knights of Labor in 1876, was coöperative in design and undertook the establishment of coöperative stores, factories, and foundries. In 1882 the National Convention created a coöperative board. In 1884, in the Philadelphia convention, their purpose was stated "to associate our own labor in order to establish coöperative institutions such as will tend to supersede the wage system by the introduction of a coöperative industrial system." Very few of the stores established at that time are still in existence.

The Farmers' Alliance was active in propagating coöperative ideas among the southern farmers, 1886-1892. They attempted to eliminate the middleman in both the sale and purchase of products. In 1890 they were said to have done a business of over \$10,000,000. At the present time the movement is directed towards the establishment of coöperative elevator companies, to coöperative selling rather than buying.



In three instances associations based on state lines have been attempted. The Kansas State Coöperative Association was formed in 1901: in 1904 the secretary's report showed thirty-five stores with an annual business of over \$3,000,000. As a rule the stores pay eight per cent dividends and allow from seven to eight per cent discount on purchases. The Washington State Coöperative Union was organized in 1903 and in 1905 had twenty-four members, comprising creameries, stores and several shingle mills. In 1879 the Pacific Coast Coöperative Union was organized in California to study and disseminate coöperative ideas.

The Right Relationship League, organized in 1900 in Chicago, has made a study of coöperation but has confined its efforts to the organization and aid of coöperative stores throughout the middle west. This league has since moved its headquarters to Minneapolis.

One of the most interesting forms of store coöperation to be found in the United States is in the purchase of books and accessories at the different college centers. The college coöperative stores in America have been almost universally successful. They have been organized at Cornell, Harvard, Yale, Massachusetts Institute of Technology, Northwestern University; and at the state universities of California, Illinois, Missouri, Texas, Wisconsin, and Minnesota. Details cannot be given here, but the figures are graphic testimony of their success. Thousands of students have materially reduced their expenses, and judging by the success of the movement so far, there should be room for one such society in every university and college the country over.

In 1896, Dr. E. W. Bemis issued an exhaustive report of coöperative distribution in the United States under the Department of Labor. He found that there were some seventy coöperative stores in the United States with a membership of about 19,000.

Careful investigation showed that in 1905 there were about 350 coöperative stores in this country. California led the list with 64. Kansas came second with 34 and Wisconsin had 30. Their membership was about 76,000, their capital investment about 8,500,000 and their trade about \$265,000,000.

In California in 1899, the Pacific Coast Coöperative Union was organized. The following year the wholesale business of J. M. Moore & Son of San Francisco was purchased and the whole enterprise renamed the Rochdale Wholesale Company. This has been the most successful attempt in this country to conduct a wholesale department. This company is owned and controlled by the individual retail coöperative stores scattered throughout Washington, California and Idaho. In 1905 it had a paid-up capital stock of \$62,000 and yearly sales of \$335,000. Its earnings other than those required to pay interest upon capital stock are divided among the stock holding stores in proportion to the amount of their purchases. This company has had a hard struggle. Wholesale houses have tried to ruin the company, but it has come through unscathed.

In 1900 the Coöperative Merchants Company of Chicago was formally organized. This corporation, composed of over 450 retail stores, both coöperatively and individually owned, was to serve as a model agency for syndicating purchasing-power, buying directly from the wholesalers and manufacturers, and eliminating the middlemans' profit. The capital stock of the company was divided into shares which only active retail merchants could purchase and then only in blocks of not less than twenty shares. The operating system was simple. Orders were to be sent directly to Chicago by the members, there to be "bunched" by the agent, and passed on to the various wholesale houses and manufacturers patronized. All goods are billed at regular wholesale prices. The difference between what the members pay for goods and what the goods cost the company was to be placed to the credit of each member upon his order. At the end of the year each member was to receive the sum of these differences on his purchases less his share of the expenses.

This arrangement was not a success and the charter was given up, about 1906. In the winter of 1906-07 some twelve or fifteen managers of coöperative stores in the western part of Wisconsin and the eastern part of Minnesota came together in Minneapolis and formed the Interstate Common Good Company. They did not incorporate. The arrangement was to have dry goods jobbers submit samples of their various lines of goods with prices attached. No salesman could be present. From the samples submitted, the managers were to choose. This failed because of

the selfish attitude of the store managers and the small amount of business offered.

A year later, in October 1908, the Coöperative Wholesale Company was organized by the Right Relationship League. Eighteen stores out of more than a hundred which the League had organized, purchased one share of stock each, at fifty dollars. The stockholders elected their own directors and the board of directors of the wholesale company held meetings independent of the League. A manager for the Coöperative Wholesale Company was hired and an office was opened in Minneapolis in connection with the League office. The manager had difficulty in securing low figures from jobbers. Little was accomplished and the funds were exhausted. About \$1200 was borrowed from the directors of the wholesale and the officers of the League, but it was a hopeless task, so the money was returned and the manager resigned.

The league has now under its supervision 141 stores. Mr. C. M. Tousley, the secretary of the League, states that the coöperative store is not discriminated against at the present time, and there has been no recent agitation looking towards a wholesale department.

Steps were taken at a meeting of the Rochdale Wholesale Company in 1904 to call a National Convention of all the coöperative institutions of the United States. Representatives were present from the Pacific Coast and the North Central states and the principles adopted were essentially like those laid down by the Rochdale pioneer sixty years before.

In October, 1911, the largest and most representative meeting of coöperators ever held in America was held at Minneapolis. A definition of coöperation was adopted; and a national executive committee was appointed to bring about a federation of coöperative institutions and secure a national law. Professor Willett M. Hays, first Assistant Secretary of the Department of Agriculture, Wm. G. Harold Powell, of California, and Mr. Chas. O. Boring of Chicago were placed upon this executive committee. As Mr. Powell felt he could not give the committee full service Mr. Hays and Mr. Boring requested Mr. E. M. Tousley of the Right Relationship League, Minneapolis, to coöperate with them. No means were provided, however, to finance any work which they might decide to undertake.

Coöperative sentiment is growing. The methods of coöperation are being studied now as never before. As late as March 13th of this year (1912) President Taft sent a special message to Congress calling attention to coöperative activity as a means of lowering the cost of living. According to the figures presented for 1911 more than two million and a half of members in the United Kingdom—representing ten million people—saved a little more than 12% on all their purchases. It would mean an even greater saving in the United States where market prices are relatively higher than in the British Isles. And so this report could be carried on indefinitely to prove that store coöperation is economically sound and a means of greatly reducing the cost of living.

With this introduction and brief summary of coöperation at home and abroad, let us now turn our attention to our own state of Wisconsin and learn what has been accomplished along coöperative lines and what phases should be emphasized and developed.

## CHAPTER III.

## CO-OPERATIVE STORES IN WISCONSIN.

One of the most successful coöperative stores was at Brandon, Fond du Lac county, begun in 1877 with fifty stockholders. By withholding surplus earnings and paying both dividends and the remainder of profits in stock instead of cash, it gradually built up a capital investment of \$10,000. Another store which flourished in its day was at Brodhead, Green county, reporting in 1881 an annual business of \$30,000. The largest store of the kind was in Milwaukee.

As a rule these stores were founded ostensibly on the Rochdale principles already mentioned. There may be found in almost every set of by-laws the following provisions:

- (1) Democratic management—"one man, one vote,"
- (2) Prices set at a "fair margin" above cost,
- (3) A fixed rate of return on share capital,
- (4) Rebating of the remainder among purchasers,
  - (a) Amount of purchases the basis, those of members being counted at full value, those of non-members at half value.
  - (b) Quarterly payments, both of dividends and profits.
- (5) Payment for goods to be strictly cash,
- (6) No member to be allowed to invest over \$500 in the enterprise.

There is no question that for a time at least these Grange stores were a potent influence for good. As to this, Mr. Ira B. Cross, says\*: "They not only saved millions of dollars to the farmers on direct purchase but were greatly instrumental in lowering prices to persons not members of the order. The low

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\* 12th Biennial Report Wisconsin Bureau of Labor and Industrial Statistics, p. 22.

prices obtained by patrons through the stores and agencies forced retailers to reduce prices materially in order to compete with them."

But despite the enthusiasm of their founders, these store-societies were mostly of short duration.

Probably no better summary of the reasons for these failures have been given than by Mr. Cross who, among other causes, cites the following:—

1. The collapse of the farm and labor movement.
2. Lack of satisfactory organization.
3. No wholesale houses from which the retail coöperative stores could obtain their supplies.
4. By the competition of five and ten cent stores, department stores, trading stamp schemes and mail order houses.
5. Lack of coöperative spirit.
6. Lack of patience on the part of the people.
7. Limited capital.
8. Lack of business knowledge and practices among the coöperators.

THE COÖPERATIVE STORE MOVEMENT IN WISCONSIN.

Name.	Post office.	Popula- tion.	Date of organization.	No. of mem- bers then.	No. of mem- bers now.	Author- ized capital stock.	Capital stock paid in.	No. of em- ployes.	Volume of business last business year.	Net profits.
Abbotsford Coöperative Co.....	Abbotsford .....	947	April 8, 1911	66	.....	\$12,000 00	\$5,700 00	4	\$21,888 24	\$1,000 00
Alma Center Coöperative Co....	Alma Center.....	5	Sept. 12, 1911	64	105	12,000 00	11,500 00	3	8½ months 7 516 47	.....
Baldwin Coöperative Co.....	Baldwin.....	584	Nov. 7, 1907	51	84	15,000 00	9,233 95	5	86,242 50	614 53
Bay City Mercantile Co.....	Bay City.....	252	July 7, 1909	.....	.....	8,000 00	6,100 00	.....	.....	.....
Benoit Coöperative Co.....	Benoit.....	.....	.....	.....	.....	3,000 00	No report	.....	.....	9,255 95
Brodhead Coöperative Co.....	Brodhead.....	1,577	Sept. 23, 1910	70	88	15,000 00	8,000 00	5	.....	.....
Brownstown Coöperative Co.....	Brownstown.....	222	Sept. 3, 1911	58	.....	10,000 00	5,800 00	.....	17,447 50	.....
Cambridge Coöperative Co.....	Cambridge.....	507	May 14, 1910	75	50	16,000 00	7,900 00	.....	7½ months	.....
Centuria Coöperative Co.....	Centuria.....	301	May 13, 1909	50	50	10,000 00	4,000 00	2	32,498 11	3,320 18
Consumers Coöperative Trad- ing Co.....	Madison.....	.....	.....	15	.....	25,000 00	.....	.....	.....	.....
Consumers Coöperative Co.....	New Lisbon.....	1,074	Mar. 8, 1912	69	.....	14,000 00	.....	.....	.....	.....
Cuba City Coöperative Co.....	Cuba City.....	967	May 5, 1910	108	.....	40,000 00	17,600 00	.....	.....	.....
Dorchester Coöperative Co.....	Dorchester.....	470	Mar. 30, 1911	62	80	12,000 00	10,700 00	.....	.....	1,799 48
Farmers Equity Produce Co.....	Wausau.....	16,530	Dec. 1911	60	640	25,000 00	24,580 00	17	145,000 00	2,000 00
Farmers Store Co.....	Bloomer.....	1,891	1891	300	950	200,000 00	156,100 00	54	585,000 00	23,000 00
Highland Coöperative Co.....	Highland.....	1,095	Aug. 24, 1911	62	.....	10,000 00	6,500 00	.....	11,355 10	447 37
Horicon Coöperative Co.....	Horicon.....	1,881	Feb. 8, 1912	.....	.....	25,000 00	.....	.....	4 months	.....
Juneau Coöperative Mercantile Co.....	Juneau.....	1,003	Apr. 11, 1912	.....	.....	12,000 00	.....	.....	.....	.....
Kenosha Consumers Coöperat- ive Co.....	Kenosha.....	21,371	Dec. 29, 1911	54	.....	2,000 00	.....	1	3,540 00	.....
Linden Coöperative Co.....	Linden.....	580	Sept. 3, 1910	63	.....	15,000 00	7,400 00	.....	7½ months	.....
Little Falls Coöperative Co.....	Amery (R. F. D.).....	639	1908	24	.....	8,000 00	.....	.....	11,000 00	495 51
Medford Coöperative Co.....	Medford.....	1,846	Mar. 31, 1911	50	102	20,000 00	15,500 00	5	38,142 85	1,921 62
Milltown Mercantile & Produce Co.....	Milltown.....	.....	.....	.....	.....	4,000 00	3,975 00	.....	9½ months	.....

<sup>1</sup> Branches at New Auburn, Chetek, Cameron, Sand Creek. Although the majority of the stock is owned by farmers, the net profits are divided on the stock and not on the purchases; and to this extent it is not a strictly coöperative company. The stock is listed at \$5.00 per share and all farmers can secure stock.

THE COÖPERATIVE STORE MOVEMENT IN WISCONSIN.—Continued.

Name.	Post office.	Popula- tion.	Date of organization.	No. of mem- bers then.	No. of mem- bers now.	Author- ized capital stock.	Capital stock paid in.	No. of em- ployees.	Volume of business last business year.	Net profits.
Montfort Coöperative Co.....	Montfort.....		Oct. 17, 1908	37	44	7,500 00	6,200 00	3	25,000 00	.....
People's Coöperative Co.....	Fall River.....	360	July 22, 1911	59	66	12,000 00	6,000 00	2	16,755 26	1,117 52
Pepin Coöperative Co.....	Durand <sup>2</sup> .....	1,503	Sept. 1905	273	170	50,000 00	32,903 00	10	5½ months 116,669 35	721 38
Poynette Coöperative Co.....	Poynette.....	656	Oct. 18, 1910	39	43	\$12,000 00	\$6,100 00	3	\$18,618 63	.....
Rib Lake Coöperative Co.....	Rib Lake.....	1,018	May 29, 1911	48	55	10,000 00	5,900 00	3	21,000 00	.....
Rock Elm Coöperative Co.....	Rock Elm.....		Feb. 27, 1911	41	41	8,000 00	4,100 00	2	15,183 45	\$1,360 39
South Randolph Coöperative Co	South Randolph.....		May 3, 1912			12,000 00				
Stoughton Coöperative Co.....	Stoughton.....	4,761	Aug. 29, 1908	56		12,000 00	6,200 00			
United States Coöperative Co..						10,000 00				
U. of W. Coöperative Store.....	Madison.....	25,531	1893	100	3,775			11	117,787 73	12,411 17
Waupun Coöperative Co.....	Waupun.....	3,342	Mar. 2, 1912	83		20,000 00				
Withee Coöperative Co.....	Withee.....	413	Feb. 21, 1911	53	53	12,000 00	5,200 00	2	18,650 14	638 48
									9 mo.	
Wittenberg Coöperative Co.....	Wittenberg.....	1,090	Mar. 16, 1912	64		12,000 00		5		
Woodford Coöperative Co.....	Woodford.....		Nov. 9, 1911	55		10,000 00	5,800 00		8,923 33	
									5 mo.	

<sup>2</sup> Branches at Porcupine, Arkansaw, Ella. (Durand R.F.D.), Tarrant. (Durand R.F.D.).



In the past two years there has been a notable increase in the number of coöperative stores operating in Wisconsin. It is noticeable that few of these recently organized are in the largest towns and cities. So far the movement is distinctly a farmers' movement.

The cause of this recent and widespread popularity of coöperative stores is mainly due to the educational efforts and organizing ability of the Right Relationship League. Under the patient and able guidance of E. J. Van Horn, President, W. F. Vedder, Vice President, and E. M. Tousley, Secretary-Treasurer and editor of *Coöperation*, this league which in 1906 had supervision over but 6 stores, now has organized and is supervising the work of about 150 stores in seven states. These stores have a membership of about 10,000 and an annual business of about \$5,000,000.

The work of the Right Relationship League consists in persuading people that coöperation is sound and profitable and in helping to organize and manage their stores. This help consists in giving advice and information and financial supervision when desired. For services in forming local societies a contribution of \$1 per stockholder from local membership fees is charged. This also pays the subscription price for the League's magazine *Coöperation*. For services in organizing, the League receives a small commission of the total amount of goods invoiced if a store already established is taken over, and for the audit of books a very moderate charge is made.

This central organization is financially independent of the local societies. Its policies are determined by the few who are in active charge of its general operations. This balance of power is peculiar and is reflected by the division of its members into two classes, active and honorary. The former includes the three executive officers above mentioned and two directors; the latter includes all the store stockholders who by the initial payment of \$1 have become life members. There are 12 field organizers and some 1400 honorary life members. This arrangement has worked well so far and doubtless will continue to do so as long as the active members prove as efficient and disinterested as they are at the present time.

The campaign of organization carried on by the League is substantially as follows: Preliminary overtures are made by the

officers to merchants and influential citizens in promising districts, with a view to canvassing the field and arousing sufficient local interest to warrant making a contract to organize a coöperative store. When a contract is closed with a local merchant and his business taken over, a canvass is then made by a League organizer. The organization of the store depends on how many members and how much money can be secured. In most cases subscriptions of from \$5,000 to \$30,000 worth of stock in shares of \$100 each are sought. No member is allowed to hold more than ten shares or have more than one vote.

In no case is the enterprise launched until there is a safe minimum of money subscribed, and generally if a contract has not already been made the amount of subscriptions shows that the promoters mean business. Some independent merchant is glad to sell, in fact, there have been cases where two or three competing stores have been willingly sold and merged into one first-class establishment. The League protects the new company by putting an expert invoicer on the ground who either makes a complete appraisal of the old stock taken over or selects an entirely new stock.

The League, recognizing that poor business management and poor accounting methods have often brought failure in the past, has done much to encourage the adoption of a sound constitution and by-laws and to instruct business managers in up-to-date business methods and adequate systems of accounts. After the League has established a new enterprise it does not leave it to shift for itself, but aids in making it a success and encourages its growth and prosperity. The success of the League's stores throughout Minnesota and Wisconsin is proof that its practical suggestions have value.

Several interesting features of coöperation are brought out in the foregoing inquiry into Wisconsin stores, which are well worth noting in conclusion. In the great majority of stores a central supervising agency has been a vital force. Such an organization, even though it takes over no economic functions, has still an important work both in fostering a spirit of mutual understanding and in educating and advising farmers as to the best methods to pursue. This simple propaganda work is a large part of what the central agency has undertaken in Ireland, but

only the voluntary contributions of an unselfish and wealthy few have made that possible.

While the leaders themselves must get a living out of their work, it will be necessary for them to perform some extra service of direct and obvious financial advantage to the coöperators, in order to secure the funds wherewith to live, and to do the educational work, which is mostly a labor of love. The fact that the Coöperative Stores in Wisconsin are better supervised, than any other form of enterprise the farmers have gone into together, is a splendid testimony of what a few able, devoted men can do in a brief period of time.

Of the various coöperative openings which appeal to farmers, it is obvious that the time is not ripe for all, and the question is, which shall be first. The natural method would seem to be to choose those lines where coöperation is likely to secure the greatest gain for the effort and attention required.

The simple and uniform system of accounting now in use includes such important aids as blanks for cash received, cash disbursed, purchase Journal general journal, invoiced record sheets, cash vouchers, and manager's monthly and semi-monthly reports. Monthly audits are also made of all stores sending in the necessary reports. These audits and the general suggestions appearing regularly in *Coöperation* are supplemented by special letters of advice as occasion demands. Some time during the course of the year a complete audit of the books of each store so desiring is made. The League's appraiser assists to see that its assets are correctly valued.

The work of the auditors and the general supervisory work of the Right Relationship League is well illustrated in the following extract from *Coöperation*\*:

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\*April 1912

"There are some matters of vital importance to correct, some of which are discussed below."

#### *Fire Insurance.*

"Many companies do not carry sufficient insurance to cover the property against the possibility of a loss by fire. This cost is a most justifiable expense in conducting a business.

#### *Book Accounts and Notes.*

"Too many companies are carrying enormous book accounts and permitting the same to gradually increase. This practice should be discouraged and the outstanding accounts should be collected monthly or bankable notes obtained for the open accounts. It is an expensive hardship for the companies to carry accounts indefinitely and to tie up the use of so large an amount of their assets.

#### *Stocks Too Heavy.*

"At some of the stores it was found that from 25 to 50% more stock is being carried than the volume of sales requires. Stocks should be reduced and buying curtailed. All markets are accessible and patrons prefer making selections from new and fresh merchandise. The amount of purchases should be governed by the current seasonable demands and should not exceed the amount of the ability of the company to discount.

#### *Operating Expenses.*

"By far this is the most important department for the successful conduct of business. While it is not possible to compel the increase in volume of sales, it is possible and imperative that the store be conducted at an expense sufficiently lower than the profit made on sales, to permit of the payment of share and patronage dividends, as well as to provide for the Reserve and Educational Funds according to the By-laws. In brief, the expense should be gauged by the gross profit on the sales.

#### *Reserve and Educational Funds.*

"Transfer of a portion of the annual net earnings as provided in the By-laws should be invariably adhered to, thereby guaranteeing the future financial safety of the company, creating and setting aside these funds will eventually prove a bulwark of strength.

#### *Annual Reports.*

"This department advocates the advisability of furnishing each share-holder with a printed copy of the annual statement. The share-holder is entitled to the information. While the Board of Directors cannot give the members detailed information of all transactions as

they occur, the stewardship of the Board and the Manager can be judged by the results shown in the annual statement.

*The Monthly Bulletin.*

"From the Auditing Department should be posted in the store and open to the inspection of every member.

*Produce Department.*

"The operation of this department of many stores discloses the fact that the companies paid far more for produce than they sold it for. This department should be watched closely and the stores should never pay more than the market price under any circumstances.

*Auditing and Invoicing.*

"The annual auditing work can best be done at the stores where all records and information are accessible. In this way the auditor has an opportunity to also personally inspect every feature of the work and conditions of the business in detail and get an accurate size-up and horoscope of affairs. The annual inventory should invariably be taken by an expert invoicer, with the assistance and under the surveillance of two shareholders who are not directors."

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