

# DISTRIBUTIVE CO-OPERATION IN INDIA

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## Prefatory Note

The substance of this little book was recently delivered as an Extension Lecture in the Annamalai-University, and is now presented as an introduction to the study of some of the problems of the Co-operative Movement. It is a plea for further investigation and development of Distributive Co-operation with special reference to India. The varied forms of co-operation—Producers', Consumers', Credit and Agricultural—have something in common. All are governed by the members themselves on a democratic basis. All have a social purpose in the uplifting of their members. All involve some sacrifice of individual freedom in the form of loyalty to the Co-operative Society for the common good, for all put an end to competition between the members themselves. But it is the consumers' movement that has given co-operation its universal basis. A society based on the producers, whether in industry or agriculture, can only represent a section of the community. But every human being is a consumer, and to organize industry and trade for the service of the consumer is to organize it for the benefit of the human race.

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# Synopsis

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### Introductory

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2. *Has Co-operation introduced any new principle into Economics?* Criticism of the Co-operative programme examined. The effect of Co-operation is precisely to restore the free play of demand and supply to its proper place in the economic system, a thing which is not found in the ideal system of free competition as postulated by academic economists.

Again Co-operation is a much better safeguard for the effective functioning of the law of supply and demand than a purely individualistic regime; Co-operation does not abolish competition, but steers it on to the right track.

It brings a new principle, a method of organization by which the conflicting interests of buyer and seller, creditor and debtor, employees and employed are set at rest. In fact, it is the true solution of the social question.

3. *Political Economy must be treated from the point of view of the consumer*: Organization of consumers, one of the effective ways of combating some of the evils of modern trusts and syndicates; consumers' co-operation as a means of ascertaining the needs of the consumer with a view to rationalising all his economic interests.

4. *The Old Individualism; its evils and the true remedy*: Competitive individualism has been weighed and found wanting; John Stuart Mill and his conception of co-operative association; utter lack of co-ordination of production and consumption; the paradox of plenty and poverty; co-operative organization with its ideals of service and democratic control, the true remedy.

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# I

## Introductory

"Civilization is a protection against the competition of the savage; co-operation is a protection against the competition of civilization."

"There is a destiny which makes us brothers ;  
None takes his way alone ;  
All that we send into the lives of others  
Comes back into our own. "

There is probably no great movement that is so little known as the Co-operative Movement. Co-operation is one of the great social experiments of our age. It means the most complete and fundamental alteration in the whole social and economic system. It seeks to abolish profit-making as the main motive of economic activity; it makes consumption, not production, the true test of prosperity. It is gradually working out a new principle in the distribution of wealth based not so much on the ownership of capital or on work done, but on human needs. This great movement has spread all over the world to-day, and may fairly be regarded as the greatest constructive effort of modern times.

Has Co-operation introduced a new principle into Economics? Some critics of co-operation argue that co-operation has not enriched economic life with any new principle and that, in practice, it can add nothing to what we can get by the free play of competition. The economists of the Liberal School have repeatedly declared that co-operation is an illusion, in so far as it claims to be a mode of social transformation. Some of the continental economists have expressed themselves strongly against co-operative societies, though they are not without sympathy for their theories.

The well-known French economist, Leroy Beaulieu, in his great treatise on Political Economy took co-operative societies to task for their pretensions and compared their programme of social renovation to the "wailings of infants." The critics of co-operation ask: What new element does co-operation contribute to the conditions of supply and demand? Before we look for any new principle in co-operation, it may be shown first of all that the effect of co-operation is precisely to restore the free play of supply and demand to its proper place in the economic system. In the economic organization of to-day, we speak of the operation of the law of supply and demand under free competition. But free competition, as postulated by the academic economists, does not exist in actual life. As Gide puts it, free competition has no more relation to the society in which we actually live, than has the world of pure geometry with the configuration of the earth or the human form. Now what is it that co-operative societies do, especially those of distribution, if it is not to set themselves to abolish everything which tends to vitiate free consent between exchangers? The aim of distributive co-operation is to sweep away adulteration of food, false weights, misleading advertisements, and above all the friction resulting from an excessive number of intermediaries, and in fluctuations of price—in a word to rid the mechanism of free exchange of all the abuses hindering its free play. For instance, it is well-known that the retail price of commodities adjusts itself but slowly to the wholesale price. Now the aim of distributive co-operation being not to augment, but to diminish or do away with the margin between wholesale and retail price, we are much better able to follow the variations in the market.

In the ideal system of free competition, the value of things, it is said, is always brought down to the level of the cost of production which is tantamount

to saying that all profit disappears. But this is much more true of co-operative enterprise than the competitive enterprise. The history of co-operation shows that its essential aim is to abolish profit-making as the main goal of economic activity. The co-operative committees and exchange shops, first planned by Robert Owen in England, were intended to do away with profits. But co-operation has a far more important part to play in removing the hindrances to the free play of supply and demand.

The next point is: In what respect does co-operation modify the law of supply and demand? It is a much better safeguard for the effective functioning of that law than a purely individualistic regime. It would be a mistake to think that co-operation does not go beyond perfecting the mechanism of the distribution of wealth, without altering its principle. In the modern economic organization that which makes competition so sharp is the pursuit of profit. Profit is the goal of all economic activity. It is because of this that competition has become a war to the knife. Now what is it that co-operation does? Co-operation suppresses profit, and it does away with the competition that makes for profit. It puts power into the hands of the consumer and thus gives production the object of directly satisfying wants. Co-operation therefore does not abolish competition but steers it on to the right track.

Moreover, co-operation brings a new principle, a method of organization by which the conflicting interests of buyer and seller, creditor and debtor, employees and employed are set at rest.

What, in fact, is co-operative consumption? It is a group of consumers organized so as to be their own purveyors. In the distributive society, the price at which the stores sell their goods is of no importance; the buyer and seller unite. If it is dear, they will

get their excess payments in the shape of dividends. If it is cheap, the gain is in a more direct form. Thus the interests of the buyer and the seller are not conflicting but mutual. Similarly, the antagonistic functions of lender and borrower are mutualised by co-operative banks and those of employer and employee, by co-operative production. In the light of these facts, it is difficult to maintain that co-operation can contribute no new principle of distribution. Even if it were said that co-operation has effected no change in the actual system of distribution, it has succeeded in changing its results. The members of co-operative societies in England distribute millions of pounds in dividends and put by an equal amount. Had it not been for co-operation these sums would have gone to the pockets of middle men. The dividend on purchases, bonuses, interest on shares and other savings—all these add materially to the standard of living and bring about a change in the distribution of wealth.

Political Economy must be treated from the point of view of the consumers. The consumer in modern economic organization is a helpless creature ignorant of his real needs and is exploited by producers and tradesmen. How can we make the consumer the king in the economic world? Is it possible to provide him with an effective authority? How could the consumer be made to learn his true interests? The co-operative programme is to place the consumer in a position of economic domination. It is only in co-operative association that production is organized not with a view to profit but with a view to satisfying the needs. The evils of trusts, corners and other syndicates by which producers rake in products and force up prices would have little chance of surviving in a world of organized consumers. In fact what co-operation aims at is not sacrificing either the producer or the consumer but of bringing them together and of making them interested in each other. From the point of view of the

consumer, the most effective service that co-operation can render is its power to ascertain his needs with accuracy and to rationalize all his economic interests.

Above all, co-operative association under its different forms of production, distribution and credit actually constitutes industrial enterprise and thus goes right to the heart of the economic system. It is thus a living example of a moral force permeating industrial activity. It is also the true solution of the great social question for, as Professor Marshall has pointed out, one of the chief virtues of co-operation is precisely its saving a great squandering and waste of men.

The backbone of the old economic theory was the belief that if everyone were left free to follow their own private interests, then the general interest would be served. According to Adam Smith, nothing short of divine providence brought about this result; an invisible hand guided everyone to serve society by serving himself. The only healthy economic principle for the 19th century economists was individualism and an organization for protecting the consumer was wholly superfluous to them since the working of the economic system under the free play of competition would bring about the satisfaction of the consumer. Every attempt at restricting competition by collective bargaining or by social legislation was condemned as contrary to the laws of political economy. In fact the economics of the 19th century was an economics of capitalistic enterprise simply because it was believed to be a system which gives free play to individual enterprise.

But to-day this firm faith in individualism has given way to a belief in collective action. Co-operative economics implies an economic theory which repudiates the belief in competitive individualism and is based

on communal interests instead of individual interest, and the reconciliation of the interests of producer and consumer instead of the profit-seeking of the producer.

Even John Stuart Mill, an outstanding representative of the older type of economic theory, was an ardent believer in the possibilities of co-operation, and asserted that it carried with it the principles which would supersede capitalism.<sup>1</sup> According to Mill, co-operative enterprise can hold its own in competition with capitalism because it has two great advantages which enable it to increase productivity. First, it reduces the number of persons engaged in distribution and sets them free to undertake production. Second, it gives "a vast stimulus to productive energies, by placing the labourers, as a mass, in a relation to their work which would make it their principle and their interest to do their utmost, instead of the least possible in exchange for their remuneration. It is scarcely possible to rate too highly this material benefit, which yet is as nothing compared with the moral revolution in society which would accompany it."

But Mill's conception of a co-operative society was a profit-making enterprise and his account of the principles of co-operation was based on the ideas of capitalism. It is well to bear in mind that Mill wrote eighty years ago when he could not foresee that co-operation was to develop predominantly on the consumer's side. Today the consumers' societies have erected their own factories so that the producers' and consumers' interests are identified.

<sup>1</sup> "The form of association, however, which if mankind continues to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and work-people without a voice in the management, but the association of labourers themselves, on terms of equality, collectively owning the capital with which they carry on their operations and working under managers elected and removable by themselves."—*Principles*.

There is no more curious phenomenon to-day than that, while a part of the world is still living in a state of under-consumption, the other part is suffering from over-production, and for want of a market is compelled to destroy much of the available stocks. In many countries prices have been maintained at a level substantially above the level of so-called world prices, and the real purchasing power of the money income of the population is artificially reduced. No one suffers more from such chaotic conditions than the consumer. If the success of an economic system is to be judged by the way in which it fulfils the consumer's wants, then the present system stands condemned. The appeals of economists, financiers and industrialists in various countries to cut down the tariff barriers, to abandon the policy of economic nationalism in favour of international agreements, have failed. The World Economic Conference of 1927, representing 57 nations, unanimously urged the removal of tariff barriers as a vital necessity of economic recovery. Other world economic and financial conferences have again emphasised the same need but have failed to bring about any practical results. These things go to show that the vested political and industrial interests in various countries are hostile to such a redistribution of economic functions. The great capitalistic, industrial concerns have formed international cartels and various states have attempted to interfere in the marketing of various commodities through the organization of monopolies, and semi-monopolistic marketing organizations. Such a policy does not eliminate the causes which are responsible for the lack of equilibrium between production and consumption and in some cases it actually increases the disparity, as is shown by the working of the coffee trust in Brazil, the copper cartel in the U. S. A., and the steel and iron industries in Europe. The greatest victim of the present economic system is therefore the consumer



who is helpless against the restrictive policies of the various countries.

It is frequently said that the fundamental cause of the present world crisis is to be found in overproduction. The remedy that is suggested is the diminution of production. This is not the true remedy. On the other hand, the world is suffering to-day from dislocated production in certain industrial and agricultural countries depending on world-markets, and especially from the failure of a proper organization of distribution. All schemes of artificial control of foodstuffs and raw materials, aimed at limiting supplies in order to stabilise prices on a high level constitute, a policy detrimental to the interests of the consumer and ultimately defeat their own ends from the producer's standpoint. What is required among other things is organization of the whole process of distribution in the form of consumers' co-operation which would provide the necessary mechanism to ascertain the volume of potential consumption. In fact the true solution of the present difficulties can be effectively accomplished by the extension of co-operative system with its ideals of service to the community instead of profits for the individual, its democratic control and its inherent capacity to produce the desideratum of an equilibrium between supply and demand, between production and consumption.

Such is the new economic basis on which the co-operative movement rests. Co-operators have at least the satisfaction of knowing that they have created an economic machine that works. If some of the economists to-day are not alive to its significance, they will shortly be compelled by the present social and economic tendencies to reconstruct their economic theories in the light of the achievements and possibilities of co-operation.

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## II

### The Story of Distributive Co-operation

"Numbers without union are powerless  
And Union without knowledge is useless."

The Co-operative Movement like the Socialist Movement had its origin largely in the conditions that came to prevail as a result of the Industrial Revolution. The immediate effects of the Industrial Revolution were disastrous to the people who had been working under the old order. It led to the destruction of the old forms of life and the imposition of new methods regardless of all social considerations. The enclosures of land reduced the villagers to labourers. The competition of the factories impoverished and destroyed their handicrafts. The laws did nothing to prohibit the suffering of women and children in the new factories or to secure the elements of sanitation and health or to prevent truck; but at the same time forbade the workers combining to help themselves. The old personal relations between man and man were undermined. Meanwhile political economists taught that 'private interest is the greatest source of public good.'

Men of affairs had begun to see that such a state of things was something which men having free traditions could not endure. Different societies were formed to bring about the amelioration of the condition of the working classes. Among the humanitarian workers stands foremost Robert Owen whose great work at New Lanark won public esteem and Owen now began his life-work of putting before the minds of men the possibilities of united action for the common good.

The Co-operative Movement, like the Socialist Movement, had its founder in Robert Owen who was born in 1771 when the worst evils of the newly-developed

factory system had reached their climax. Owen who rose from extreme poverty to riches as a wealthy manufacturer devoted all his acquired wealth and boundless energy to plans and organizations for setting up a new industrial order. He saw clearly that poverty and all its evils were neither accidental nor inevitable, but largely the result of the economic system under which men lived. Poverty is usually an indication of social maladjustment, and not an index of nature's inability to support man. Private ownership of capital and unregulated competition allowed thousands of men, women and children to be exploited for the profit of capitalists. Production for profit, not production for use, became the dominant feature of the economic system and money wages bore no relation either to effort or to needs.

It is for these evils that Owen was seeking a remedy. He believed the remedy to lie in the development of co-operative communities of workers owning the capital necessary for their industry, and sharing alike in the products of their common labour. Several co-operative communities were started by Owen and his followers. Lands were purchased and workers were settled upon them and started in agriculture and industry with capital for the most part subscribed by Owen and his followers. But these early experiments in Co-operative Communities failed and Owen turned his attention to more limited schemes for assisting workers to make a livelihood by exchanging the products of their labour without money transactions. Meantime the "Union Shops" advocated by Dr. King of Brighton were set up everywhere. There were retail shops owned and patronised by the workers in a particular industry; the profits were accumulated to form a fund which should be used first to purchase a factory in which the members would employ themselves, and ultimately to find co-operative communities. Many union shops were started as a result of Owen's

teachings and perhaps the most important of such shops was the one opened in 1844 by some flannel weavers in Rochdale who have come to be known in co-operative history as "The Pioneers". Though they started with the ideals set them by Owen, they gave a completely new application to the co-operative idea and concentrated on the success of their store which was to provide its members with articles of good quality at a fair price and eliminate the profits of the middleman. The Rochdale Society began with 28 members and a modest capital of £28 and when the little shop in Toad Lane was first opened, each of the 28 members took his turn as salesman.

The aims of the Pioneers cannot be better stated than in the words of their famous manifesto.

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

"The building, purchasing, or erecting of a number of houses in which those members, desiring to assist each other in improving their domestic and social condition, may reside.

"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 in their wages.

"As a further benefit and security to the members of this 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 labour may be badly remunerated. \*

"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.

"That, for the promotion of sobriety, a Temperance Hotel be opened in one of the Society's houses as soon as convenient."

The methods of the Pioneers were in some respects very remarkable and far-reaching in their effects. From the beginning, the Pioneers insisted on cash payments in all purchases and aimed at ensuring genuine quality of the things.

Perhaps the most important new feature of the Rochdale society was the method of sharing the profits. It was on this question that many of the earlier co-operative enterprises had failed. Owen's schemes of accumulating profits which was adopted in some of the earlier societies created disagreement as to how these profits should be utilised. This was the case with the Brighton society started by Dr. King where half the members wanted to start a factory, and the other half to buy a fishing boat. Other Stores tried the experiment of selling at cost price and failed.

On the other hand it was the Rochdale Pioneers who devised the system of "dividend on purchase." By this system, the goods were to be sold at the market price, and, after all expenses including a fixed interest on shares had been made for a reserve fund, the remaining profits were to be refunded to the amount which each had spent in purchase from the society. That is to say what each member had paid over and above the cost of the article and the expenses of conducting the business was returned to him. This simple device of the 'dividend on purchase' had far-

reaching effects though these were not realised by the pioneers themselves. First of all it gave to co-operation just that power of growth that Owen's schemes had lacked; it largely removed the temptation to restrict the membership which was always to be found in all those societies where the profits were distributed to the shareholders in proportion to their shares.

Secondly, the regular distribution of the dividend lessened the difficulty, which earlier societies had suffered from, viz. of a sudden withdrawal of accumulated capital; this tends to make the financial basis of the society much more stable and the members are inclined to leave their dividends to accumulate as savings in the society. Thirdly the system of 'dividend on purchase' succeeded in abolishing completely in co-operative enterprise the greatest evil against which Owen had fought, that of 'profit on price'. In the Rochdale system there is no such thing as profit or profitmaking, but one of satisfying the needs of the consumer. Above all, the 'dividend on purchase' system has revealed co-operation as a consumers' movement controlled by the needs and wishes of the consumers.

The organization of the Pioneers was also marked from the beginning by its democratic constitution. Membership was open to all. 'One man, one vote' was the guiding principle and women had the same rights as men. The shares were of the lowest nominal value so as to be within the reach of the poorest worker.

Person, not property, was made the basis of the constitutional system, so that every one had opportunities of serving on the Board of Management. Thus the policy and control of the business was in the hands of every member who might exercise his responsibility on the principle of 'each for all, and all for each.' These advantages led to the rapid progress of the Rochdale system. The pioneer society was registered under the

frugal investment clause of the Friendly Society Act of 1836. In 1851 there were one hundred and thirty stores in the north of England and the midlands of Scotland. The growing necessity for wholesale buying and manufacturing was felt with the spread of distribution. The notable landmarks in the early development of the movement are: the Oldham Conference of 1863 and its resolutions; the formation of the North of England Wholesale Society; the formation of the Scottish Wholesale at Glasgow in 1868. The North of England Society soon became the Wholesale Society for the whole of England in 1872. The Co-operative Wholesale Society so far has encouraged direct trade with co-operative producers of agricultural commodities in Canada, Australia, New Zealand, Denmark, Argentine, Russia and other countries. At the same time it has done much to encourage British farmers to co-operate and develop their trade through the C. W. S. Joint-Stock companies measure their success by their profits. If the C. W. S. measures its success by the surplus it creates out of trade, then it has proved extremely successful. The surplus in 1930 amounted to £ 1350,000 of which £ 980,000 was returned as dividend on purchases to the Distributive Societies. In 1931 the surplus amounted to £ 1,700,000 and it would have been higher but for the requirements of the C. W. S. Bank which had to use £ 450,000 to meet the depreciation of its securities due to the suspension of the Gold standard.

The Consumers' Movement of to-day is a vast structure of distributive, productive, importing and financial enterprises and has penetrated into almost every country, and, in a large number of industries. It is now found to be applicable to any kind of undertaking from a retail grocery-business to banking and insurance, from farming to the running of a school, or theatre, from baking or weaving to motor-making, and the building of houses.

The unit of this great organization is the retail distributive society. Membership is open to any one on taking up one or more shares. The society is governed entirely by its members through their own elected Board of Management. The retail societies are concerned primarily in distributive trade to meet the needs of the individual members. Many of the distributive societies deal in groceries, but the best developed societies now supply practically every requirement of an ordinary household.

The local retail societies are federated in National Wholesale Societies. The retail societies provide the share capital of the wholesale, elect its Board of Directors and govern its policy through periodical members' meeting. Just as the surplus of the trade of the local society is distributed to individual member in proportion to his purchases, so each retail society receives from the Wholesale its share of the trading surplus according to the amount of its purchases from the Wholesale. This in turn goes to swell the surplus of the retail society and is thus passed on to the individual consumer. In this way the Rochdale principle of "dividend on purchase" has been extended from retail to wholesale trade, from distribution to production, from local to national transactions and thus all profits are eliminated from top to bottom of the consumers' co-operative system.

The original function of the Co-operative Wholesale Society was to act as a wholesale house for its constituent members. Local retail societies began to realise that by pooling their demand through a wholesale organization of their own they could go direct to the manufacturers and save their members the middleman's profit. Wholesale purchases included purchases not only from native but from foreign manufacturers and the wholesale society developed into an importing-agency. Thus the functions of wholesaler and merchant



still form the chief activity of the Wholesale Societies in all countries. But the effort to supply its members at the lowest prices has enlarged the consumers' movement from retail to wholesale distribution, from distribution to production by setting up co-operative factories, and from production to finance by setting up co-operative banks, and thus the Wholesale Societies became also manufacturers and bankers. In all these developments the motive has been to bring an ever-larger part of the industry within the orbit of the consumers' movement. It must not be forgotten that the co-operative system has to struggle hard against modern capitalist production, capitalist finance, and capitalist rivals. The social significance and the ultimate value of the co-operative system should therefore be judged by its tendencies and possibilities as much as by its actual achievements.

Unfortunately no complete and exact statistics relating to consumers' co-operative societies are available. The most important figure in a consumers' society i. e., the turn-over, is not known with any degree of accuracy. Co-operative statistics are more or less complete in the case of some of the European countries, notably Great Britain and Switzerland.

We may now review briefly the history of distributive co-operation in some of the principal countries.

1. *Great Britain*: The date and birth-place of distributive co-operation is well-known to every one—21st December 1844 at Rochdale near Manchester. The name of the first society is "The Equitable Pioneers of Rochdale". These pioneers were flannel weavers, 28 in number with a capital of £28. Such is the humble beginning of a movement which to-day has spread to every country in the world. The most striking event in the history of the distributive movement in England after the period of the Pioneers is the organization of the co-operative wholesale society

which has exercised a powerful influence on the English co-operative movement. In Great Britain Co-operation has taken almost entirely the consumers' form. Among the societies are little village grocery societies with a few hundred members and great organizations like the societies of London and Woolwich, Leeds and Birmingham with a membership of many thousands dealing in almost every commodity needed by their members. Forty-eight per cent of the membership of the Movement is to be found in the 76 societies with over 15,000 members, while 612 societies with less than 1000 account for less than 6% of the total membership. Behind the retail societies stand the 2 Wholesales, the English C.W.S. with its headquarters at Manchester, and the Scottish C.W.S., situated at Glasgow whose members are the Scottish retail societies. For certain enterprises, those two have formed a joint organisation known as the English and Scottish Wholesale Society. It is this body which carries on the greatest tea business of the British Co-operative Movement, and some of its tea come from its own estates in India and Ceylon.

The English C.W.S. alone is the largest single commercial undertaking in the country, the largest landowner, flour-miller, the largest importer of dried fruits. The wholesale societies in the British Movement are concerned exclusively with trade. In some of the continental countries, Norway and Sweden, Switzerland, and the U.S.S.R. the functions of the Wholesale also include propaganda, educational and other activities, which in Great Britain is undertaken by the Co-operative Union. The Co-operative Union is a federation of co-operative societies of all kinds, retail and wholesale, consumers' and productive, and is the body which is responsible for the general policy of the movement. In Great Britain the co-operators number more than 4 million families representing about 1/3 of the population. All the societies are

strong and their average membership is over 2000. The turnover of the societies is also strong showing an average of about £ 30 per member. The high average shows first of all that the societies are not merely grocery shops but supply every kind of goods and, secondly, that the members are very loyal to their stores.

2. *Belgium*: The Co-operative Movement has not assumed such large proportion in Belgium as in England. It is also of much more recent date, and has taken from the beginning a socialistic and political character. The Co-operative Store is regarded not merely as a means of providing the necessaries cheaply but as an agency regulating the domestic life of its members.

3. *France*: France has been comparatively late in taking up distributive co-operation, and attention was directed at first to the productive, and not the distributive side of co-operation. It was not until 1885 that Distributive Co-operation took a conscious existence. Since then considerable progress has been made. In 1885 the first congress which met in Paris laid the foundations of an organization—The Co-operative Union—similar to the English C.W.S. Though the number of societies has increased threefold since 1900, the average number of members per society had diminished by one-third while in the same period the number of branch societies has diminished a little but the average number of members per society has increased. In France the increase in the number of societies has been far more rapid than the increase in members which means that the societies are becoming smaller and smaller. It may also be noted that the French societies are weak in their turnover, and the amount of purchases per member.

4. *Germany*: For a very long time the working classes in Germany refused to believe in the efficacy of distributive co-operation because they were imbued

with what is called the brazen law of wages i. e., that any reduction in the cost of living inevitably brings with it an equal reduction in the rate of wages, and that therefore this would be the unfortunate result of the success of a Distributive society. So the co-operative movement in Germany was first started under Schulze Delitzsch about 1850 in the form of co-operative credit, and, in this form, it has had a wonderful development more striking than that of consumers' co-operation in England. It was only in the last years of the 19th century that German co-operation began to expand.

Though Germany was rather late in entering the domain of distributive co-operation, the German talent for organization has shown itself in the rapid progress of consumers' societies. (Refer—Cassau: Consumers' Co-operation in Germany.) The largest distributive societies in the world are to be found in Germany. The spirit of discipline which can subordinate private to general interests, the instinct of association, the enormous capacity for carrying things through, the cult of organisation—all these qualities are eminently favourable to the success of co-operative movement. German Distributive Societies have to contend at present with political and economic conditions, and yet their progress compares very favourably with distributive societies in other countries.

5. *Switzerland*: This country takes a high place among the co-operative countries; for it has about 400 consumers' societies with about 30,000 members in a population of about 4 millions. Not only as regards the number of members is it relatively higher than that of Great Britain, but in turnover, it is equal to Great Britain and far above that of Germany and most other countries. One of the features of Swiss co-operation is the loyalty with which all the societies support the union.

6. *Sweden*: Consumers' Co-operation has developed slowly during the past 4 decades until to-day approximately  $\frac{1}{3}$  of all retail trade, and more than 10% of wholesale trade and manufacture for domestic consumption are carried on by co-operatives without profit, and the implications of this, in low prices and high quality, reach out to the entire consuming population. The Ko-operative Förbundet (The Co-operative Union) known familiarly throughout the length and breadth of the land as K. F. combines the functions of both the Co-operative Wholesale Society and the Co-operative Union in England.

In Italy the Co-operative movement is remarkable in that the three great forms of working class association viz., Trade Unions, Friendly societies and Co-operative Consumers' Societies seem best realised.

Denmark is the one small country which takes the first place in co-operative development. In a country with a population of 3 millions there are 1500 consumers' societies. The societies are no doubt small: so also the number of members for each society but that is because they are, above all, rural societies.

Since the War, co-operation in Russia has made great progress. The number of consumers' societies in Russia is estimated at about 13,000 mostly rural. The Balkan states have not yet got beyond co-operative agriculture which is better adapted to their economic condition.

Outside Europe, the United States, though politically an important country, has been almost negligible so far. In countries where workers are highly paid, and where they generally lead a somewhat roving life, economic and social conditions are unfavourable to the success of co-operative association.

It is interesting to study how much of the total volume of retail sales, how much of non-member's trade is now in the hands of Co-operative Societies. The

total amount of retail sales in each country can at present be estimated only roughly by calculating the amount per head which the population spends over its purchases. But such estimates cannot be made with any claim to scientific accuracy.

It has been roughly estimated that in all western countries the independent retailer still accounts for more than 70% of the total volume of retail trade and in a country like the United States the chain store has forced its way into the whole field of retail distribution.

For Great Britain, there are certain rough estimates of the share taken by multiple shops and departmental stores. In the year 1929 between 3.5 and 4.5 was controlled by department stores; not more than 9% by the Consumers' Wholesale Societies; between 25 and 40 per cent of the bread supply of the country is controlled by the co-operative societies; 20% of the meat supply, 8% of the coal supply.

In Germany department stores control 4.3%, chain stores 3.4 per cent, and the co-operative societies a little over 4 per cent leaving the independent trade over 80 per cent of the total trade in foodstuffs; the co-operative movement in Germany controls about 10 per cent.

In France, the latest figures available show that the department stores control 5.3 per cent, the multiple shops 5 per cent and the consumers' co-operative societies 1 to 2 per cent of the total. The volume of trade covered by the co-operative societies is thus very small, and discloses the need for steady expansion of co-operative enterprise in the sphere of industry and trade.

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### III

## The Economic and Moral Value of Distributive Co-operation

'The Distributive Society touches no man's fortune ; it seeks no plunder; it causes no disturbance in society; it gives no trouble to statesmen ; it enters into no secret associations; it envies no dignity; it subverts no order. It means self-help, and such share of the common competence as labour should earn or thought can win.'

HOLYOAKE.

There seems to prevail an impression among co-operators that the store is an inferior form of co-operative effort, that it embraces a narrower and less truly co-operative ideal and lacks the elevating influence on character. The progress of distributive co-operation in Great Britain proves the falsity of this impression. British co-operation which is based on the co-operative store is distinguished from other forms of co-operation by the width of its ideal and the thorough-going character of its principles.

The "dividend on purchase" principle does much more than eliminate profit from co-operative transactions. It eliminates the profit-making *motive*. Superficial critics of the co-operative movement often refer to the 'dividend-hunting' motive of co-operators. The essence of profit-making is the keeping by one party of a surplus paid by another party in the transaction; the co-operative dividend on the other hand is a restoration of that surplus to the party by whom it was paid. Moreover in the consumers' movement the members collectively sell to the members individually, the whole business being owned and controlled by them and the profits would not go into the pockets of a private trader. But it is a question of policy whether the larger dividend or the lower price is more likely to attract trade to the stores and thus bring about a wider extension of the Co-operative System. The

tendency is towards stabilising the dividend at a low figure, with a view to securing low prices for the consumers. In fact one of the greatest contributions of the consumers' co-operation to the improvement of existing economic conditions is the influence it has exerted to bring down prices. There are many instances of deliberate price-fixing by the co-operative societies notably in milk-supply where private traders have been forced to adjust their prices to reductions made by the consumers' societies or at any rate prevented from raising them by the refusal of the co-operators to do so.

This influence on prices is extremely important. It shows that even while co-operation is operating within the capitalist environment, it can modify conditions of life far beyond the circle of its members, for lower prices are equivalent to higher wages and the dividend on purchase also increases the purchasing power of the members. The consumers' co-operative movement has thus shown its members how they can secure control over prices. While the Trade Union Movement, working from the point of view of the producer, has tried to raise the standard of life by raising wages, the co-operative movement starting from the consumers' side has tried to raise that standard by lowering prices. The two are complementary to each other but the co-operative method is the surer way, for, unless the workers can control prices, an increase of wages may always be cancelled by a rise in prices, whereas control of prices gives the possibility of continually expanding the purchasing power of a given wage. As long as co-operative enterprises depend on capitalist sources of supply and function in a capitalist environment, control over prices is necessarily very limited. Even in countries like England where consumers' co-operation is most developed, only a third of the goods is supplied by the Wholesale Society and still smaller proportion of the total supplied



by the retail societies. There is therefore greater need for the extension of the movement to all phases of the industrial process.

It may be argued that under the modern capitalist system, there is a point beyond which prices cannot be put up because the reduced sales and consequent increase in costs would more than counter-balance the high prices. But the motive towards raising prices is always there and the consumer is exploited in all possible ways. Thus prices do not necessarily correspond to the real cost of production at all and as the workers are continually changing, they never know exactly the real value of their wages. In industries largely controlled by trusts and monopolies prices are even kept high by restricting production so as to create an artificial scarcity.

Under a co-operative system, these things would not happen. There can be no reason for raising prices as there are no profits made. During the War the co-operative societies were unwilling to raise their prices when other traders did, as they had no motive for exploiting the needs of their members.

The Rochdale method is based on cash payment which is conducive to thrift on the part of its members. It thus instils into its members the necessity to live within their means and thus avoids the tendency to run into debt by buying things on credit.

Another great advantage of a co-operative store is the benefit of wholesale purchase and sale. An essential feature of the consumers' movement is that every enterprise, whether retail or wholesale, is owned and controlled by those who form its own market. There is already the practice of joint purchase of commodities of common use by two or more wholesale societies.

The English C. W. S. is a typical example of joint proprietorship of vast properties. It owns soap

factories, textile factories, boot and clothing factories, hardware, cutlery, glass and pottery works, and printing works. The English and Scottish Wholesale societies own jointly a co-operative insurance society.

Above all, the consumers' organization moralises trade more than any other social organization. It eliminates the profit-making motive. In the consumers' organization sellers and buyers are the same people in their collective and individual capacities. The members collectively sell to the members individually, the whole business being owned and controlled by the members.

A study of the modern factors of production and distribution shows the lack of harmony between the interests of the producer and the consumer. Co-operative distribution seeks to remove the present false antagonism between the producer and the consumer. There is no speculation in co-operative distribution. It guarantees a sure market for the products of industry and avoids misdirected production which leads to much economic waste. It aims at economy and efficiency in management by avoiding dumping of adulterated goods, physical and moral waste among workers, and the demand for false cheapness.

The distributive organization also renders a ready service to production by offering a ready market for the output and by procuring for the latter credit and capital. The significance of the consumers' co-operation as a method of economic organisation and as a means of social control is more widely appreciated.

Co-operators have always maintained that rationalization should begin with consumption and be directed towards the better satisfaction of consumers' wants. They have therefore regarded their movement as a form of rationalization. Ernest Poisson, a veteran co-operator, in his book on Co-operation works out a

development policy for the French consumers' co-operative movement. He shows how the evolution of the private-retail trade in foodstuffs has proceeded from the small shop to the great combines and multiple stores which in their turn are evolving towards collective buying, unified production and a common bank. What is required is greater cohesion among the retail societies and the reconstruction of central organizations. These things are possible, given three conditions, namely increased capital resources, improved technique and a favourable public opinion.

The movement is also a great moralising force, and exercises a salutary effect upon trade, commerce, credit, agriculture and distribution. It combats the modern one-sided view of economics which has led to a niggardly view of life, to the submission of the individual to the petty tyranny of false things, to the wasting of joy and beauty, to the infection of the multitude with a taste for tawdry trash, to the annihilation of popular credit, and to the enrichment of sleeping partners.

The methods of co-operation are eminently pacific and not combative. Its aim is not to obliterate the existing forces and motives to action but to take advantage of them. Unlike the programme of some schools of socialism, co-operative enterprise in its varied forms is markedly free from idealism. Co-operators have recognised the futility of the combative ideals of the past and combine in their efforts not only an organized business but a living faith.

Its growth is in no way detrimental to existing and vested interests. It grows by the ready and equitable recognition of the just claims of the trader. The progress of the movement has shown how it makes for thrift, self-reliance, sobriety, righteousness and healthy mutual understanding.

The movement is based not upon altruism or philanthropy but on enlightened self-interest. The greater the realization of its value, the more the keenness with which the methods and the ideals are applied in the various departments of production, distribution, banking and social life in general. In fact the co-operative programme is a potent harmoniser and the best ally of the state. It equips the masses for a loyal performance of their civic and public functions and enables the state to get its work done by the rural and urban organizations. The Co-operative societies are promoters of peace and goodwill.

Practical participation in any great movement has its own educational value and in countries of backward education like Ireland, Russia, and India the influence of co-operation in this way has been most marked. From the beginning, the co-operative movement has recognized the importance of education and set apart funds for it. Some of the more progressive societies have appointed special education committees. The educational work of the co-operative movement is an integral part of co-operative work, being the basis of its economic and social programme. Co-operative education has taken three main lines of development: technical education for co-operative employees and officials; a rather more general and academic education in the form of schools and colleges for those who intend to be active workers in the movement; and education for the rank and file designed to keep the great mass of the members informed on co-operative problems and aims. The 'heroic period of the movement', in the words of Holyoake, was marked by the rare capacity for sacrifice of the members of the co-operative societies, by their close contact with their organization. But co-operative idealism seems to be at a low ebb amongst the masses of the people to-day who are, as a whole, indifferent towards co-operative enterprises. Their attitude is not that of owners of such

enterprises but rather of customers. Such an attitude does not differ very much from that of an ordinary customer of a private capital undertaking. Co-operation is effecting though slowly an economic revolution in putting the consumer in the place of the capitalist as the dominating factor of economic life. This revolution is performed best by buying and selling in the co-operative stores and producing in the co-operative productive-works. But in order that co-operation shall perform its economic task well and change the economic and social order of to-day, it must find its way not only into the pockets but also into the hearts of the masses. If we speak of co-operative educational activity in such a sense, we speak of educating the consumer and attaching him to his society, and not of preparing employees for work in the co-operative movement. What, then, is the best system of educating the consumer? Common work and common responsibility are the best methods of education. The consumer must be organized not only to buy at the co-operative store, but also for common activity in almost every field of his daily life and his daily needs. The basis of such an organization must be the consumers' co-operative society.

A method of co-operative education free from any element of imposed authority is that of the school co-operative societies which have developed so remarkably in Poland, France and to a less extent in some other European countries. These societies are formed and managed for every kind of purpose connected with school life. There are little co-operative stores for the supply of school requisites, co-operative canteens for providing school meals, co-operative printing societies for printing magazine etc.

In the province of Madras there were 81 student store societies at the end of the year 1934-35 with 3667 students and 9996 associates. It has been sug-

gested that further development of these stores societies might take the form of organizing a central society at Madras to purchase articles in bulk and distribute them to the affiliated societies. The Triplicane stores can act as the Central Society if the *mofussil* societies are willing to join as members of the stores. There cannot be a better training ground for the young in the principles of co-operation than the development of these students' stores in schools and colleges.

The supreme merit of the co-operative store movement is that it succeeds, and succeeds without the help of anyone from without. It makes an asset of the act of spending because of the dividend-purchases. It has turned old indebtedness into saving. It is a present testimony to the power as well as virtue of cash payments. It is a rock of social stability and a training ground in self-government. Co-operative storekeeping is always a possibility, provided that the population has three qualities—loyalty, shrewdness and determination. If we start a store, and buy elsewhere, we destroy our own child. If we buy the wrong stuff or employ a salesman who is crooked or incompetent, we disgust our own members. If we give in at the first check, we are not worthy to be co-operators. It is not a question of poverty. The starving handloom weavers started the movement in England, and wage-earners equally poor started it in Western Europe. It is a question of character. But of course one must have wages to spend at the store; and it is among wage-earners, small government officials, railwaymen, transport workers that one should see such a movement growing in India.

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## IV

### India's Achievements and Prospects in Distributive Co-operation

"Distribution should undo excess,  
And each man have enough"

How is it that distributive co-operation has been a great success in Western countries, notably England while it has not made much progress in a country like India? In the first place there must be an adequate number of people living in close proximity with identical interests. Otherwise it would not be possible to organize a distributive society on an economic basis. At the same time it may be necessary to guard against overlapping. To have too many stores in a single town is a sign of weakness, and not of strength. Such overlapping only tends to increase general expenses, reduce the number of members for each society and revive all the evils which are inherent in competition. Such evils are sought to be met by amalgamating the existing societies into a single concern. But even here it may be necessary to guard against too much concentration, for many members, finding the central shop too far away, might leave the society. No society should be out of reach of its member. In a big city what might be advantageous is one management with branches all over to serve the members in different localities like the Triptlicane Society of Madras. Secondly the successful working of a distributive society requires that it must have an assured field of operation. In its beginnings a distributive society may take up the most important needs of its members such as the supply of foodstuffs. It is only in this way that a society started in an Indian town or village can reach all classes of people, particularly the middle and poorer classes. As a matter of fact, the working class population in our towns and villages do not get the wage necessary to

maintain themselves at a minimum standard of comfort. This is aggravated by the fact that the poor man's means of purchasing are still further reduced by his inability to use them with economy. He usually buys in small quantities his rice, salt etc. from small traders whose goods inferior in quality and higher in price are sold after passing so many middlemen. Village and town stores aim at mitigating some of these evils. Distributive Co-operation need not be confined to the supply of foodstuffs; it may be possible to extend it to a larger number of needs in the early stages of the development of co-operative stores in India. (At any rate an experiment may be made in organizing what is called the universal supply store in the smaller mofussil towns, as this form of store is most useful to the poorer classes, while in the case of the large towns and cities the specialized store confining itself to a single business such as dairying, groceries etc., may find favour with the middle and richer classes)

Perhaps the most important factor that makes for the success of distributive co-operation is the knowledge and practice of business principles. Many co-operative enterprises have come to grief on account of lack of business knowledge and management. (We require men who combine business instincts with disinterested philanthropy) The manager of a co-operative store should know the art of buying at the right time, the right place, the method of fixing the cost price and the retail price, the examination and control of goods. In fact one of the chief difficulties of the Triplicane society of Madras is the problem of purchase. Very often persons who possess these qualities prefer to work in ordinary trades where there are chances of personal advancement and higher salaries than in co-operative concerns. Again the democratic organization of a co-operative concern may be a source of weakness if the members of the society shackle the management by undue interference.



It has been said that environment exercises a strong influence on co-operation and that the crowded or congested life of the members is a factor that makes for the success of distributive co-operation. An industrial district is much more favourable to distributive co-operation than an agricultural one. People in congested areas owing to the pressure of the cost of living are more inclined towards consumers' co-operation. Country folk, on the other hand, have few wants and such wants are easily satisfied; to a large extent, they are provided for by the produce of the farm itself and the rest are produced through the small traders. The villagers have either no time to go to the nearest co-operative store or they prefer to do their purchases at village fairs on market days. Co-operative rural banks have a greater attraction for the village agriculturists as they confer on them certain immediate advantages without demanding from them any great sacrifice. On the other hand agriculturists have very little sympathy with consumers' organization because they think more of the interest of the producer than those of the consumer. Moreover the antagonism of the small traders in rural areas is also a factor to be reckoned with. But in spite of these difficulties, the tendency in recent years in some countries like Ireland has been towards the establishment of store societies in purely agricultural districts and there is no reason why a similar effort should not be made in India.

Above all what makes for the success of distributive co-operation is a genuine desire to help without paying and to organize local resources. (The success or failure of a store depends largely on the character of its members.) The essential duty of a loyal member is to purchase at his own store even if the grocers' shop is more convenient or offers an article at a cheaper price. The qualities which tend most to the success of co-operation are love of order, respect for discipline and a spirit of solidarity.

Perhaps the most important factor is the personal element in the store. The requisites of a true co-operator are good sense to make the most of his means, good temper to associate with others, and good-will to serve others and go on serving, be they grateful or not. A lack of these leads to humours. We meet too often with the unscrupulous director, the over-zealous secretary, the surly accountant, the tardy salesman and the oily purchasing agent.

(The fundamental principle of the distributive store is service to its members.) It is to provide its members with articles of good quality at a just price and eliminate the profits of the middleman. It emphasises also equality of rights and obligations. 'One man, one vote' has been the governing principle from the beginning in the constitution of a store society. Women are on a par with men. The distributive society is based on the needs and controlled by the wishes of the consumers. This recognition of the importance of the consumers opens the way for women. There is no distinction of class or creed. The method of sharing the profits by the simple device of the 'dividend on purchase' has removed the temptation to restrict membership. There is no speculation in shares. In the Rochdale system there is no such thing as profits or profit-making. Trade and manufacture are carried on with the single purpose of satisfying the needs of the consumer. To make membership easier some societies have abolished even the entrance fee. The system of cash payments has been conducive to thrift.

In western countries, where the consumers' movement has taken deep root, woman is a mighty force as she controls the purchasing power of the family and the success of the consumers' movement is due largely to the loyalty to the stores shown by the 'woman with the basket'. In India woman can play

a very important part in strengthening the consumers' movement. The loyalty of the women of the household must be roused.

India's growing civic life is a guarantee of the success of the distributive co-operation. Though India is still mainly an agricultural country with a large number of people living in villages, there is a marked tendency towards the migration of the people from rural to urban areas. The exodus of people from villages to towns and cities is partly due to the absence of any efforts towards raising the standard of living of the villagers by supplementary occupations. The growth of large-scale industries in and around big cities has attracted a large working population from the rural areas. It is not necessary to dwell in detail on the evil effects of such rural migration into the cities.

Now rural depopulation is not peculiar to India; it is a tendency noticed in practically every country. But in an agricultural country like India, the urbanised agriculturist is usually rather a helpless person, and he is not under the protection of effective trade-unions as in the western countries. It is therefore all the more necessary to strengthen the position of the workers by co-operative organization in its varied forms. (No form of organization lends itself more easily to moralise trade and to emancipate the poor than consumers' societies.)

The real impulse towards the co-operative method was given by Sir F. Nicholson's Report of 1895-97 in which after studying the movement in England on behalf of the Madras Government, he advocated the introduction of Co-operative Credit Societies similar to those founded in Germany by Raiffeisen. The Co-operative Credit Societies Act was passed in 1904. The Act rightly directed attention towards the provision of credit both in the town and in the country.

In 1912 the Co-operative Societies Act replaced the Act of 1904. The new Act, as shown by its name, contemplated the extension of co-operative activity to more complex forms. The new Act made provision, among other things, for the registration of societies dealing not only with credit but also with purchase and sale, insurance, and the various specialised functions carried out by the most recent types. Attention was at first directed rightly to credit society. The primary credit society with unlimited liability is now well distributed in the major provinces of India. The number of societies of all description is greatest in the Panjab where there is roughly one society for every 2000 and one person in every sixteen benefits from some form of co-operation. The proportion of co-operators to population is highest, among the major provinces, in Bombay where one person in every 14 belongs to a co-operator's family. The average membership of a society in Bombay is about ninety as compared with twentyfive in the Panjab and sixteen in the Central Provinces. Over 8 millions of people have been touched by the co-operative movement. The annual return of co-operative societies shows that, of the total number of societies about 90% constitute primary agricultural societies, 7% non-agricultural and about 3% Central Banks, Unions and other secondary institutions.

The achievements of credit co-operation in India cannot be summarised better than in the words of the Royal Commission on Indian Agriculture:—

“The main results achieved may be said to be the provision of a large amount of capital at reasonable rates of interest, and the organization of a system of rural credit which, carefully fostered, may yet relieve the cultivator of that burden of usury which he has borne so patiently throughout the ages. Knowledge of the co-operative system is now widespread; thrift is being encouraged; training in the handling of money

and in elementary banking principles is being given. Where the co-operative movement is strongly established, there has been a general lowering of the rate of interest charged by money-lenders; the hold of the money-lender has been loosened, with the result that a marked change has been brought about in the outlook of the people".<sup>1</sup>

These positive results are a great achievement and may serve as an inspiration to the consumers' movement.

Though the co-operative movement in India is comparatively recent, the progress of the movement has been one-sided. Though credit co-operation is likely to dominate all other forms of activity in an agricultural country, it is necessary to guard against the perils of the one-sided development. A harmonious development of the co-operative movement implies that we should also develop various forms of non-credit activity.

A survey of distributive co-operation in India in recent times shows that no serious and steadfast effort has been made to develop it. The experiments made so far have been sporadic, and marked by utter lack of vision. The distributive societies organized in some of the provinces of N. India have failed for want of proper organization and enthusiasm on the part of the promoters. The rise in prices consequent on the war was favourable to the organization of the consumers' societies, but such societies as in Bombay, have not been a great success.

In his latest report, the Registrar of Co-operative Societies for Bombay Presidency remarks that the three principal forms of non-agricultural co-operation are Urban Banks and Credit Societies, Industrial Producers' Societies, and Consumers' Societies. Of these the last is the least successful. The Registrar indicates as the

<sup>1</sup> Royal Commission on Agriculture in India (1928) p. 447.

(underlying causes the lack of settled income, the general absence of a systematic plan of expenditure in the poorer modern households, the habit of buying on credit and the inability of the consumers to appreciate the cumulative effects of short weight and the inferior quality of the goods offered by many of the grocers.) The failure of the recent experiments in Bombay has resulted in diminishing enthusiasm for consumers' co-operation, although in various parts of the province there are several societies of railway workers, municipal employees etc. The one form of consumers' co-operation which is an undoubted success in Bombay is the Housing Societies.

In his annual report on the working of the Co-operative Societies in the United Provinces the Registrar remarks that there are few stores in the province, and that most of them are petty retail stores. The reason given is that the people have no complaints against the kind of articles they get, and that a co-operative store would not be able to supply them with goods at a price appreciably lower than what they have to pay at present. The margin of the profit of the ordinary retail trader seems to be so small that there is little scope for the successful working of a co-operative retail shop.

On the other hand, in the province of Madras, the abnormal increase in prices in the period following the War gave a stimulus to the formation of quite a large number of store societies. It rose from 11 in 1915 to 103 in 1921. But the failure to make further progress is attributed to the fall in prices, bad management, heavy establishment charges, and disloyalty on the part of members. By 1923 the number had fallen and in the next 2 years no new societies were registered. But the number has, however, increased during recent years and there are about 140 societies classed as stores.

The only large society which has attained a fair measure of success is the Triplicane Society of Madras. The business of the Triplicane Urban Co-operative Society still consists of retail sale of goods to its members. The principles of retail sale are the same as those laid down by the Rochdale Pioneers. The sale is for cash only, and not for credit. The society deals at present mainly in food grains, oils, oilman-stores, toilet requisites etc. Though there are as many as 140 articles enumerated in the sale list, most of them are groceries and the Triplicane Urban Co-operative Society ever since its inception has been functioning largely as a provision store in groceries. It has developed 25 branches which have been grouped together for distributing goods. There are six groups and each group is served once a week. The purchases of the Triplicane Society are a somewhat difficult problem and an attempt is made to purchase as near the centres of production as possible, but no satisfactory step has yet been taken to solve the problem of purchase on permanent lines. The Triplicane Urban Co-operative Society is the largest store not only in Madras but of India as a whole. In spite of increasing numbers in membership, the total sales have been steadily on the decline. There is a general dissatisfaction against the Directorate on the part of the Panchayat members of the different branches and of members as well. In the first place (the store has not kept pace in the matter of studying the needs of its members with its competitors) — the retail merchants who can give credit — but the store being based on the Rochdale principles cannot give credit to its members. Secondly the charges on the permanent establishment have been steadily increasing. Thirdly, perhaps the most important is the lack of loyalty in purchases on the part of the members. The store has not pushed its activity along new lines but simply carries on the grocery

needs of its members. The chief competition in Madras is the specialist in single commodity who professes to sell the best quality at rock-bottom price.

The remedy now suggested is decentralisation. The store has 25 branches at present and the Head Office is in charge of the purchasing and supplying them with goods. (It is urged by some that these branches should be made independent by registering them as separate societies.) The Head Office might be registered as a Wholesale into which these independent branches could be federated and the desire for decentralisation is naturally stronger in those branches that do a respectable volume of business. On the other hand the objection to decentralisation is stated to be much stronger. First if every branch be independently registered as a separate society, poorer branches would suffer by local competition and they are now able to stand competition because they are part of a mighty whole. The natural development is from retail to wholesale and from wholesale to production, but the time is not yet ripe for it. Thirdly centralisation has been the main line of development in western countries and there are advantages of centralised purchase and supply.

Other alternatives proposed are optional decentralisation, and decentralisation into territorial units i.e., the 25 branches are to be grouped into 4 or 5 small circles on the basis of territorial contiguity allowing devolution of more powers upon branches and keeping the present institution intact.

The Triplicane Urban Co-operative Society is at present run as a somewhat capitalistic enterprise. The chief reforms urged are (1) separation of the credit branches of the store, if not abolition and replacement by a Banking Department, (2) existing branches to be made primary societies having complete local autonomy in every detail of business, (3) their



federation into a wholesale society for joint purchase and production if possible, (4) propaganda.

Indian Co-operative stores have not succeeded mainly because of lack of understanding of their benefits, want of business capacity, and the general lethargy among the people. The Triplicane Store has been the only successful institution. Other efforts notably for the mill hands at Calcutta and Bombay have not had the desired success, nor can their success be compared with the great progress in credit societies.

Much of the success of the co-operative movement from its early days is due to loyal and effective propaganda. The International Co-operators' Day is observed in several countries by Co-operative organizations. Co-operative propaganda helps not only to preserve the fabric of the movement but also to mitigate the hardships of working classes whose earnings have been diminished by unemployment, wage-cuts and heavy taxation. The best co-operative propaganda has a twofold aim. On the one hand, it attempts to persuade quite a large number of people to attach themselves to co-operative organizations, and on the other, it aims at presenting co-operation as a system to be applied in the social interest to the solution of all vital economic problems. By insistent propaganda, the co-operative idea must be brought home to the mass of the people. The international solidarity of the co-operative movement must be emphatically reaffirmed. Methods of propaganda must necessarily differ from country to country, but the constant aim should be to focus attention on co-operation as a world movement working for a world economy. A special course on Consumers' Co-operation with a view to enabling the rank and file of the membership to obtain a firm grasp of the principles of consumers' co-operation is attempted by the Co-operative Union in England. The T. U. C. S. of Madras, like the C. W. S. in England, will do well

to establish contact with teachers of economics in colleges and the universities with the object of drawing attention to consumers' co-operation as a subject of study. In considering how co-operation can influence mass opinion, the time-honoured methods of propaganda are not adequate, and the efficiency and attractiveness of co-operative shops together with the extension of recreational facilities and social welfare services are the best means under modern conditions.

The general direction of the educational activities and the enunciation of policy have rested so far with the provincial registrars, and the efforts of non-official workers have nowhere been systematically organized. The position of the registrar as guide, philosopher and friend was justified in the early stages of the movement but now non-official workers must come forward to work in every district. Propaganda to be effective must be carried on by men who possess living faith and interest in the movement and, as the officials are already overburdened with routine duties, non-official workers must carry on propaganda on a systematic basis.

The success of co-operative credit may inspire confidence in distributive co-operation. The sense of unity and of common need furnish the basis of organization of village stores. In the town owing to the less concentrated intimacy of town life, the moral element of mutual control is less marked but the congested life of the people and the consequent advantages of getting things of good quality at a fair price are in favour of town stores on co-operative lines.

(A natural and healthy line of development consists in developing consumers' co-operation with a view to coming into direct touch with production.) Such a process will bring the rural and urban workers together by making them supplementary. Producers'

co-operation in order to exploit the consumer, or consumers' co-operation, without any reference to whether the articles purchased are produced by the co-operators, would be a one-sided development and, not likely to secure an organic unity between urban and rural areas. In a country like India where every man clings instinctively to his village, there is no exclusive urban population.

Though the working of store organization in villages is more complicated, it is necessary to face the problem in right earnest. Primary village societies might take charge of produce for sale, and supply the store organizations in each district and in the presidency towns at agreed rates. Side by side with a large number of primary store organizations, it is necessary to link them with the town stores.

The organization of co-operative stores in India, if it is to be a success, must proceed on certain clearly-marked lines. In the first place, every town or city must form the nucleus of a society and such societies, if properly managed, might develop both in range of membership and in range of activities. Secondly what has been called the works society in connection with a large factory or set of workshops might serve a useful purpose in enabling the workers to buy things nearer home free from the middlemen. Thirdly it would be useful to develop co-operative trading as an easy development from the village credit bank. Where a co-operative spirit has been elicited in a village bank, this spirit will find other means of expression in the form of co-operative purchase.

Closely allied with these developments is the co-operative organization of Wholesales. It is on these lines of organization of retail societies and federating them with the Wholesales that the distributive movement should be developed from the outset. In fact

two fundamental principles underlying the store movement are that, in the first place, it must be comprehensive in spirit, and secondly, it must consist of, and be entirely managed by, the consumers.

Two dominant ideas in Indian economic organization are:—India must equip herself with the productive appliances of the West, and India must avoid the capitalist system by which the western world has developed its productive efficiency. How can the advantages of capitalist system be secured and, its evils avoided? The example of the Rochdale Pioneers supplies a possible answer.

The penetrative and competitive power of modern large-scale industry is shown in the relative decline of other forms of industry. Co-operation can give to small-scale enterprise the necessary strength to hold its own. Co-operation has served this end in certain branches of small-scale agriculture; more than that, it has tended to develop the moral qualities which its successful working requires. But it should not be forgotten that co-operation is inherently a more difficult form of organization than ordinary competitive private enterprise, just because it depends on the loyal and harmonious action of a large number of individuals, while the latter requires only the self-seeking initiative of the few. It cannot be assumed that a co-operative organization can be created just because it is desirable.

In fact, the causes for the slow growth of consumer movement in India may be set forth in broad outlines—the slow margin between wholesale and retail prices, the lack of leadership etc., but the most dominant causes for want of success are to be ascribed to the slow pace of industrialisation in India, and the comparative poverty of the country. It is plain that the most pressing need of India to-day is a systematic movement for economic uplift among the masses, both urban and rural. The stimulus to such an uplift

does not at present exist among the people themselves ; and the Government alone cannot do very much to encourage it. If success is to be achieved, continuous and well-directed efforts on the part of the authorities must be supplemented by an impulse towards self-improvement on the part of the masses. Probably the most powerful stimulating agency in this direction is to be found in the co-operative movement in its important forms of Producers' and Consumers' organization all over India.

In India, well-conceived state or municipal enterprises may be made to possess many of the qualities of a co-operative consumers' organization. The Belgians call these enterprises *Regies Co-operatives*. The veteran co-operator Dr. Fay, in his book 'Youth and Power', has given an account of a great Canadian achievement in this sphere. It is the publicly-owned Hydro-Electric Commission of Ontario which is a voluntary federation of municipalities deriving power from the Central Hydro-Electric establishment which is in the hands of a Public Commission. From this government-appointed commission, politics has been rigidly excluded. It is a small body of experts. It has provided Ontario with light, heat and power at rates about half those of New York state which derives its power from the same Niagara river that supplies western Ontario. All profits return eventually to the consuming public. Is there not here too a field to which India might contribute something ?

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