



The Consumers' Co-operative Movement in the United States ⁽¹⁾

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IN spite of the fact that the United States was one of the first countries into which the Rochdale idea was introduced, the co-operative movement is little developed as compared with the movements found in the various countries of Europe. In 1884 a buying club, probably the first instance of co-operative effort in the United States, was established in Boston. Since that time the consumers' movement has been characterised by sporadic bursts of co-operative activity, often extensive but hitherto ephemeral. Not all the early ventures were strictly co-operative in principle, and in many cases the co-operative idea was subordinated to some other economic or social programme, the failure of which defeated the incidental co-operative development. This was true of the movement supported by the Knights of Labour, a strongly organised labour body, about 1884. While these earlier movements failed as a whole, scattered survivors are still found, though not always following strictly the Rochdale pattern.

The establishment of communistic colonies was another form of co-operative effort which has continued up to the present time. Some of these colonies were primarily religious, while others were economic in origin. A few of these colonies are still in existence, and in recent years several new ones have been started.

Toward the end of the nineteenth century the co-operative movement in the United States seemed to have died out. Only a few scattered independent stores remained. Gradually, however, interest re-awakened, especially along the line of farmers' marketing associations. So general has this interest become that co-operation, especially co-operative marketing, has been intro-

⁽¹⁾ *Editorial Note.* For further detailed information on the consumers' co-operative movement in the United States see the author's *Consumers' Co-operative Societies in the United States in 1920* (United States Bureau of Labour Statistics, Bulletin No. 313 ; pp. 147 ; Washington, Govt. Print. Office, 1922). The recent important congress of the Co-operative League was held at Chicago from 26 to 28 October, after the writing of this article ; the principal interest of this congress was the closer working it foreshadowed between the consumers' co-operative movement, the Farmer-Labour movement, and trade unionism in the United States. The present article confines itself to a limited phase of the co-operative movement, as investigated by the author at first hand, namely, the work of about a thousand consumers' societies, including some which combine the functions of a consumers' society with those of a farmers' marketing society.

duced as part of the regular curricula of twenty-five universities and colleges, either as a separate course or in connection with other courses. The farmers' marketing movement has now attained immense proportions in the United States. In some States co-operative activity is slowly but surely driving out private profit-making organisations. Thus reports made by the University of Minnesota show that in Minnesota, an agricultural State, 22.6 per cent. of the total potato crop for 1920 was handled by co-operative potato-marketing societies, that 38.9 per cent. of the grain crop was marketed by co-operative elevator companies, that 63.8 per cent. of all the butter produced in the State was made by co-operative creameries, and that 65 per cent. of the live-stock shipped that year was sent by co-operative live-stock shipping associations. One of the latest and very ambitious developments in the farmers' marketing movement in the United States is the establishment of an organisation called the United States Grain Growers Ltd., the object of which is to unite the various local and State co-operative grain-selling agencies into a country-wide system. The future of this organisation is still, however, very doubtful; it has recently been compelled to reorganise.

Not until the war, however, did a like interest in consumers' co-operation appear. In this case, also, economic pressure was the actuating factor. The people of the United States have hitherto been unusually fortunate, feeling comparatively little of the "pinch" found in older, more thickly settled countries. Americans have not been notable for thrift, and "penny savings", in whatever form, have never been popular. Other factors have contributed toward retarding the development of the consumers' co-operative movement. The population of the United States, unlike that of the countries of Europe where the co-operative movement has reached such great proportions, is not homogeneous. It embraces many racial elements, among which there is not that mutual understanding necessary for successful co-operation. The population is a migratory, shifting one, and one thus lacking the element of stability essential for the development of the co-operative society. Were the country already covered with a network of societies this factor would be of less effect, since the family on removing to another section of the country would simply transfer its membership. It is a most effective obstacle, however, to the initial establishment of a movement, and under present conditions when a member leaves the locality of a society he is, nine times out of ten, lost to the movement. Probably nowhere in the world is business more solidly organised than in the United States. Chain stores (multiple shops), in many lines of business, stretch from coast to coast. This also is a condition disadvantageous to the establishment of a new movement. Then, too, Americans have been notably individualistic, a characteristic which does not make for the harmonious collective action necessary for the successful co-operative society.

With the beginning of the war the economic pressure necessary

to make the wage earner feel the need of the benefits obtainable through co-operative effort began to be felt. Prices rose, and though wages also rose, they rose haltingly and not in equal measure with prices nor for all wage earners. Co-operation seemed to supply the remedy for the situation and co-operative societies began to be formed everywhere, reaching a high point in the latter part of 1919 and the first half of 1920. The trade union movement endorsed co-operation, the unionists recognising that advances in wages are futile if equalled or exceeded by advances in the cost of living.

Many of the new societies were foredoomed to failure. Stores were opened in places where the population was insufficient to support them. Many communities succumbed to the wiles of stock salesmen, who, taking advantage of the prevailing interest in the subject, were promoting ventures fraudulent or questionably co-operative. Again, too often the society was started solely with the idea of lowering the cost of living for its members and started without knowledge not only of co-operative principles but of business methods. The year 1920, which saw the height of co-operative organisation, was one of unusual and uncertain business conditions, to cope with which required experience and a high degree of business ability. The first of these requisites, in the nature of things, the new society did not possess, and the second was also too often lacking. Falling prices, and, toward the end of the year, increasing unemployment among the members, added to the difficulties of the movement.

During the year 1920 three co-operative wholesale societies failed. Their failure was, because of the far-reaching effects, the most outstanding circumstance in the history of the movement during 1920. One of these wholesale societies had been organised with the idea of its becoming the wholesale society for the entire country. This society was formed at the first co-operative congress in the United States in September 1918. Although a number of district wholesales had already been formed, the local societies affiliated to them formed only a comparatively small proportion of all the consumers' societies in the United States. The plan was that these district wholesales should gradually be taken over by the national body and that eventually the latter would become the organisation through which the buying power of the scattered independent stores would be consolidated. The wholesale began business about 1 November 1919. Affiliation by the local societies was slow in materialising, and the wholesale began active work in organising retail co-operative stores, which were in effect its branches and under its control, to furnish business to itself. As already indicated, the undertaking was unsuccessful.

The failure of these societies had disastrous effects on the retail societies, since the national and one of the other wholesale societies were operating retail branches on the chain-store plan, the funds of the whole system being handled by the central office. It is a feature of the chain-store plan that the fortunes of the

retail branches are inextricably bound up with those of the central, or wholesale, society. In general, these failures were due to wrong methods of organisation, poor judgment in buying, poor management, the desire for quick results which led to over-expansion, too great an overhead expense in proportion to the business done, and to general incompetence at headquarters. In one case the situation was made worse and failure hastened by the occurrence of three strikes — the steel strike, the miners' strike, and the "outlaw" railroad strike — which came in quick succession and in which many of the members of the constituent stores were involved.

No figures are available covering the whole co-operative movement in the United States. The results of a survey conducted by the United States Bureau of Labour Statistics for 1920, however, while by no means covering the whole field, are sufficient to show the general tendencies of the movement and to form a basis for estimates of its total extent in the United States today. Using the averages arrived at in that study, it is estimated that the membership of the known societies of the United States would number close on 700,000, and that their annual business would amount to nearly \$260,000,000. Making allowance for the fact that the known societies probably include only about 90 per cent. of the co-operative societies in the country, the estimated figure for total membership is placed at 775,000 and that for yearly business at \$285,000,000. No satisfactory calculation can be made as to the number of families supplied co-operatively, since in the United States all the members of the family over 18 years are eligible and encouraged to become members of the consumers' co-operative society.

The above estimates are based on information for the year 1920 received by the Bureau of Labour Statistics from 1,009 retail societies and 10 wholesale societies. Two types of societies were included in the study: (1) exclusively consumers' societies, and (2) societies which combine the functions of consumers' societies with those of marketing societies.

Information as to membership was obtained from 966 societies; these reported a total of 260,060 members. The Middle Western States were found to contain two-thirds of all the societies and over three-fifths of the total membership included in the study. Considered in relation to population the strictly consumers' movement has reached the greatest development on the Pacific coast. The sparse growth of the movement in the United States as compared with other countries is revealed by the fact that even in the Pacific States members of strictly consumers' societies numbered in 1920 only 47.5 per 10,000 of population. For the whole country there were 18.6 members of consumers' societies per 10,000 population; for both types of societies combined the membership numbered 24.6 per 10,000 of population. The

consumers' movement is very weak in the South. It is beginning to spread there, but up to the present little has been done except in the marketing of crops, especially cotton.

Nearly two-thirds of the societies studied were located in rural districts. Of the strictly consumers' societies, however, more than 10 per cent. were located in cities having a population of 100,000 or more.

The typical American consumers' society as disclosed by the study is a young organisation, less than five years old, and averaging about 270 members. Only nine societies were found which had 2,000 members or more. Of these, three had been in business twenty-five years or longer. All of these, however, were societies handling students' supplies. Not one organisation handling general supplies and in business a quarter of a century or more had as many as 2,000 members. More than two-thirds of the whole number reporting had less than 200 members.

Eighty per cent. of the societies conform to all or most of the accepted Rochdale principles.

Over three-fifths of the strictly consumers' organisations are doing a general-store business, 17 per cent. carry groceries only, and an additional 10 per cent. sell groceries and meat. The combined purchase and sale societies are about equally divided among those dealing in general merchandise and coal. The business of the 811 organisations which furnished data on this point totaled more than eighty million dollars in the year 1920. Of this amount nearly one-half was done by the co-operative societies of the Western North Central States. More than one-

STATISTICS OF OPERATION OF EACH TYPE OF CO-OPERATIVE SOCIETY IN 1920

Type of Societies	Total number of societies	Membership		Paid-in share capital		Reserve fund		Annual sales	
		Number of societies reporting	Members	Number of societies reporting	Amount	Number of societies reporting	Amount	Number of societies reporting	Amount
					dollars		dollars		dollars
<i>Retail</i>									
Consumers' Combined purchase and sale	728	696	496,352	662	11,290,973	314	1,614,483	650	64,935,837
	284	270	63,708	265	41,079,945	420	4,177,665	461	15,469,098
Total	1,009	966	260,060	927	22,370,918	434	2,792,148	811	80,104,935
<i>Wholesale</i>									
Consumers' Combined purchase and sale	7	6	271	5	140,965	4	31,538	6	3,881,585
	3	3	707	3	167,990			3	5,318,488
Total	10	9	978	8	308,955	4	31,538	9	9,200,073

tenth of the whole amount of business was done by the societies of each of the States of Kansas, Minnesota, Nebraska, and Wisconsin. Sales of a million dollars or more are reported in each of 19 States. Twelve societies had retail sales of \$500,000 or more during the year, and five societies of one million dollars or more. The average purchases per member during the year for all the associations reporting amounted to \$378.

Practically no manufacturing is done by consumers' societies in the United States.

The above table shows, for both the retail societies and the ten wholesale societies studied, the statistics of operation for 1920.

The enquiry brought out the fact that the consumers' societies are fairly well capitalised, averaging over \$17,000 per society and \$59 per member.

It was found that, as regards operating expense, the co-operative stores in the United States compare favourably with private establishments in the same line of business. The results of the enquiry into operating expenses in retail grocery stores in 1919 carried out by the Bureau of Business Research of Harvard University (?) show that the expenses of the co-operatives are somewhat less than those of private grocery stores. The average expenses of the co-operative stores calculated in percentage of net sales show 11.9 per cent. as against the average of 14.6 per cent. in the case of private stores. Delivery expenses of the co-operative stores were considerably less, obviously due to the fact that most of the business of the co-operatives is "cash and carry". Labour costs calculated in percentage of net sales were also a trifle less for the co-operatives investigated by the Bureau of Labour Statistics, as against the private stores, 5.5 per cent. in the case of the former and 6.3 in the latter.

While the accounting methods of the co-operative stores in general leave something to be desired, the investigation showed that a gratifyingly large number of societies conform to the best practice as regards both accounting and auditing of books. The most common faults disclosed by the enquiry were the extension of dangerously large amounts of credit to members and an unduly large investment of capital in fixed assets, leaving too small an amount of working capital.

It should be emphasised that the figures in this article give no indication of the present financial position of the consumers' movement in the United States. They apply to 1920 only. The abnormal business and industrial conditions of the past two years have proved fatal to a number of co-operative societies, but this state of affairs has not been confined to the co-operative movement alone. The fatality rate among co-operatives has probably been

(?) HARVARD UNIVERSITY ; GRADUATE SCHOOL OF BUSINESS ADMINISTRATION ; BUREAU OF BUSINESS RESEARCH : *Operating Expenses in Retail Grocery Stores in 1919*. Bulletin No. 18.

no larger than that among private businesses. Supplementary reports received by the Bureau of Labour Statistics indicate that the movement as a whole has weathered through surprisingly well, and, indeed, that in some places the co-operative spirit has even grown.

The movement is still nationally unorganised, though a movement toward national organisation is in progress. This time the effort is directed towards consolidation, not through the medium of a national wholesale, but through the educational side of the movement. District leagues for educational purposes are being formed, and the plan is that the whole country shall become thus organised locally and that these local or district leagues shall be federated into a national body, the Co-operative League of the United States of America, which is already in existence.
