

## §14. CO-OPERATION IN AUSTRALIA.\*

1. **General.**—The word “Co-operation” is used vaguely and with different significations in Australia. Sometimes the adjectival form is adopted as a trade name by ordinary joint stock companies which have merged into a single concern. At other times the term is applied to schemes of co-partnership, profit-sharing, or welfare work. The usage in both instances is incorrect, for, to the student of economic development, co-operation has a very definite and restricted meaning.

As the word itself suggests, co-operation generally means the voluntary united effort of men to further some common interest. It is an expression of the desire for freedom, especially freedom from some real or imagined exploitation. Consequently co-operation is of two kinds :—

- (a) *Co-operation of Producers*, who band together to secure some benefit by liberating themselves from dependence upon an employer, a middleman, a manufacturer, or a bank ; and
- (b) *Co-operation of Consumers*, who unite to protect their interests as consumers.

2. **Co-operation of Producers.**—(i) *Agriculture and Dairying.* Co-operation of producers has secured its greatest triumphs in agriculture. The farmer, even if he owns the land on which he works, is dependent on many other persons, both before and after his goods are produced. Often he has little capital, and may not be able, therefore, to afford the necessary equipment. He cannot buy his fertilizer or seed in bulk. Then, in preparing his produce for market, there is often some necessary process of manufacturing or packing, e.g., butter making, bacon curing, &c., which is most economically done on a large scale with adequate factory equipment. Moreover, he is at the mercy of the agent who handles his goods in the market. His financial success depends not merely upon his efficiency in production, but also upon the cheapness with which he can get his buying, selling, and manufacturing done, and his credit facilities arranged. To secure this result farmers have combined. By so doing, they have been able to employ their own middlemen, establish their own banks, buy in bulk, manufacture on a large scale, and sell to the best advantage through the factories and agencies which they control.

Agricultural co-operation may, therefore, be very varied in character. In some parts of the world, Co-operative Credit Banks can be found in thousands, especially along the valley of the Rhine. But co-operative credit has received very little attention in English-speaking countries. In Australia, the outstanding example of agricultural co-operation is found in the dairying industry, in connexion with which butter and cheese factories have been established, and co-operative milk distributing agencies have been set up, while the sale of products is controlled by co-operative societies in the local market and also overseas. During the last ten years many new co-operative societies have been formed by farmers to provide such services as slaughtering and freezing for export, sale of wheat, fruit, hay, manufacture of superphosphate, insurance, &c.

The capital is usually subscribed by the farmers who expect to benefit from the formation of the society, and sometimes the amount of capital taken up by any person is proportionate to the quantity of business he expects, or is allowed to do with the society. On this capital, he may receive a fixed rate of interest, and, in addition, a bonus on all transactions he has with the society. In other cases, no attempt is made to pay a bonus in proportion to the volume of business done by each member, but any profit made by trading is distributed in the form of an ordinary dividend on share capital. There were in 1922, 228 producers' co-operative societies in Australia: the number of shareholders was 192,470, and the share capital £3,301,000. The total sales were nearly £34,000,000, and a net profit of £261,000 was made. The average rate of interest paid on loan capital was 5 per cent., that on share capital was 3.5 per cent. The latter figure is probably much lower than usual, as the year was an unsuccessful one for many important societies. In addition to the dividends, thirteen societies paid bonuses to their members in proportion to the volume of trade done with the society. These bonuses were all deferred payments for milk supplied to co-operative butter factories.

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Although the last decade has witnessed a rapid growth in producers' co-operation throughout the continent, Australia still lags far behind other countries. As yet, virtually no attention has been given to the enormous possibilities of co-operative banking, and the export trade in meat, wool, and wheat is still largely in the hands of non-co-operative companies.

(ii) *Industrial*.—One form of producers' co-operation which has been almost entirely neglected in Australia is that of industrial co-operation among wage-earners. The idea of the self-governing workshop, where capital and labour are supplied by the same persons, has fascinated many men during the past eighty years. In the bitter class struggles of that period, wage-earners have often felt that social salvation could be attained only when those who provided the labour supplied also the capital. Such sentiments are especially popular during or after an unsuccessful strike, for then men vow that never again will they work for any employer. These ideas have often found practical support from social reformers and philanthropists, while to some conservative statesmen productive co-operation has seemed a pleasant and easy way to economic freedom. Hence the number of experiments in self-governing workshops has run into thousands during the past eighty years. France is the home of the idea, but experiments have been made in almost every country of Western Europe. Generally, the ventures have been made in industries where the amount of capital required is small, *e.g.*, cabinet-making, house-painting, tailoring, printing, or general labouring. A few isolated instances of such experiments in Australia can be traced; but the records are scanty, and the results were always the same, namely, eventual failure after a pathetic struggle against inadequate capital, defective management, and non-existing markets. Australian organized labour has fought shy of any large attempt to use its resources or man-power in securing the ownership and control of any important industry.

3. *Co-operation of Consumers*.—(i) *General*. Co-operation of consumers aims at bringing under the control of the consumer the production and distribution of the goods he wishes to buy. The individual consumer requires a great variety of commodities, which are provided by some entrepreneur who as producer, manufacturer, or distributor brings the goods within reach of the consumer, and, in return, endeavours to extract a profit from the transaction. In so far as competition is restricted, the consumer may find himself more and more at the mercy of monopolistic price control, and the profits extracted from him may be excessive. But, if a few hundred consumers pool their small savings, they can provide the capital with which to establish their own store, and supply themselves with goods at virtually wholesale cost price. When the hundreds become thousands, the capital subscribed by the consumers may be sufficient to erect and equip factories in which the goods required may be produced: and as the consumers become organized in larger and larger bodies, it may be possible for them to provide the capital required for every stage of production from the raw material to the commodity on the shop shelf. In so far as this can be done, consumers have their requirements met by a system from which profit has been eliminated.

(ii) *Robert Owen's Ideals*. The co-operative ideal came into prominence during that period of social and economic unrest which followed the Industrial Revolution and the Napoleonic wars. It found its greatest exponent in Robert Owen, whose panacea for social ills was common property and co-operation, in place of private property and competition. Owen's influence was large, but vague, and the numerous model communities which were established on the basis of the Owenite creed all came to grief.

(iii) *The Rochdale Society*. Out of the wreckage, the consumers' co-operative movement emerged, and had its first permanent success in the society formed at Rochdale in 1844. This society not only succeeded where many earlier attempts had failed, but it laid down certain fundamental working rules which have become the tenets of consumers' co-operative societies throughout the world. These working rules may be stated briefly as follows:—

- (a) All capital is to be provided by the members, and bears virtually a fixed rate of interest. Membership implies the holding of one or more £1 shares. This share capital may be supplemented by loan capital, and members may thus use their society as a Savings Bank. Loan and share capital alike are withdrawable on notice.

- (b) The amount of share capital which may be held by any one person is limited by law. Co-operative societies generally enjoy a special position under Industrial and Provident Societies Acts, and by these Acts the amount of share capital per member is limited, generally to £200.
- (c) Whatever the amount of capital held, the general rule is that of "one member one vote." This is in contradiction to the voting principle in ordinary joint stock companies, but the apparently absurd rule is essentially democratic and works well. In one or two isolated instances the rule is slightly departed from in Australia, but the general principle of "one man one vote" is kept to the forefront in the formation of most new societies.
- (d) Goods are generally sold at the prevailing market rates. In some parts of the world co-operative societies insist on cash transactions, but in America and Australia, where the habit of buying on credit is deeply ingrained, this rule is not generally observed. Since ordinary market rates are charged, the problem arises of the disposal of the net surplus. After the commodity has been bought, rent paid, interest on capital allotted, depreciation, wages, and other charges met, there may still be a net surplus. This surplus goes back to the pocket from which it came. It might be regarded as an "intentional accidental" overcharge, but the extent of the overcharge is not discovered until the books are made up at the end of the half year, and the member then receives back the sum of which he has been mulcted. In practice, this dividend in proportion to purchases is the vertebral column of consumers' co-operation. It is obvious that the prospect of receiving a refund of 1s. to 3s. on each £1 spent is a great inducement, and has been an important factor in causing the phenomenal growth of the consumers' co-operative movement in Europe since the forties of last century.
- (e) In addition to the principle of "one member one vote," that of equality of sexes in membership was adopted. They also decided that a definite percentage of the net surplus should be allotted to education. These principles have been fairly well honoured since they were formulated, and British co-operative societies spend nearly £200,000 a year on educational work.

(iv) *The European Movement.* The European movement began with the small retail store. As these stores became larger and more numerous they found it necessary to combine and form co-operative wholesale societies. These wholesale societies acted at first as buying agencies for the retail bodies, but from buying they passed to manufacturing, shipping, packing, farming, fishing, mining, banking, and insurance. Hence in Germany and Great Britain the co-operative movement has become in some directions self-sufficing, and is an excellent illustration of the modern tendency towards integration of all allied processes.

(v) *History of the Movement in Australia.* In 1922 there were 137 consumers' co-operative societies in Australia, with a total membership of 111,000. In proportion to population, consumers' co-operation in Australia is weak. It is interesting to consider why this is so, since the greater part of the Australian population came from countries in which co-operation has been for many years a powerful factor in economic and social life. If, for instance, we compare the position in the United Kingdom with that in Australia, we find one-tenth of the total inhabitants of the United Kingdom enrolled in consumers' co-operative societies, while in Australia only one-fiftieth of the population is so enrolled. It may be that the conditions of life in Australia are not so stern as in older countries, consequently it has not been so necessary to unite to protect the consumers' interests. At the same time, there can be little doubt that the atmosphere of all new countries is far more individualistic than that of older lands, and where men think largely of their own personal advancement there is little inclination towards concerted action.

No detailed study has yet been made of the history of consumers' co-operation in Australia, and, unfortunately, the minute books, &c., of some of the earlier societies have been lost. Many unsuccessful societies were formed, some of them being extremely short-lived. So far as can be traced, there was no attention given to co-operation on the Rochdale plan until the late sixties. During the sixties, the Australian wage-earners were struggling with only fair success to retain the high standard of living reached in the

boom years of the gold rush. There was much unemployment and a certain amount of poverty, especially in urban areas, and discussion arose as to how far co-operative activity might improve conditions. Consequent on this at least one society emerged, and still exists (*i.e.*, the Adelaide Co-operative Society Ltd., founded in 1868). During subsequent years, co-operation received an increasing amount of attention, but few actual successes were secured. Organized labour discussed and approved of the movement at its various intercolonial trade union congresses, but it is doubtful whether any important trade union officially took steps to help in establishing a co-operative store.

The second outburst of co-operative activity took place immediately after the maritime strike of 1890. Owing to the defeat of organized labour in that struggle, many wage-earners reached the conclusion that the strike should be abandoned as a weapon of industrial progress, and other methods sought, and many men turned to co-operation as a "way out." In Adelaide, a scheme was drawn up and submitted to all the trade unions for the establishment of a new co-operative society which would "commence the manufacture of all the requirements of the workers," starting with the sale of "articles of food, clothing, firewood, drugs, liquors, &c," and extending its activities when possible so that, "when sufficient funds are accumulated, the society shall embrace every branch of trade whereby its members may be benefited." The motive which prompted the distribution of this circular was stated as follows:—"As trade unionists we cannot close our eyes to the fact that strikes have failed to accomplish the end long desired by us as workers, *i.e.*, to secure to every man a fair share of the profits he has laboured to produce. During the late maritime strike nearly £10,000 was contributed by the workers of South Australia towards the strike fund. If this amount had been contributed for the purpose of commencing a co-operative society, I believe we should now be on the way to a successful future, and strikes would soon be a thing of the past."

Similar statements might be found after almost every big industrial dispute in Australian history. Trade unionists as individuals have played a not unimportant part in founding or building up the societies now in existence, and in the mining areas of New South Wales, where co-operation is most vigorous, the miners are its most stalwart supporters.

The third wave of co-operative activity was caused by the rapid increase in the cost of living during and after the war. Wage-earners found that even the increased wages secured were insufficient to keep pace with the rising prices. The position was also extremely serious for many of the salaried workers, *e.g.*, public servants, and brought about the formation of a Public Service Co-operative Society in South Australia. [It may be pointed out, however, that so far back as 1871 Civil Service Stores were established in Sydney, New South Wales, the original shareholders being mainly civil servants.] At the same time a group of returned soldiers endeavoured to reduce the cost of living by forming a co-operative society in South Australia, using the war gratuity bonds as capital. In Melbourne the formation of the Housewives' Association was due to the desire to check the rising tide of prices. It is probable that more co-operative societies were formed between 1916 and 1921 than during any other similar period in Australian history.

(vi) *Methods of Formation of Societies.* Some Australian societies began in a very small way, and their early history closely resembles that of the Rochdale Pioneers. Others started with large capital and imposing premises.

In the first class, one or two interesting examples may be given. For instance, the Adelaide Co-operative Society began its career in 1868 with nine members, who wished to do something to secure for the wage-earner a more economical disposal of his scanty wage. Between them they managed to raise an initial capital of £5; with this they purchased a chest of tea, which was then retailed to themselves at virtually cost price. The first week's takings were 7s. 6d. and the first year's, £150. Ten years later there was a share capital of £4,500 and a membership of about 700, and the society has now become one of the largest in Australia, with over 9,000 members, nearly 400 employees, a capital of £170,000, and an annual turnover of about £400,000. Another illustration of small beginnings is recorded from Port Adelaide, where the railway workers took the initiative in 1896 in calling a meeting of representatives of various trade unions. At this meeting it was decided to open a subscription list, each member present to contribute sixpence. A sum of £1 10s. was collected, and the money was invested in butter, which two committeemen hawked from door to door. The business was continued on these lines until the funds had grown to £40, when a room was rented and stocked. Within

four years the annual turnover had grown to £3,200, and by 1920 to £60,000. The members in this year numbered about 1,600. Many similar illustrations could be given from other States.

The early years of these societies were often beset with difficulties; progress was impeded by lack of funds, and disaster was almost always imminent. Some societies were formed only after vigorous canvassing and the accumulation of thousands of pounds of capital. Societies with such origins usually have an easier early history; they often bought some existing business, were able to afford satisfactory premises in a central position, could afford to allow credit, and had little difficulty in establishing connexions with wholesale houses or banks. The conditions of modern commerce make the fate of the small society very uncertain, and its history, though romantic, is likely to be chequered and end in disaster. Where success has been achieved it is due to the loyalty of the members, the ability of the directors, and the missionary fervour permeating the whole venture.

**4. Mixed Societies.**—In a few cases Australian co-operative societies, especially in rural communities, are mixed, combining the work of producers' and consumers' organizations. On the one hand they purchase wholesale and distribute retail the materials required by their members, *e.g.*, superphosphate, wire netting, machinery, seed, salt, as well as groceries, drapery, &c. On this trade they pay a dividend of (say) 2s. in the £1 on customer-members' purchases, and are a consumers' society. At the same time they handle the produce of their members, selling it either with or without some preliminary process of packing or manufacturing, *e.g.*, eggs, milk, firewood. On this trade they pay their members a certain price for the goods sent in, and later on a bonus representing the net profit the society has made in selling goods for its members. One or two societies may even go further, and allot a share of the surplus to their employees, thus combining co-operation and profit sharing. For instance one fruit-growers' society recently paid (a) 7 per cent. on members' capital, (b) 4 per cent. on members' purchases of goods, (c) 4 per cent. on members' sales of fruit, (d) 4 per cent. to employees on their wages.

One of the most interesting mixed societies in Australia began in a very small way as a producers' society. During the depression following 1893 the farmers of the "Lower North" and Murray districts of South Australia were in very difficult circumstances. Cattle and crops gave little return, and the staple commodity of the district was firewood, cut from the partly cleared lands of the district. For this wood the farmers had to accept the low price of 3s. 6d. a ton from the storekeepers of Eudunda, and were compelled to take payment in goods. Eventually in 1896, 103 farmers joined hands, raised a capital of £85, and established a society to buy the firewood for cash. Gradually the society was able to increase the return on the wood to 5s. 6d. a ton and even higher. Meanwhile members were asking the society to buy goods for them, and the establishment of country stores was undertaken. In spite of enormous obstacles, the number of stores and volume of business grew steadily, and at the latest available date there were 24 stores scattered throughout the area. In addition, a floating store-ship calls at 60 river-landings on the Murray, supplying members living along the banks.

The future of Australian rural co-operation probably lies in this combination of producers' and consumers' interests.

**5. Financial Results.**—Taking the consumers' co-operative movement as a whole, the financial results for 1922 were as follows:—

Total sales	..	..	..	£6,563,000
Interest on loan capital	..	..	..	4.2 per cent. = £12,108
Interest on share capital	..	..	..	4.5 per cent. = £55,514
Dividends on purchases	..	..	..	10.9d. in the £1 = £292,705

Under a non-co-operative system of trading, the whole of this £292,705 would have gone as profit on capital. As there were 110,979 members of co-operative societies, evidently each member spent about £59 at his store in 1922, and received (apart from the return on his share capital) a refund of about £2 13s. on his purchases. This figure is an average for the whole movement. The figures for individual societies, however, show that some of them paid only 6d. in the £1 dividend, while other returned as high as 3s. in the £1. The rate of dividend varies largely with the cost of delivery and the amount of credit allowed. The British tradition of "cash and carry" is retained in many of the societies in New South Wales, and it is possible, therefore, to make a large

refund on purchases; but, in other parts, elaborate delivery systems absorb large sums of money, while the grant of credit to customers results in losses through bad debts or lack of adequate liquid capital.

The returns for 1922 will probably represent the low-water mark of co-operative trading. The depression which began in 1920-21 compelled societies to "write down" stocks, and several small struggling societies were driven into liquidation, *e.g.*, at Broken Hill.

Consumers' co-operation has scarcely passed yet out of the first stage, that of the retail store. But in New South Wales in 1913 a co-operative wholesale society was formed, the retail societies providing the capital. This wholesale organization at once began to buy and pack on behalf of its member societies, and, while progress was impeded during the war, the volume and value of trade grew rapidly after 1918. By 1922 over £400,000 worth of goods was being obtained annually for the retail societies, and manufacture had been begun, the first article made being brooms. The organization works on exactly the same principle as the retail society, *i.e.*, after a fixed interest has been paid to capital the net surplus is distributed as dividend on purchases. The retail societies have given no attention to manufacturing, except in the case of bread. They sell chiefly the goods of private manufacturers, and import very little from the co-operative factories of other lands.

**6. Co-operative Education and Propaganda.**—In Great Britain and other countries co-operative societies spend large sums of money in educational and propaganda work. Lectures, study circles, and classes are arranged at which co-operative principles, history, and practice are taught, in addition to such technical subjects as accountancy. Australian co-operative societies have done little in this direction until within the last ten years. No society earmarks a fixed proportion of its net surplus for education. In New South Wales a co-operative union was formed some years ago to undertake propaganda work, arrange lectures and conferences, publish a journal, &c. But the union soon expired, and its work was taken over by the propaganda committee of the Co-operative Wholesale Society. A co-operative union, formed in South Australia in 1920, has done much useful work, and recent political events, *e.g.*, the attempt of the Federal Government to tax members' dividends as income, and the sudden attempt of the South Australian Government to amend the Industrial and Provident Societies Act (1923) have revealed the vital need for joint action and consultation throughout the whole movement.

**7. Conclusions.**—The fanatical co-operator finds in co-operation the solution of all social problems. A more detached view, however, does not lead to such optimism, and it is probable that the field open to consumers' co-operation is distinctly limited. Certain industries, as, for instance, lighting, transit, machine-making, and industries generally concerned in making "producers' goods" are probably out of its range; but in the big staple occupations which produce the goods required by millions of consumers there is still abundant room for expansion in Australia. For instance, the greater part of Australian production of manufactured foodstuffs might be regarded as a suitable field for control by consumers' co-operative societies. Co-operation, moreover, does not eliminate all possibility of exploitation. The consumers' society, intent on paying to its members the largest possible dividend, may endeavour to do so by keeping the wages of its employees as low as possible, and by sweating them in every direction. Such circumstances are not unknown in the history of the movement, and the lot of the wage-earner in a co-operative society may be quite as bad and as unfree as the lot of a man working for a profit-seeking capitalist. Producers' co-operative societies may easily develop into combines or trusts. When the producers gain complete control over a market they may use their power to extort monopoly prices from the consumer, while at the same time sweating their own employees. Co-operative societies are democratically governed, and show in practice all the virtues and weaknesses of democratic government. Members tend to be apathetic, except when the dividend drops a few pence in the pound. Shareholders' meetings are badly attended, expenditure of money in any way likely to reduce the dividend is vetoed, while through the apathy of the rank and file the periodical shareholders' meetings may be dominated by the employee members, who may dictate a policy which aims rather at their own well-being than at the progress of the society as a whole. But these criticisms are not fatal. Within the limits suggested, co-operation can make great advances and contribute substantially to social progress. While its future depends largely on efficiency of management, it rests in the last resort on the keenness of the co-operative spirit of its members.