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II-III

COÖPERATION

IN THE

MIDDLE STATES.





JOHNS HOPKINS UNIVERSITY STUDIES  
IN  
HISTORICAL AND POLITICAL SCIENCE

HERBERT B. ADAMS, Editor

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History is past Politics and Politics present History — *Freeman*

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SIXTH SERIES

II-III

COÖPERATION IN THE MIDDLE STATES

By EDWARD W. BEMIS, PH. D.

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## COÖPERATION IN THE MIDDLE STATES.

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Having had occasion to refer to the early history of coöperation in these states, in describing the achievements in New England of the New England Protective Union and of the Sovereigns of Industry, it is unnecessary for me to consider this early period again at any length. Protective Union stores selling goods at cost flourished for a short time in many places, but had almost entirely disappeared prior to the civil war.

The first important date in the history of distributive coöperation in the field of our present study is December 16, 1862, when Union Coöperative Association No. 1, of Philadelphia, was organized. This appears to have been the first store in America organized on the Rochdale plan. One of its founders, Mr. Thos. Phillips, late labor candidate for mayor in Philadelphia, has furnished an account of the enterprise. On behalf of the association he obtained from the Rochdale Pioneers of England their constitution and other documents, which furnished the model for the store opened in April, 1864, with twenty-three members. Dividends on trade and all the familiar principles of English coöperation were adopted. Sales rapidly increased, until a business of \$7,751.34 was done in the second quarter of 1866. But the great rock upon which coöperative enterprises are likely to split was encountered. Expenses were suffered to increase faster than trade. It often pays in private business to incur heavy expenses at the start in advertising. But where there is so little general interest in coöperation as to render such a course necessary in coöperative undertakings, the enterprise is almost sure to fail. It is the slow but steady growth, with expenses for rent, wag-

ons, teams, fuel, and all other purposes, below ten per cent. of the trade, that alone leads to enduring success. Mr. Phillips tells the whole story when he writes :

“ Everything at this time looked promising. Sales, membership and stock were increasing. Public meetings were held and every effort made to establish the store at the new stand. But the cry that the store must go to the people, instead of the people must come to the store, was the loudest, and consequently branches No. 1, 2 and 3 were established. Trade and membership did not increase in proportion to the outlay. Profits ceased. Business fell off and Branch No. 1 was closed, being located among a class of people who cared not for coöperation. The summer soldiers and sunshine coöperators began to withdraw their stock and throw a wet blanket over the concern.”

In November, 1866, the store was closed. “ It was a great disappointment,” writes Mr. Phillips. “ Our hearts were set on success, but it was our fate to fail.”

Yet the record of this first American experiment on the Rochdale plan is not wholly one of failure. From 1862 to 1866 there was published in Philadelphia the organ of American trades-unions, *Fincher's Trades' Review*, which was very friendly to coöperation, carried far and wide news of the above store, and thus led to the organization of many others. Most of these failed, but not all. Out of the experience of failure has come success, until now, as will soon be shown, strong societies have arisen to demonstrate that the growing intelligence and spirit of coöperation of American workmen can transform the experiments of a few so-called dreamers into practical means of social reform. As described in the previous chapters, the Sovereigns of Industry established many stores in the Middle States. Extravagant expenses, mistaken methods, incompetent managers, and, chief causes of all ills, jealousy and ignorance among coöperators who would not coöperate, led to the same results as in New England. A detailed description of all this would be fruitless. I propose rather to confine myself to such existing enterprises as have survived all perils and proved their right to exist.



THE PHILADELPHIA INDUSTRIAL COÖPERATIVE SOCIETY (Limited) is the largest and one of the oldest coöperative societies in the country. Organized in 1874 on the Rochdale plan described in the chapters on New England, this company, with its central store and three branches, did a business in its twelfth year ending November 13, 1886, of \$171,278.04, divided as follows :

Groceries,	\$123,636 16
Meat,	19,772 11
Dry Goods,	8,908 33
Boots and Shoes,	13,499 94
Coal,	5,461 50
	<hr/>
	\$171,278 04

No dividends on sales of coal are made. On the rest of the trade \$5,302.10 dividends were paid to members fixed and \$764.14 to non-members. The latter received a dividend of three per cent. on their purchases. Members receive from three to eight per cent. trade dividends as the business permits, besides six per cent. interest on stock. Trade is exclusively for cash. Every member must deposit twenty-five cents on applying for membership and pay for five shares of one dollar each in four monthly or two quarterly installments. No one can own more than two hundred shares or have more than one vote. All share capital receives six per cent. interest. Three negative votes of the Board of Directors, or five other negative votes on appeal to a general meeting of the society, will exclude a member. Any member can withdraw all his shares but five on sufficient notice to the directors. Two weeks' notice is required for the withdrawal of ten shares, and four weeks for the withdrawal of fifty. Any member may, with the consent of the directors and subsequent confirmation of the society, transfer his shares to any other person. On the death of a member his shares may be transferred to his heirs or resold to the company, as the heirs may prefer. Should the

directors have more cash on hand than they can profitably invest, they may reduce the number of shares held by members, beginning with those holding the most shares. All the fixed stock is depreciated six per cent. quarterly. Auditors examine the accounts quarterly. No director can vote in awarding contracts to any business in which he is interested, nor, if he becomes bankrupt or insolvent, can he hold any office in the society.

The capital in the hands of 2,355 members is about \$40,000, half of which is invested in the store buildings and other property connected therewith, which, it is estimated, would sell for \$9,000 more than the value credited to it. Only groceries were sold prior to 1880, when the other departments were added. The dry goods store was badly managed. Unsaleable goods were credited at their full value, until a close inventory in 1885 revealed an alarming deficiency and led to the abandoning of this department, the management of which the present directors do not feel competent to undertake. Again, careless bookkeeping and inefficient auditing during 1884-5 led to considerable diminution in the profits. But with a better general manager and a more competent bookkeeper the company seems destined to resume the rapid growth which characterized its earlier years. Five per cent. of the net profits are placed to the account of the reserve fund, which now amounts to \$4,500, and the financial standing of the society is excellent.

It was shown in the account of eleven representative and successful coöperative companies in New England, doing a business of over half a million dollars a year, that the average percentage of running expenses to trade was only 7.8. In Philadelphia the percentage is eleven, which is much too high, and explains the comparatively low dividends on trade of four and five per cent. common in recent years. The larger the store the smaller should be the percentage of expense to business done. As the store has demonstrated its ability to live and prosper, criticism may seem idle. It is perfectly evident, however, that with less expense, which



ought to be perfectly practicable, greater success would follow.

THE MECHANICS' STORE COMPANY OF SENECA FALLS, N. Y., which began business November 1, 1872, on the Rochdale plan, has sold over \$200,000 worth of goods, and after paying from six to eight per cent. on the paid-in capital of \$265.44, has paid dividends of \$5,137.50 to members and non-members, according to their trade, and accumulated a surplus of over \$2,000. The profits would have been greater were it not for trusting, which has caused a loss of three-fourths of one per cent. on the amount of sales. Goods are sold at five per cent. below market prices, but nevertheless \$467.94 profits were divided in 1886 on a trade of \$13,054.77.

The secretary, Samuel Waller, writes :

“ We find from our experience of fourteen years that the greatest obstacles to the success of coöperation are the ignorance and prejudices of those who are to be benefited by these coöperative business enterprises. They are so extremely suspicious and selfish that it takes but little effort and labor of the middlemen and their friends, enemies to coöperation, to become disloyal to the principle and the association of which they may be members.”

#### THE TRENTON COÖPERATIVE SOCIETY.

This very prosperous society, which began business on the Rochdale plan with a capital of \$700 April 30, 1885, did a business in 1886 of \$49,958.20, on an average capital of between \$3,000 and \$4,000, in \$5 shares. These shares may be paid for in weekly payments of fifty cents each. Very little trusting is done. The total expenses last year were 9.1 per cent. of the trade, or allowing for the rent that the company would have been obliged to pay if it had not owned the store, 10.2 per cent. This moderate percentage of expenses, combined with prevailing high retail prices in the city, permitted of a dividend during 1886 of \$5,950.42, or one quarterly dividend of twelve per cent., two of fourteen per cent., and one of fifteen per cent., to

members on every dollar's worth of goods purchased by them, and half the percentage to non-members, besides paying six per cent. interest on capital, appropriating \$352.95 to a reserve fund, \$163.70 to an educational fund, and \$250 to a land fund for the payment of a building recently purchased for \$10,000, for the store and for other purposes. From the profits of each quarter there is thus set aside a sum equal to ten per cent. per annum on the unpaid balance on the real estate owned by the society. This land fund will pay for the property in a few years, and make the society one of the strong financial institutions of the state.

A better showing could not well be asked for. No wonder the membership grew from 193 at the close of 1885 to 420 at the close of 1886, and the paid-up capital from \$2,430.94 to \$5,787.12. One of the shareholders informed the writer that already the dividends on his trade, with the six per cent. interest on stock, had increased his \$5 share to \$60, which was left in the business. The possibilities of accumulating capital in this way are almost unknown to the masses. Yet the only difference between this store and scores that have failed lies in the intelligent comprehension of the members of the real conditions of success.

#### THE BRUNSWICK COÖPERATIVE STORE.

This society, organized on the Rochdale plan August 15, 1881, and doing a business in 1886 of \$25,937.57 on a capital of \$3,248.67, owned by 115 persons in \$5 shares, is evidently under too great expense to permit high dividends, since the expenses for wages, rent and incidentals are thirteen per cent. of the trade. The several quarterly dividends on trade in 1886 averaged four per cent. on the trade of members, and two per cent. on that of non-members. Interest of one and a-half per cent. quarterly is paid on capital, five per cent. of the remaining profits are held as a contingent or sinking fund until a sum equal

to thirty per cent. of the capital stock is accumulated. Of the remaining profits, two and a-half per cent. are placed to the credit of an educational fund, as in the Trenton Society just described, to be disposed of by the board of trustees, subject to the approval of the members at any regular or special meeting. As in all the societies thus far described, non-members receive half as large a per cent. dividends on their purchases as members. As in some English stores, a dividend is also paid on the wages of employés of about the same amount as on the trade of members. This idea, which seems quite in accord with the spirit of coöperation, prevails in very few American societies.

#### THE PHENIXVILLE COÖPERATIVE SOCIETY.

This society, at Phoenixville, Chester county, Pennsylvania, was organized on the Rochdale plan January 12, 1885. The first year the sales amounted to \$17,880, and in 1886 to \$31,864.90. Quarterly dividends were paid on the members' trade of six per cent., and half as much to non-members. A dividend of five per cent. was also paid on the salaries of employés. About six per cent. of the sales of groceries, boots and shoes, was to members. Coal was sold at a reduction of a dollar a ton below previous market rates. Whatever else the store has accomplished, it has certainly forced all the merchants of Phoenixville to reduce greatly their prices.

The stock of the association in one dollar shares, of which every member must have at least five, grew from January, 1886, to January, 1887, from \$2,173.24 to \$4,928.36, and the number of members from 125 to 180. No member can own more than 500 shares. On being admitted to membership in the association a fee of fifty cents is paid and five shares of stock subscribed for, which may be paid by installments of ten cents a share a month, the first installment being not less than one dollar. These

first five shares are not withdrawable, but may be transferred. Stock in excess of five shares may be withdrawn on notice, which varies in time from one to twelve weeks, according to the amount to be withdrawn.

Dividends on trade, as well as the six per cent. interest on stock are often left in the society to increase the capital. The stock of members is thus in several cases increased from twenty to three hundred per cent. and upward a year, according to the amount of their trade. No trusting is done. The expenses were only 8.4 per cent. of the trade in 1886—a good exhibit, which alone enabled the store to withstand the fierce competition and tempting offers of credit of the rival stores.

Mr. M. G. Lippert, of the Board of Directors, thus writes :

“I may add that we are doing now, after a two years' struggle against competition of the storekeepers and indifference on the part of our own members, a fair business, although not by far as well as we ought to, if our people knew their own interest. And it is a curious fact that the workingman more than any other class of people stands aloof with suspicion and distrust, although the enterprise was founded by workingmen and for their interest. I think, however, the pernicious credit system in vogue at the other stores is a great disadvantage to us. On the whole we are satisfied with what we are doing ; at the same time we find it necessary to stir up our members continually, as they are apt to become indifferent. It is no doubt true that the workingmen of America do not take to coöperation as kindly as those of England or the Continent. What the cause of this apparent indifference, if not distrust, may be, I am at a loss to know. Perhaps it is because it has never been tried here on a large scale or with marked success. The few associations, like our own, or the Philadelphia Coöperative Association, are like oases in the desert.”

A partial answer to our friend's queries may be found in the fact that American workmen have hitherto largely despised the small economies of trade, have been migratory in habits, too independent in character to desire union with any one, and ignorant of the advantages of the cash system and the results of English coöperation. Education, organization, and experienced managers for such enterprises, with



the legal prohibition of pluck-me, or company stores, and the tendency toward weekly payments of wages, are fast paving the way for practical coöperation on an extensive scale in America.

THE NESHANNOCK COÖPERATIVE SOCIETY, of Neshannock, Mercer county, Penn., which commenced business on the Rochdale plan in May, 1873, has now a paid-in capital of over \$6,800 in five-dollar shares, owned by ninety-three persons. No one can hold more than one hundred shares. The interest on capital is only four per cent. The yearly trade is about \$23,000, on which \$2,116.64 profits were divided in 1886, giving nine and a-half per cent. dividends on the trade of members, and half as much on the trade of non-members. There is no trusting save to members, and to them only when they place sufficient shares of their stock in the hands of the secretary as collateral to cover such indebtedness. Business is not growing much, because the works at this place are nearly exhausted, but the coöperative store claims to secure the largest share of the business of the district.

THE KINGSLAND COÖPERATIVE ASSOCIATION, of Kingsland, N. J., organized in 1884, on the Rochdale plan, has sales of about \$20,000 a year, and keeps its expenses down to about eight per cent. of that, by which means, and by careful management in other ways, the dividend in 1886 on the trade of members amounted to ten per cent. Interest of seven per cent. on capital was paid. This showing is very good for a small town only nine miles from New York, on the Delaware, Lackawana & Western R. R., and thus open to the competition of the large city stores.

THE FRUIT GROWERS' UNION AND COÖPERATIVE SOCIETY, of Hammonton, N. J., organized in 1867, and reorganized in 1884, had a membership, February, 1887, of 233, and net assets of \$8,096.60. All kinds of merchan-

dise, including agricultural implements, fertilizers, hay, coal, etc., are sold. The trade in 1886 was \$45,940.45, on which a dividend of five per cent. was paid to members and two and a-half per cent. to non-members. Goods are sold very low, and this dividend is only made possible by the low ratio, only 4.8 per cent., of expenses to trade. Six per cent. interest is paid on stock, and five per cent. of the net earnings are set aside for a contingent fund until this shall reach thirty per cent. of the capital employed.

The society was organized for the purpose of handling fruit to advantage, which is still the business most important to members; 3,286,302 pounds were thus shipped in 1886. The society receives two per cent. commission on the gross sales of all fruit of the members, and the railroad, in consideration of services rendered, pays a percentage on fruit shipped to eastern markets. This account is kept separate from the store business, division is made on the net earnings of this department, and paid to shippers *pro rata* in stock. The shipping department owns the plant and charges the store rent, in order to keep the accounts separate, as there are some customers at the store who are not shippers, and *vice versa*.

At Raritan, N. J., a store was opened in January, 1886, which is controlled by the employés of the Raritan Woollen Mills. The sales, confined to these employés, amounted in the first six months to \$35,795.25, on which a six and a-half per cent. trade dividend was given according to the Rochdale plan.

Several interesting experiments in distributive coöperation have been started too recently for one to judge of their probable success. One of the most promising is the Buffalo Pioneer Coöperative Society, which had a capital March 1, 1887, of \$2,063.66 in twenty-five dollar shares in the hands of three hundred stockholders. The store, when visited, had just been opened in a good brick block, and reported a trade of nearly four hundred dollars a week at the start. The method of dividing purchases is curious. Twenty per

cent. of the net profits are paid as interest on capital, thirty per cent. as dividends on the trade of all, whether members or not. Fifteen per cent. goes to a reserve fund, twenty-five per cent. to a building fund, and the remaining ten per cent. to an educational fund. The twenty-five dollar shares may be paid for at the rate of twenty-five cents a week. No one can own more than one share. Believing that ignorance is the great foe of coöperation, the directors propose to have a library and reading room in connection with the store, and already for a year have been issuing a monthly paper called *The Pioneer Coöperator*, which must exert a good influence in favor of the store and of other coöperative enterprises, which it is hoped will in time be started in Buffalo.

The Trenton Coöperative Business Association, of Trenton, N. J., which began to sell groceries in June, 1886, is now doing a business of about \$6,000 a month with a capital of \$8,000 in twenty-five dollar shares, owned by two hundred and fifty stockholders, but will have to reduce its expenses and trust less if it would long continue. The expenses prior to January, 1887, were 16.8 per cent. of the sales, and the bills and accounts receivable for seven months' business were reported as \$2,299.25. The manager, however, was confident when visited that there would be a ten per cent. dividend in June, 1887, on the trade of members, and five per cent. on the trade of non-members, besides interest at the rate of 7.3 per cent. on capital.

The statistics of coöperative stores conducted on the Rochdale plan furnish material for determining in some measure the much discussed question as to the costs of retail trade in those departments like groceries and meat where competition is keenest. Since many of these stores keep accurate accounts and claim to sell at prevailing market prices, though very likely a little below, it is easy to determine the average increase in price to the consumer over that charged by the wholesaler. The following table has been prepared with this end in view, stores being

selected with sole reference to the completeness of their reports :

NAME OF COMPANY.	Price paid to wholesaler.	Price obtained from consumer.	Increase of price.	Percentage of increase of price to wholesale price.	Expenses exclusive of interest on capital.	Percentage of expenses to wholesale price.
New Bedford Industrial Coöperative Association of New Bedford, Mass.	\$38,116 88	\$44,803 11	\$6,686 23	17.5	\$3,832 05	10.08
Coöperative Store Company of Silver Lake, Mass.	10,385 01	11,614 77	1,229 76	12.	817 00	8.51
Riverside Coöperative Association of Maynard, Mass.	16,187 03	18,231 26	2,044 23	12.6	1,728 20	10.8
Arlington Coöperative Association of Lawrence Mass.	37,324 43	45,384 94	8,060 51	21.	4,000 00	11.43
Danvers' Coöperative Union Society of Danvers, Mass.	9,108 18	10,828 14	1,719 96	19.	806 02	9.52
Philadelphia Industrial Coöperative Society of Philadelphia.	137,581 22	168,816 54	28,235 32	20.	18,160 70	13.2
Mechanics' Store Company of Seneca Falls, N. Y.	9,887 72	13,054 77	3,167 05	32.1	2,150 00	21.74
Trenton Coöperative Society of Trenton, N. J.	39,946 53	49,958 20	10,011 67	25.	5,093 08	12.75
Brunswick Coöperative Society of Brunswick, N. J.	21,245 65	25,937 57	4,691 92	22.	3,368 57	15.86
Phoenixville Coöperative Society of Phoenixville, Penna.	27,689 96	31,804 90	4,114 94	15.4	4,304 17	8.3
	\$347,472 61	\$420,494 20	\$60,021 59	17.27	\$44,260 79	12.74



This table, prepared without reference to its bearing on any theory, and which includes a fairly representative class of stores, in four states, in which not only groceries, but in many cases meat and even boots and shoes are sold, seems, in part at least, to disprove the popular opinion that the price of goods to the consumer is raised by the retailer from thirty to one hundred per cent. over the wholesale price. The disproof is not complete, since an ordinary retail store must necessarily pay more for advertising, for delivery of goods, and as an insurance against bad debts. In return such a store will charge probably five to ten per cent. more than a coöperative store and still retain the trade of all who prefer to buy on credit, or who have not the *esprit de corps* necessary to induce patronage of a coöperative enterprise. In these ten stores at least, doing a business of \$420,494.20 in 1886, the retail price was only 17.27 per cent. above the wholesale. The expenses for wages, rent, teams, freight from the wholesaler, depreciation of stock, insurance, ice, water-rent, taxes, stationery, and all other incidental running expenses, exclusive of interest on capital, amounted to 12.74 per cent. of the cost price, or nearly three-fourths of the entire increase in price. Interest at five per cent. on the capital employed, which was returned as \$66,242 actually paid in aside from surplus, would be \$3,312.10; this is almost one per cent. of the wholesale price, leaving only an average percentage of 3.6 per cent. on the wholesaler's price which can be credited to profits, and which admitted in these stores of an average dividend of not quite 4.5 per cent. on the retail price.

Another interesting fact revealed in the above table is that the retail prices in the five representative stores of the Middle States are a larger increase over wholesale prices than in the New England stores. Competition is less active. As a consequence of this, though expenses are considerably higher in proportion to trade in the Middle States, equally high dividends are often paid as in New England. Much higher dividends on trade ought, how-

ever, to be earned in the former section, since there is no reason why expenses should be higher in New Jersey than in Massachusetts.

A noteworthy instance of what might be achieved with good management is seen in the report of the Beverly Coöperative Association, of Beverly, Mass., which, declaring no dividends, has sold for years at just enough above cost to defray expenses. \$116,776.53 worth of goods were thus sold there last year at a rise of only 6.96 per cent. over the wholesaler's price. Almost as good results could be accomplished everywhere. If the costs were even eight per cent. of the wholesaler's charges instead of 12.74 in the ten stores just named, they might have declared last year in the aggregate twice as large a dividend on trade as they did. The trade of all the coöperative stores of the Middle States in 1886 was found to be about \$700,000, or one-third that of New England. It is often asked: "What possible benefit can be derived from coöperative stores?" The answer is not difficult. First and foremost, a successful enterprise of this kind does a vast deal to educate its hundred or thousand or more members in business methods. Although but few may be called to serve as officers, all will obtain in their frequent meetings a knowledge of the risks and responsibilities of business which will do much to counteract current economic heresies, while the experience gained cannot help but be valuable in any work which these members may afterward undertake. By promoting cash trade, which most of these stores insist upon, prudent buying is vastly promoted, and a man's moral fiber is strengthened by his feeling of freedom from debt. Saving is encouraged, since the members are encouraged to allow the dividends on their trade and the interest on their stock to remain in the business.

Many sound economic reasons for the superiority of a properly managed coöperative store have elsewhere been given. A step forward will doubtless ere long be taken which will add to the present advantages one other which will, the writer believes, make it fully possible for a well-

managed coöperative store to succeed better than the best managed private competitive. This advantage will be gained by the establishment here in the near future of such a coöperative wholesale store as has enabled the exceedingly successful English coöperative stores to obtain all the economies in purchasing goods which at present in this country are only possible to the largest stores.

## CHAPTER II.

### PRODUCTIVE COÖPERATION.

The ideal of all coöperators is to engage in manufacturing whereby the present wage-earners in our factories may share in the profits, and through their chosen managers conduct their own business. Rightly understood, there is in this attempt no vain expectation of dispensing with the services of a manager, or any idle assumption that every wage-earner is equally competent for performing these services. The fundamental propositions advanced in favor of productive coöperation are that men will work far more efficiently when they expect to receive all the rewards of their industry, and that in order to gain this advantage men will contribute capital and have the intelligence sufficient to choose good managers and adopt wise regulations for their own governing, and will then have the moral qualities necessary to prevent all serious jealousies and dissensions, and in short that the would-be coöperators shall be willing to work harmoniously together. It is impossible to predict what the future organization of industry will be, but to any believer in the gradual elevation of the race morally and intellectually, these simple but fundamental conditions of success in productive coöperation will seem nearer and nearer of realization with every decade, and even temporary failure may be considered but the preparation for future success. Viewed in this light it becomes interesting to note the history of two conspicuous failures before considering existing coöperative manufactories.

The first coöperative foundry company in America was the Coöperative Stove Works, of Troy, N. Y., founded in



April, 1866, as the result of a strike. The men, a large number of whom were Irish, Dutch and French, were ignorant of the proper safeguards and adopted a plan which was doomed to failure. Out of any profits there was to be paid first an interest of ten per cent. on capital, and all the rest of the profits were to be divided equally between each stockholder working for the company without regard to the amount of stock he held, though only one vote was given to a member. All the stockholders did not work in the foundry. Very soon those who did, and who were a majority of the stockholders, concluded quite naturally that they could make more by raising their wages so as to keep the profits below ten per cent. No sooner was this done than those stockholding employés who owned but one or two shares apiece went one step further and increased their wages to such an extent as not even to leave any interest for capital. As stockholders these small ones suffered, but as wage-earners they gained still more. This was too much for the larger stockholders and for those not employed in the business. After a short time they succeeded in amending the constitution so that each stockholder could vote according to the number of his shares. Wages were at once reduced to the market level after a big strike, and the profits were divided as in any joint-stock company, although for several years all profits above ten per cent. were placed in a surplus fund and used in extending the business. The company, strange to say, prospered during all these internal troubles, and now does a business of nearly a quarter of a million dollars annually. The capital is \$106,000 in one hundred-dollar shares, and there is a surplus of \$16,000. There are about twenty-five stockholders, among which are only ten of the two hundred employés. Six men own more than half the stock. Only one fact need be given to show the unfitness of the men for coöperation. When the plan of dividing the profits was changed and large dividends were paid on capital, two-thirds of the stockholders became reckless and dissipated, and sold out to the few.

The great mistake was made at the start in the method of dividing the profits. After paying a moderate interest, say six or eight per cent., on capital, the rest of the profits should have been divided between capital and labor in some fair way. For example, in the proportion which the entire capital bore to the aggregate yearly pay-roll. Then the part going to capital should have been divided between its owners according to their stock, and that to labor should have been given to the permanent employés according to their individual wages. This plan is substantially that described in the chapters on New England as recently introduced in some coöperative companies there. It is also the plan followed in some English coöperative manufactories, and would have prevented the ruinous rise of wages at the expense of capital. In all probability, however, the conditions were not ripe for coöperation in Troy, and any plan would have failed.

THE COÖPERATIVE FOUNDRY COMPANY, of Rochester, N. Y., organized in June, 1867, has had a history somewhat similar to the above. Mr. John M. French, previous to 1867, had been engaged in the foundry business in Rochester. On his failure, fifty of his employés, most of whom were Germans, with a sprinkling of Americans and Irish, formed a coöperative society to continue the business. They were fortunate in securing for a foreman Nicholas Brayer, and for secretary and treasurer Edward W. Peck, who have been with the company ever since. But they were not so fortunate in their by-laws. Stockholders voted according to their stock, and as in the Troy company, no efficient check was put upon the absorption of most of the shares by a very few persons. After reserving a certain portion of the profits for a contingent fund, twelve and a-half per cent. interest was to be paid on capital, and the rest of the profits, if any, were to go to all employés who were stockholders, in proportion to their wages. But there were employés who were not stockholders, and who clamored for

higher wages when their colaborers received these labor dividends. The stockholding employés were not fully alive to the benefits they were enjoying, which sometimes increased their wages twenty-five per cent. and one year forty per cent., nor were they fully aware that the continuance of the same must depend on an increase of their efficiency proportional to their share in the profits. Finding that ownership of one share would give them as much right to the labor dividend as more stock, they sold all but one share apiece to non-employés, who after a while owned more than half the stock. The latter non-employé stockholders saw little advantage in the labor dividend as it was then working, and therefore, being a majority of the stockholders, they first raised the interest to be guaranteed capital to seventeen and one-eighth per cent., then to twenty-five per cent., and finally abolished the labor dividend altogether about two years and a-half ago.

The business has continued to grow during this gradual change to a joint stock company, and now employs two hundred and fifty men, of whom thirty-five are stockholders. The capital of \$200,000 is owned by fifty-four persons. The shares which were originally one hundred dollars each still pay ten per cent. dividends, and sell at fifteen dollars premium, though watered one hundred per cent. Tho yearly business is \$350,000, and steadily growing, while new buildings are being added to the business. One who has been connected with the management from the beginning candidly admits that the labor dividend helped the business a good deal at first by eliciting more and better work from the stockholding employés than they would have rendered as mere wage-earners.

The greatest mistakes seem to have been the provision that capital should not share with labor in extra profits, the lack of equality of vote, and the failure to prevent the accumulation of stock in a few hands as might have been done by such strict by-laws as we have noticed in many coöperative societies. These mistakes of method, and,

underlying all, the ignorance and lack of coöperative spirit among the men, and not any inherent weakness in coöperation as such, led to the gradual relinquishment of what few coöperative features had originally been adopted. There is no doubt that the supposed failures of coöperation at Troy and Rochester deterred many bodies of workmen from elsewhere organizing industries which might have prospered.

There were earlier attempts at productive coöperation like that of the tailors of Philadelphia, but space forbids their consideration. After many abortive attempts, a few coöperative factories have been started which seem to be prospering finely. Among such may be named the FRANKFORD COÖPERATIVE MANUFACTURING COMPANY, of Frankford, Penn., near Philadelphia, engaged chiefly in the manufacture of Turkey Red Damasks or table cloths. Organized in June, 1885, the factory, with twenty-five employés, turned out a product of \$60,000 in 1886, and made a profit of more than ten per cent. on its \$15,000 paid-in capital. This stock, in fifty dollar shares, is held by one hundred and twenty-five persons. Nearly all of the employés are stockholders, although in many cases the full amount of a share is not paid at once, but by installments. As in many English companies, from whom the plan of this organization was copied, the profits are all paid on stock, and the constitution contained, up to a recent date at least, no provision limiting the amount of stock anyone might own, though each stockholder has only one vote. But the able manager, Mr. Frank Binns, who has had experience in productive coöperation in England, has striven to secure a large number of stockholders and to interest all employés, with the result just indicated. The business is growing fast, the workmen are well paid and contented, and the outlook is encouraging.

Analogous to the above in the plan of coöperation is the CHESTER MANUFACTURING COMPANY, of Chester, Penn., begun August, 1886, and already in March, 1887, doing a



business of over \$12,000 a month, which is rapidly growing. The paid-in capital is \$33,000, in six hundred and sixty fifty-dollar shares. The weekly pay roll is four hundred dollars. The manager, Mr. James H. Hall, writes that there soon will be thirty looms employed upon table cloths, and as many more on fancy towels.

Several coöperative cigar manufactories have been organized within a few months, but it is yet too early to judge of their permanency. The READING COÖPERATIVE CIGAR MANUFACTURING COMPANY, of Reading, Penn., with \$5,000 paid-in capital, in two hundred twenty-five-dollar shares, in the hands of twenty-five shareholders, did a business in the six months following its organization, July 28, 1886, of \$22,000, and reports continued growth. The plan of coöperation is much like that outlined in the few preceding companies. Every workman must be a stockholder. At Wernersville, Berks county, Pa., there is a small but well advertised coöperative cigar manufactory, under the title of W. E. Krum & Co. A few others might be mentioned, but material is not at hand for any description.

THE FULTON COUNTY COÖPERATIVE LEATHER, GLOVE AND MITTEN MANUFACTURING ASSOCIATION, of Johnstown, Fulton county, N. Y., started August 12, 1886, had six months later a paid-in capital of \$2,500 in ten-dollar shares, owned by two hundred and twenty-five shareholders. No one can hold more than twenty shares. There is no profit-sharing with employés, profits going entirely to the stockholders, each of whom has an equal vote. The business is reported to be steadily growing.

THE COÖPERATIVE HAT COMPANY, of 2231-33 Taggart street, Philadelphia, was started March 20, 1887, with \$2,300 paid-in capital in one-dollar shares. Fourteen hundred already own stock. There were ten employés at the beginning and ten more were soon to be employed. The profits are to be shared among the stockholders and the

employés. It is not necessary for an employé to be a stockholder.

#### SOLIDARITY COÖPERATION OF THE KNIGHTS OF LABOR.

A novel form of productive coöperation is that undertaken by the Knights of Labor in District 49, New York City. Several industries have been recently organized in accordance with the views expressed by Victor Drury in his polity of the labor movement. Individuals and labor organizations may purchase shares which are non-interest bearing and not redeemable for at least a year after subscription, but which it is hoped will be repaid in one or more years thereafter from the profits of the business. Pure disinterestedness is relied upon to furnish the necessary capital at the start, and curiously enough several thousand dollars have already been paid in to the committee on coöperation of District Assembly 49, which is chosen by the entire district or its official representatives, and which has the management of all the solidarity industries. By this committee foremen are appointed for three months, and subjected to strict accountability for all their conduct. No holder of a share in any coöperative enterprise is entitled to a voice or vote in its management. Money is often subscribed without any conditions as to the business in which it shall be employed. It is provided that under the direction of the committee on coöperation, twenty-five per cent. of the net profits shall go to a land fund for providing land for the works, twenty-five per cent. for insurance against loss, and fifty per cent. for extending the business of coöperative institutions. About half a dozen solidarity companies had begun business when visited. Not all were under the direct control of the central committee, but all were managed, in great measure, on the plan just outlined. In none was interest or profits to be paid the stockholder, but out of the general profits the stock was to be in time refunded. The companies

visited were the Solidarity Fancy Leather Goods Factory, 52 Bleecker street; American Fancy Leather Goods Company, 417 Broom street; Concord Coöperative Printing Company, 47 Centre street; New York Journeyman Plumbers' Coöperative Plumbing and Gas-fitting Shop, 953 Sixth avenue; Solidarity Knights of Labor Cigar Factory, Coöperative, 10 Chatham Square; Solidarity Coöperative and Distributive Store, 134 Canal street, which is also the sales-room for the cigar factory last mentioned; The *Leader* Coöperative Publishing Association, 184 William street. There is also a promising factory in Brooklyn, which is said to produce excellent work, but was not visited, and the Solidarity Knights of Labor Watch Case Company, Coöperative, 242 Plymouth street. Those of the above containing the word solidarity in their corporate name, more nearly correspond in plan of coöperation to the principles just referred to. These companies are all too recently organized to have any reports of value, but a few facts gathered early in February, 1887, may be of interest.

THE SOLIDARITY CIGAR FACTORY, started August 1, 1886, has \$1,500 capital. Fifty per cent. of the profits will be devoted to redeeming the stock on which no interest is paid, and afterward to a land fund, the building of factories and extension of other coöperative business; the rest of the profits will be used as an insurance fund, and to enlarge the business. Ten men were employed in March, and the business was rapidly growing. The goods with the Knight of Labor brand are sold in the coöperative store in Pythagoras Hall, the headquarters of District 49, on Canal street, near the Bowery. The two fancy leather goods companies named above were doing business, the one with \$1,500 capital and the other with \$600, on the full solidarity plan, and a growing business was reported.

THE PLUMBERS' COÖPERATIVE ASSOCIATION was organized October 1, 1886, as the result of the great plumbers' lockout in New York, due to the effort of the employés to

enforce an apprentice law. An assessment of five dollars was levied on every plumber to raise capital for the coöperative enterprise. Over \$1,000 has been paid. The distress resulting from the lockout and strike has prevented further payments. No interest is allowed, but all the profits are to go to a coöperative fund to form shops in other towns and to cancel the stock. The number of employés was seventy during the busy season, but very much less during other months. Every employé must own stock as soon as possible. It may seem strange that the solidarity plan should have any measure of success since it is so contrary to the coöperative methods approved by long experience. Probably the sentiment of class pride and the strong union feeling among many of the New York Knights of Labor assemblies accounts for the fact, and will serve to render these companies somewhat of a success as long as those local unions maintain their strength. Any decrease in the latter must affect the former. The Springfield (Mass.) experiment of the Sovereigns of Industry described in the previous pages suffered greatly from not being entirely under the control of the individuals who owned the stock. If these solidarity companies can survive these and other breakers, it will be a remarkable proof of the strength of the labor organizations of New York. At all events these experiments will be watched with interest, since they represent the attempt of certain socialist thinkers to put in practice their ideas of dispensing with interest to the capitalist and profits to the manager or *entrepreneur*.

The *Leader* Publishing Association had by February, 1887, sold nine hundred five-dollar shares and \$1,500 in larger shares. Sixty labor organizations owned one or more shares, and 30,000 copies were reported to be the average circulation of the paper. Here the solidarity principle was not fully maintained, as each stockholder had one vote.

The Concord Coöperative Printing Company reported a paid-in capital of \$3,500, on which no interest is paid, but, is in the previous company, stockholders vote. No one of



the thirty-five stockholders can own more than ten of the twenty-dollar shares, and each must be a member of the typographical union. The profits since the starting of the enterprise two and a half years ago have been devoted to enlarging the business, which is steadily growing. Chiefly because of the absence hitherto of the spirit of coöperation and of general intelligence the success of coöperative manufacturing, usually called productive coöperation, has been far less than that of distributive, but the tide seems to be turning. It will be many years before enterprises requiring great capital, or whose success depends upon the highest order of managerial power, can be successfully operated coöperatively, but in such lines of business as boot and shoe, furniture and hat making, coopering, etc., where the efficiency of the individual workman is relatively more important than in the first class of enterprises, it has already been proved in the accounts of New England and of the Northwest that coöperation can be made a success.

A serious drawback to coöperation in almost all states save Massachusetts lies in the defective laws which fail to require from all would-be coöperators strict compliance with certain well-established and generally approved methods of coöperating. Even the Massachusetts legislation as previously described is susceptible of considerable improvement in these respects, but elsewhere the condition of legislation is lamentable. In New York, for instance, the Secretary of State informed the writer that there were forty general laws, under almost any of which a coöperative enterprise could be incorporated. Scarcely any safeguards are thrown about such companies, although, as in the case of the coöperative banks of Massachusetts, it has been conclusively established that the most careful, thorough, state oversight, which is very different from state ownership or public financial aid, is almost essential to success, or at least to wise management in coöperative undertakings.

Not only is there no wise legislation on this subject in New York, but not even is any official information obtain-

able from the state offices. Those in charge of the files of incorporation of the state at Albany informed me that the records were so kept that it would be utterly futile to try to derive from them, even by weeks of investigation, any knowledge of the location and names even of coöperative companies, and furthermore it would have been amusing, if not so serious a commentary on the breadth of view of New York's high officials, to note how they laughed at any idea of its being either a matter of duty or public policy for the state to concern itself about such matters. Almost equal ignorance was discovered among the state officials of Harrisburg, Penn. The able chief of the New Jersey Bureau of Statistics of Labor, Mr. James Bishop, was able to help greatly in the study of coöperation in that state. In the course of this investigation the most frequent reason given by those in the coöperative movement for its slow growth in the Middle States was the lack of proper safeguards from state law.

The formulation of suitable enactments must be left to the lawmakers, but any proper law should forbid any corporation from embodying the word coöperative in its name, and all real coöperative companies should be obliged to assume that name, unless the following conditions, in addition to many others, are complied with: No one to hold but a limited number of shares of small amounts, and to have an equal vote with every other stockholder; business, if distributive, to be on the Rochdale plan, or at least embody such features of it as strictly cash trade and dividends on sales, and, if productive, all the employés who have been at work continuously for six months to receive such reward as the by-laws might determine; but at all events labor to receive some share of the profits, or to be obliged, after a reasonable time, to own some of the stock; and full reports at regular stated intervals to the Secretary of State, who should publish these in pamphlet form to be circulated as a public document. If any desire to conduct business on any other system with some coöperative features, it might be

allowed, but the name coöperative withheld. With these legislative safeguards, with the increase of general intelligence and moral qualities, the spread of economic education, and with growth in numbers and real power of our labor organizations, it is almost certain that distributive coöperation will extend rapidly, and productive coöperation much less rapidly, but in certain branches of manufacturing no less surely, until coöperation, whether of store, factory or building association, will occupy an important and useful place in the industrial organization of the not remote future.

## CHAPTER III.

### PROFIT-SHARING.

One of the earliest attempts at profit-sharing on a large scale in the Middle States appears to have been in the establishment of A. S. Cameron & Co., manufacturers of steam pumping machinery in New York City, who gave the employés ten per cent. of the net profits from July 1, 1869, to the death of Mr. Cameron in 1877. It seems to have been a success in every way and increased the wages of the men about four and one-half per cent. above the market rate without at all diminishing the profits of the firm. Mr. Cameron's death and the passing of the business into other hands are said to have been the only reasons for the discontinuance of the experiment.

### BREWSTER & Co.

The cause of profit-sharing was probably set back over ten years by the unfortunate results of the experiment of the firm of Brewster & Co., carriage manufacturers of New York. Ten per cent. of the gross profits, before any reduction was made for interest or salaries to members of the firm, was given to the help from the latter part of 1869 until June, 1872, when the workmen, ignorant and cowed by the taunts of their union leaders struck for eight hours. It is not generally known, however, that Mr. John W. Britton, the superintendent of the works, and the one who was largely instrumental in introducing the experiment, was not at all discouraged by the result, and before his death said to a friend, Prof. E. R. A. Seligman of Columbia University,



that if he had not been so sick when the trouble came that he was unable to give any proper attention to the matter he was fully satisfied that the whole trouble might and would have been peaceably adjusted. Before his death also he wrote to Mr. Herbert Putnam, librarian of the Athenæum library of Minneapolis, an account of the experiment. Based very largely upon this letter, a paper was written by Mr. Putnam, but never published, from which by his courtesy, the following extract is made :

“The proposal (of profit-sharing) was responded to with alacrity. An Industrial Association was formed with the Boards of Control elected by the men and representing each of the seven departments of the establishment, and a Board of Governors, composed of the Chairmen of these minor Boards, together with a member of the firm of Brewster & Co., as its presiding officer. The Board of Governors was to administer all the general internal affairs of the shop, directing each department through its appropriate Board of Control. The firm representative (Mr. Britton) as President of the Association reserved little more than a protest against the enactments of the Board of Governors, as his veto might be overruled by a two-thirds vote of its members.

“The new system went into operation early in 1870, and worked smoothly and admirably for two years. The increased interest and activity of the employés, noted elsewhere wherever similar incentives have been offered, were equally marked here. Yet at times their sincerity was severely tested. Twice a sudden lull in the business necessitated a reduction in wages; the necessity was explained to the Board of Governors, who voted the reduction without a question. It had been customary with Messrs. Brewster to reward long service among their employés by a bonus upon the yearly wages graded in amount according to the various terms. This gratuity now rested with the men themselves, to grant or not as they should see fit. Of course, any expenditure of this kind, while it diminished the fund of dividable profits, benefited but a minimum of the employés. And the conventional laborer, with comprehensive greed for the present, and small heed for the future, could scarcely be expected to dock his own pay for a neighbor doing no more nor better work than himself. In behalf of the firm Mr. Britton, the President of the Association, called a general meeting

of the operatives and laid the matter at their discretion. No public objection, said he, was necessary; any protest whatever received by the firm, even in the form of an anonymous communication, would be respected. They should have a week in which to think it over. At the end of this time, no objection having been made in the interim, another meeting was called, and the question of bonus put to the vote; it was carried, without a dissenting voice.

“In the spring of 1872 came the great strike among the New York building trades. Starting with the house painters, the fever soon spread to the carpenters and bricklayers, and finally to almost every manner of manual employment. For over a month labor lay dead and bred maggots. A swarm of pestiferous agitators sprang forth, whose special vocation it is to ‘kindle dissension between employers and employed, whispering some, haranguing others, spitting poison, or spouting nonsense;’ stinging the workmen to strike, and then offering themselves as mediators—for a consideration.

“To these turbulent spirits the Brewster establishment offered peculiar inducements. Its harmony and good feeling were a reproach to their ingenious malevolence; its prominent reputation would render its discomfiture a more boastful triumph. So they began the attack; not openly and boldly—for they had no ground on which to denounce the firm—but covertly, with the individual employés, whose prejudices and ignorance once segregated, could be more readily worked upon. The demand was to be that of the other strikers throughout the city—a reduction from ten hours a day to eight. The men were duped to believe that the question involved was a question of principle; however content they might be with the conditions of their own employment, it was their duty to uphold the general body of laborers afflicted with less congenial employers. Having secured a numerical majority of the workmen, the agitators began to direct a strong pressure upon the Board of Governors.

“And now came the most remarkable episode in the history of the association—that which makes its example a beacon light in the pathway of economics. The Board of Governors had the sole determination of the wages and the working hours; should they vote the reduction, the Messrs. Brewster were bound to accept it. They knew indeed from Mr. Britton that the consequent delay in the manufacture would prevent the performance of contracts already undertaken, and materially injure the business of the firm. But they were, after all, themselves mere workmen, chosen from among the workmen, by the workmen. They might naturally conclude that a demand made by almost every laborer throughout the city must be founded on justice; they might easily fashion a justification from the sophistries of the union agitators; they might at least.

conceive it their duty to enact the will of their constituents, irrespective of their own convictions.

"They held a different view of their obligations. Individually, indeed, they went to Mr. Britton and urged him to propose the reduction; but as a Board they would not themselves propose it. They had too high a regard for their trust, too keen a sense of official honor, to enact what they knew to be unfair to the firm. Then came threats against themselves—of deposition from office, even of personal violence. They brought the missives to Mr. Britton and implored him to help them out; but they would not vote the reduction. At last the men sent word to the firm that they would strike unless their demand was granted within the succeeding week. Mr. Britton was emphatic. Summoning the four hundred operatives, he reminded them that they had a constitutional method of settling such disputes—that a reduction voted by their representatives in a regular way would be final and binding. He reminded them also of the provision in their constitution that any employé withdrawing voluntarily from the establishment should forfeit his share of the profits for the current year, and that a strike would mean a dissolution of the association and a loss of all profits not only for that, but for all succeeding years. The week passed, the Board still refused to vote the reduction, and the men struck. At the end of a month they returned to work at the old ten-hour rate; the interval had cost them \$27,000 in wages and \$20,000 more in undivided profits, besides the dissolution of the association and the cancellation of the fund itself."

As referred to above, Mr. Britton stated that had he been physically able to talk with the men at any length when they called upon him, he was confident that the entire trouble would have been at once and wisely settled. But it was difficult for him to make this clear enough to his partners to secure any renewal of the experiment. Another important lesson besides this of personal influence is emphasized by this account. It is that referred to elsewhere as the need of education among the masses, that they may appreciate the advantages and conditions of success of profit-sharing.

#### ROGERS, PEET & Co.

January, 1st, 1886, this firm in New York, which claims to be the largest manufacturers of clothing in the world,



introduced profit-sharing, but does not reveal to the men what per cent. of the net profits is given. The plan was announced in a dinner to the employés, March 22nd, 1886, in a speech by one of the firm, Mr. Frank R. Chambers, from which the following is quoted :

“The house does not wait until it has heaped up a vast fortune for itself before admitting you to an interest. The business has been placed upon a safe, money-making basis, and is capable of further healthy extension. Towards securing that growth you are invited to contribute, and in its results you are to share. Meanwhile, you are not expected to make sacrifices by accepting lower wages or working longer hours ; we shall continue to pay as liberal salaries as other reputable houses, and exact no more in hours of labor. We want the highest grade of clerical and mechanical skill, and are willing to pay accordingly. The interest we offer you in our business profits is purely gratuitous, a fact you will appreciate more fully after you have received your first dividend.

“We are actuated to this step by a desire, first, to meet our conception of the employer’s duty toward the employé, and second, to institute a system of coöperation that will redound to our joint interest.

“The chief obstacle to success in any large business is the difficulty of personal supervision. Few men work conscientiously for others as they work for themselves, and most of the defects of manufacture or faults of service that injure the reputation of a house with its customers would be avoided were the proprietor able to attend to every detail himself. Now, if you are all in a sense proprietors, will not the cutter endeavor to turn out as perfect work as his skill is capable of producing? Will not the examiner, both of piece goods and of garments, consider that his individual interests are liable to be affected by any defect he may overlook? Will not the salesman use his best tact, his utmost patience and politeness, to secure customers, and to keep them? While everywhere about the house a hundred eyes are watching to prevent little leaks and protect the property of the firm, because even the boy who sweeps up rags and runs errands feels that he is neglecting his own business when he fails to exert his greatest industry and care in the work set before him.”

The capital employed is \$600,000, according to Mr. Chambers, who is authority for this entire account, and the annual business is \$1,800,000. The regular number of employés is 275, and 100 more are temporarily employed

as business demands, and also receive a share in the profits. This share, for the year 1886, amounted to about  $3\frac{1}{2}$  per cent. in addition to the wages of about \$200,000, and the result is pronounced altogether favorable.

January 19th, 1887, another dinner was given at the Metropolitan Hotel, when the profits were divided. Mr. Chambers confirms the accuracy of the following report, the next day in the *New York Star* :

"After the dinner at the Metropolitan House, Mr. Frank R. Chambers, a leading member of the firm, opened his speech with 'Partners with a big P.' He said the new plan had produced a better quality of work. They had worked well together and there had not been a single dissension. They were indeed a happy family. He desired that every young man connected with the firm should hope to be at the head of it some day. Above all, he trusted that they had accounts in the savings banks. Twenty years ago he himself had come to New York a poor boy to make his way in the world. This last year had been but a fair one, yet they were able to declare a dividend of  $3\frac{1}{2}$  per cent. on each one's salary. Checks for the amount were then distributed, and three hearty cheers were given for Rogers, Peet & Co.

"Hon. Algernon S. Sullivan was then introduced and said : 'Of all the public assemblies in New York this winter this is the most interesting. It is a fact that will be noticed by the preacher and the editor, by the students of political problems, by the philanthropist, by the friends, and I hope by the foes, of social order. A firm of our great manufacturers and merchants, by one act, present to their fellow-citizens more than a whole volume of theory about the relations between capital and labor. It is not the amount of money that is transferred at this meeting which attracts one's interest. True, that is substantial, and it keeps the occasion within the scope of business. But I am happy to be a witness here, because to-night, as an established and enduring fact, Rogers, Peet & Co. have started a business on principles which introduce the sentiment and sympathies of man with his fellow as one of the factors in business management.'"

Said Mr. Chambers, in conversation with the writer :

"Not only do I consider it a matter of justice, but a practical business measure. I do not see why the men should not share in the profits. We believe that all our men in all the departments of the business are working with more zeal and intelligence than they have ever shown before, and we tried to impress them with that



fact of their direct personal interest in the results of the business. Does it pay financially? I hold that it does pay. In the purely mercantile department we can have no exact record of results, but in the manufacturing department we have a record which shows what every man does, and we judge from that."

Referring to other benefits and in reply to questions, Mr. Chambers continued—

"Last spring (1886), there was a movement among the cutters of New York to reduce the hours of labor. The clothiers of New York formed a combination and agreed with the cutters to reduce their working day from ten hours to 9½, and lengthen the Saturday half-holiday. The firm did not join the association, though the cutters joined the union, but we gave the same 9½ hours' working day. The cutters, who had hitherto been restless and unsettled under the agitation by their union, were told that the success of the experiment of shorter hours and their profits as well would depend on them. Our records show that our men are doing the very same work in 9½ hours as they did in ten. This at least equal production under 9½ hours as under ten we trace to profit-sharing. Our men were no more favorably disposed to us before the experiment than the employés of other firms. Our condition was no more favorable than that of other companies."

#### HAINES, JONES & CADBURY.

This firm of plumbers and steam-fitters' supplies, of 1136 Ridge avenue, Philadelphia, with a capital of nearly \$300,000, and a pay roll of about \$125,000, among the 250 employés, and which has been in business since 1860, introduced profit-sharing in the following circular to the men, February 26th, 1887:

"Beginning with the first of the present year, we propose to divide the profits made in our business upon the following basis:

"After allowing interest on actual capital invested, the remainder will be divided between the firm and all persons in our employ, in the proportion that the capital bears to the total amount of wages paid.

"Each one will receive this bonus in a percentage on the whole amount of wages paid him for the year.

"Any person who has not worked at least six months within the year, who has been discharged for good cause, or who has voluntarily left our employ, will not be entitled to any dividend.

“This plan of coöperation is adopted as an experiment only, but it is hoped by the firm that the increased care and diligence, which it will thus be the direct interest of each employé to exercise, will result in a saving of time, material and machinery, which will add perceptibly to the fund out of which the dividends must be made.”

A member of the firm wrote March 28th, 1887 :

“It is entirely new with us, and of its effects it is yet too soon to judge. So far as we know, it is received with interest by all in our employ, and we think we see a greater interest in the welfare of the business than before.”

JOHN MUNDELL & Co., shoe manufacturers, of 123-7 N. Thirteenth St., Philadelphia, wrote me under date of May 10th, 1887: “We have not got our plan of coöperation perfected, but we employ over 500 hands, and will give them one-third net profits, after interest on capital is taken from gross gains. We leave the ‘points’ of the plan to be arranged by the hands themselves, they having formed an association for that purpose.” The details had not been perfected

#### JOHN WANAMAKER.

This well-known merchant, employing over 3,000 hands in his clothing business in Philadelphia, called them together, April 8th, 1887, to listen to the following letter :<sup>1</sup>

“GOOD FRIDAY, 1887.—To-day, April 8th, twenty-six years ago, I began business at the corner of Sixth and Market streets.

“I want to keep the anniversary by giving this token of good will to the people associated with me in the various departments of service in the house.

“First—All who have been in the employ of this house for seven years, and such others whose term of service shall hereafter reach seven years, shall participate in a portion of the profits of the year’s business, which I shall set aside out of my share in the firm, at the time of its next annual settlement. I shall divide this portion among those employés on the seven year’s honor roll, according

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<sup>1</sup>The original has not been seen, and the entire verbal accuracy of this letter is not vouched for.

to the value of their services to the firm, to be determined by their usefulness and faithfulness.

"In making this distribution, I shall personally analyze the records of sales made, or work done for salary paid, and, considering opportunity, effort, behavior and growth, shall endeavor to do exactly right by each one according to my best judgment.

"Second—All the salespersons throughout the house will have added to their present salaries, on and after Monday next, a sum each week graded by their sales. To salespersons in departments where the transactions are most numerous, because in small amounts, the addition to the salaries will be in double ratio to those in the other departments.

"Third—In the clerical, packing, invoice and various offices, a civil service system will be strictly followed in promotions and advancements. The record of each one will be carefully kept, and govern all changes. A 'special honor list' will be kept for the more rapid preferment of those showing marked business ability, rapid improvement, diligence, economy and usefulness."

The circular goes on to state that these extra payments apply only to the retail departments, and to such as have been in the service six months and over. It concludes with the sentence :

"We have great desires to improve the condition, comfort, happiness and pay of our people, if they will do the part that is in their power. A large business warrants large pay, if the drones are kept out of it.

"Cheerful, joyous, intelligent workers may do wonders for themselves and everybody, and receive large pay.

"(Signed),

"JOHN WANAMAKER."

What followed is thus described in the *Philadelphia Press* of April 9, 1887 :

#### WHAT MR. WANAMAKER SAID :

"Mr. Wanamaker mounted the temporary platform when quiet had been restored, and as he did so a cheer went up. Mr. Wanamaker smiled when the crowd cheered him, and as the applause died away and he began to speak his face grew very serious.

"He said it was an event to him of which he had long thought and studied, and added much to the pleasure of his business birthday to take his employés into the sharing of the prosperity of the business. He had always sought to improve the condition of his

people, considering them as personal friends so far as possible. While the salaries now being paid were ample and averaged as high if not higher than in any large store in any city of the world, and could easily be so proven, yet it was a great satisfaction to him to introduce a new scale of earnings by which they would receive much larger pay than had ever been current anywhere before.

"The veterans in the service would be put upon a new level, giving them an extra share of the profits. Earnest words of counsel were rapidly and warmly spoken to all. When Mr. Wanamaker closed he called to the stand from which he spoke the first man he employed twenty-six years ago, and continuous in his service to the present time, and also another gentleman now in his employ in the wholesale department who was the first customer twenty-six years ago. He hoped they and all present would spend their lives together. At the last word three rousing cheers were given, and the happy people crowded around their happier employer and shook his hand until he must have been thoroughly exhausted.

"Mr. Wanamaker, when questioned on the amount to be distributed among his employés by his new system, said it could not be less than \$100,000 this year, in addition to their salaries.

"Five years ago Mr. Wanamaker organized an insurance association among his employés, and governed by them, that has distributed in sickness and death benefits up to this time over \$40,000."

Mr. Wanamaker very naturally prefers not to make any further public announcement, until sufficient time has elapsed to judge of the results.

#### NELSON LYON.

This furniture manufacturer of Albany, N. Y., in reply to my letter of inquiry relative to his alleged proposition of profit-sharing and its refusal by the men, sent as official the following report in the Albany *Argus* of April 29, 1887, of an interview with him :

"One year ago the Albany Protective Association was formed, and my men joined it. We do considerable interior work. Last year I did nearly \$20,000 of that work. Interior work means this : When a man is building a house and has it all completed but the interior wood work, then I can go on and finish it ; put in the mantels, shelves, cabinets, dining room closets, wainscoating, etc. Then when the issue was raised and a uniform scale of wages demanded by the Protective Association, they rated my cabinet-makers as



carpenters, because they did this interior work. The fact is, they worked at interior work but a comparatively short time. And the scale of wages demanded was twenty-five, twenty-eight and thirty cents an hour. To this demand I acceded. I have a large retail trade, and I did not care to antagonize the labor element.

"I have run my factory for ten years, and never in that time has it been idle two weeks at a time. In January we always shut down for an inventory of stock, and in July I sometimes shut down to give my men a week's vacation. I did not think I ought to be compelled to pay such high wages, for I can hire cabinetmakers at \$7.50 \$9, \$10.50 and \$12, and get all I want for those wages. Instead I had to pay \$2.50 and \$2.80 per day of ten hours. Now, I offered my men a proposition for their consideration. I agreed to run my factory ten hours a day, to divide, either annually or semi-annually, one-half of the entire profits of the factory with the men and deduct ten per cent. from their wages. My men took the proposition, considered it and then heartily agreed to it. They laid it before the Knights of Labor for ratification, and that body decided they could not accept, on the ground that they could not allow ten hours work; they demanded nine.

"I am very largely interested in a new locomotive appliance, which promises to pay me much better than my furniture trade, though that is doing very well, and my object in making the offer to the men was that I could get them interested in the work enough to be able to trust them while away and working on my invention. The Boston and Albany Railroad has given unlimited orders for the new device. My proposition was a generous and fair one, and really would have advanced their yearly earnings. My machine men were advanced ten per cent. only a year ago, and this year the cabinetmakers' time was reduced from ten hours to nine. I claim it is not a hardship to work ten hours a day, certainly no harder to work at their light work than for a carpenter to work nine hours. But they could not accept the offer, and so now I shall throw out all my cabinetmakers, about thirty in number. But I shall continue my upholstery and parlor work, and my finer cabinet work, and my retail trade will not in any way be affected. Only our machine work will stop.

"I am sorry it has happened, but the Knights of Labor could not accept the proposition, so I must close my machine factory, for I can make more money on my locomotive appliance."

Although the action of the men may have been a mistake, it is well to bear in mind that the proposition of Mr. Lyon differed from that of other profit-sharing experiments



in that, under cover of it, wages were to be reduced ten per cent. and the hours of labor increased. It may very well be that the profits in this individual firm might have more than offset these drawbacks, but it was natural enough for the labor organizations to fear the influence of lower wages and more hours in this firm on their contests elsewhere.

### WOOD, MORRELL & CO.

This firm, of Johnstown, Pa., issued a circular in April, 1887, to the employés of the Cambria Iron Company, the Johnstown Manufacturing Company, and Wood, Morrell & Co. (Limited), suggesting that they raise \$200,000 in \$10 shares, no one to hold more than \$1,000, or have more than one vote, and therewith purchase the entire stock of Wood, Morrell & Co., consisting of stores, shops, manufactories and mercantile establishments, at a price inventoried by a representative of the firm, another of the men and a third chosen by the other two. It is also provided that this new association, to be called the Johnstown Coöperative Store, Limited, shall rent the brick store building, shed, warerooms, slaughtery and stables of Wood, Morrell & Co. and the Cambria Iron Company for \$7,500 a year. The following provision is made for dividing the profits :

“Ten per centum of the profits shall be set apart as a reserve guaranty fund, until the same shall amount to twenty-five per cent. of the total capital of the association, and thereafter the said guaranty fund shall be maintained at said percentage of capital and any increase thereof. Of the remaining profits, dividends shall be made to members of not less than six nor more than ten per centum per annum, the amount to be so determined as to leave a sufficient sum to divide and distribute three per cent. upon all purchases of goods to persons purchasing not less than ten dollars' worth during the period for which the account was taken. Dividends to the amount of six per centum to members shall be preferred to said dividends to customers, and after a dividend of ten per centum to members, all surplus shall be made a dividend to customers. No individual shall receive dividends on any shares exceeding one hundred held by him. All unclaimed dividends to customers shall

be added to the next account and distributed thereon, and such distribution shall forever bar any prior claim to the same."

If \$200,000 are not raised in sixty days the association is to begin with the capital in hand and a loan of sufficient working capital if obtainable, secured by pledge of capital in the association or otherwise. May 9, the general manager of Wood, Morrell & Co., James McMillen, wrote: "The stock has not been all subscribed for, and the plan is not in operation yet."

Many attempts are being made to attach the employés to their work. The *New York Staats Zeitung* has paid since 1880 a bonus of ten per cent. increase of wages as a voluntary gift to all who have devoted their time and energy for the year preceding to the paper. In 1885-6 \$12,092 was thus divided. In the year ending March 1, 1887, about \$13,000 was given to 139 employés, including 28 in the editorial room, 15 in the office, 25 in the press-room, 65 compositors and six in the stereotyping department.

The *Century* Company has given its regular writers for several years a direct share in the profits, but prefers not to reveal any particulars.

#### ALFRED DOLGE,

dealer in felt and lumber of Dolgeville, N. Y., started an aid society by donating \$400 as capital a few years ago which the workmen keep up by paying fifty cents monthly and receiving five dollars per week relief if sick. In 1882 pensions were promised in case of partial or total inability to work caused by accident, sickness or old age, as long as such inability should last. The pensions are as follows:

50	per	cent	of	the	previous	year's	wages	after	10	years	service,
60	"	"	"	"	"	"	"	"	13	"	"
70	"	"	"	"	"	"	"	"	16	"	"
80	"	"	"	"	"	"	"	"	19	"	"
90	"	"	"	"	"	"	"	"	22	"	"
100	"	"	"	"	"	"	"	"	25	"	"

Mr. Dolge made the following announcement January 22, 1887 :

"After considering a variety of plans I have finally come to the conclusion to set aside a certain portion of the business profit each and every year for the purpose of paying premiums on Life Insurance Policies. The rule which I have established is simply this, viz. : that each employé who has for five (5) consecutive years been in the employ of the firm, is entitled to a Life Insurance policy of \$1,000, and at the expiration of the tenth year of steady employment to another \$1,000 policy. Premiums and all expenses will be paid by the firm as long as the insured is in the employ of the firm. For those who have been rejected an amount equal to the premium has and will be regularly deposited in the German Savings Bank of New York.

"I have the pleasure to state that this year policies have been issued under the above arrangement amounting in all to over \$100,000, and \$169.20 have been deposited in the Savings Bank. I need not tell you that I have not done this to pose as the "father of my workmen," but consider it simply the performance of a duty. I wish you all to understand, that neither with the starting fund of the Aid Society, nor with the pension Fund, nor this Life Insurance plan, do I mean to offer you a gift or a present. I consider you are entitled to it as a part of your earnings, as your share of the profits which the business yields, and which I only invest for you. If I make presents to you they come in the shape of this club house, or in the shape of this addition of volumes to your library, which I hope you will accept and make good use of."

Mr. Dolge wrote, February 14, 1887—

"There is no doubt in my mind that the manufacturers will eventually make all their employés partners of the business, so to say, as there is undoubtedly something wrong at present in the relation of capital to labor. In many instances capitalists enrich themselves immeasurably at the expense of labor. It would certainly be welcomed by the majority of the American people, if a plan could be devised, just for both sides, whereby labor will get its rightful proportion of the earnings of a business, mill, etc. I fear, however, scholars will find it a very difficult problem to solve.

"I have for the past fifteen or twenty years watched such experiments with great interest, but have not found anything really practicable. The greatest difficulty seems to me the ignorance and indolence of the majority of the working people. More and better schools, stringent school laws seem to me the first necessity."

This need of the most rigid and thorough compulsory education, industrial, civic and economic, and to a moderate extent intellectual, which latter is alone attempted now in most of our schools, is indeed pressing, but hand in hand with that there seems destined to develop such a gradual reorganization of industry on various systems of profit-sharing as will inure alike to the benefit of employer and employé, and while increasing the product of the business will bring peace where there is now war.



## CHAPTER IV.

### CÖOPERATIVE BUILDING ASSOCIATIONS.

It is singular that the wonderful results of the building associations of Philadelphia, some of which date from the decade 1850-1860, are not better known and imitated all over the land. Of them Robert Treat Paine, Jr., well spoke at the convention, Sept. 9, 1881, of the American Social Science Association :

"A grave objection to savings banks is that they admit depositors to no share in the conduct of affairs and teach them nothing. For knowledge how to invest money, and accumulate property, is of the utmost value.

"These [building] associations are the best adult schools for men and women to learn business that I have seen or heard of in the world. It is a school for life. Saving your money, investing it safely, seeing it accumulate, watching over it, discussing how best to manage, consulting and comparing notes about houses, size and shape and cost, and comfort, health and repairs, and values ; how to save your first hundred dollars, and how best to make it worth \$150 and \$200 ; how to teach and bring up your children to work and save and be steady ; how to keep out of and hate liquor shops and all the other costly and deadly allurements of the devil ; how to form habits of sturdy American virtue and thrift ; and building up a wise plan of life for yourself, your wife and children, develop and perfect it into the grand result of home and independence, and competence and character.

"Is it not true that the prosperity of the masses of the people is not only measured by their accumulation of property, but, in fact, caused by it? Certainly accumulation is governed by three factors ; 1. The spirit of saving. 2. The power of earning. 3. The means of saving safely.

"And all three of these causes of the peoples' prosperity grow out of these associations more largely than from any other system or influence. Common savings banks offer, indeed, to keep what



any one desires to save. But multitudes have no such desire. The contagious spirit and eagerness to save is inspired and fostered by constant contact with those who have already formed the habit and prospered in its exercise.

“The experience of Philadelphia and of the world may be appealed to to show that a workman’s skill and earning power grow almost in proportion to his resolve to increase his wages. A poor workman, seized with the desire to save and own a home, puts his soul into his work and quickly learns how to do better and faster work, and so rises to the top of his trade and often finds chances opening out wider and higher till he is surprised at his own success. The spirit of saving has developed the earning power.

“Safety of investment is the third essential. Without it saving is in vain, and habits of saving hopeless. At the present time the difficulties of investment are growing grave for all, especially for the rich. Rates of interest are falling, and the competition of capital, in its rapid increase, threatens to aggravate the difficulties and reduce the gains. The art of keeping money, and of investing it safely, requires more knowledge than the great majority of people possess, with the single exception of simple real estate. Small lots of land in or near cities, and small houses on them, come so close to the daily experience of all, that they offer the safest investment for the earnings of the masses. Costly houses and large stores may rise and fall in value; but nothing is so stable as a small, snug, well-built house on good land, reasonably near to the business of a city, and worth from one to three thousand dollars. They are always in demand and always worth about their cost, or a little more; and, except after such great fluctuations as followed our late war, growing out of a change in the value of money, the cost of these houses cannot fluctuate much.”

The general plan of such associations has been sufficiently described in other portions of this work, but certain peculiar features in the Middle States demand notice. In all this section, where save in New York the coöperative banks are rapidly spreading, the old plan is very largely adhered to of deducting from the face of the loan to the shareholder and borrower the amount of the premium instead of treating it as a monthly payment. For example, if a man in order to borrow \$1,000 offers ten per cent. premium he will receive \$900, but must take five \$200 shares as security on which five dollars a month is paid. Interest in some cases is

charged on the \$1,000, in other cases and with more propriety on the \$900. In Massachusetts the borrower would receive the full \$1,000 and pay his premium in the form of a certain number of cents a share per month until the shares mature in nine to twelve years. This latter plan is simpler and easier and more just, many claim, to the borrower, and is being adopted with increasing frequency in the Middle States. The other plan, however, is also safe and under it most of the coöperative banks of Pennsylvania and New Jersey have achieved their great results.

A valuable journal is printed monthly in Philadelphia by Michael J. Brown called the *Building Association and Home Journal* and devoted entirely to reports and able discussions of this little understood subject. From the first number at hand the two following typical instances of the working of the banks in Philadelphia are taken :

“Mr. A. lived in a small four-room house on Sepviva street, for which he paid a rent of \$10 per month. He became a member of the association, and after paying in for several months decided to purchase. \$1,000 was the price asked for the property. As Mr. A had only \$100 in cash, it was necessary for him to give some additional security. A gentleman who knew him well guaranteed his payments to the association for the space of two years. That is, in case our stockholder neglected or refused to pay his monthly dues during that time his security would be obliged to pay it for him. Upon this satisfactory arrangement, Mr. A received on a loan of five shares of stock the \$900 required to purchase the house. His monthly expenses now are as follows :

Subscription to five shares of stock.....	\$5 00
Interest on the \$900, borrowed from the association, at 6 per cent.....	4 50
Taxes on an assessment of \$800 at \$1.85 on \$100.....	1 23
Water-rent of five dollars per annum.....	42
Total monthly payments.....	\$11 15

“Only \$1.15 more than rent, upon a loan of \$900, which is within \$100 of the actual value of the house.

“Mr. D, living on Howard street, bought a nice three-story eight room brick house for \$2,600. The association loaned him on twelve

shares of stock \$2,160, he paying in cash the remaining \$440. His monthly expenses are as follows :

Subscription to twelve shares of stock.....	\$12 00
Interest on the \$2,160 borrowed at 6 per cent.....	10 80
Taxes.....	3 08
Water-rent.....	67
	\$26 55

“Previous to buying the property, Mr. C had paid a rent of \$22 per month, consequently, his actual expense to own this really pleasant home is but \$4.55 per month more than rent.”

The failure of the state to legislate carefully and fully upon these associations has led to great diversity among them, and in some cases to great disregard of the interests of the borrowers. Very many of the banks, for instance, make no provision for a borrower returning his loan and bidding off a loan again at a lower premium, whenever he finds it for his interest to do so. At present, money is plenty and premiums low, but it is quite possible to so arrange the fines and dividends as to bear rather unequally on different classes of depositors or of borrowers. The conditions of success are well summarized by a recent writer, (David B. King, in *Building Association and Home Journal*, December, 1886), as follows :

“It is obvious that building and loan associations are not suitable to a migratory laboring population, or to men whose opportunities for employment and whose wages are uncertain and unsteady. They are useful when the chances are that men will have permanent employment at regular wages, and when strikes and lock-outs are not likely to occur. Carefully regulated by law, and wisely managed, they offer great inducements to mechanics and the better class of workingmen to save money regularly, and enable them to own their houses, thus greatly benefiting the men themselves, and the nation at large. Badly or fraudulently managed, they become a source of loss and suffering, of bitterness, distrust, discouragement and demoralization.”

But all criticism seems almost ungenerous in view of what these associations have done and are now doing. The estimate is well known and confirmed by the best judges that from 80,000 to 100,000 homes are now owned in Phila-



delphia through the medium of building associations. The attempt has been made to determine approximately the number of depositors and borrowers in the 400 Philadelphia associations, and the 800 others in Pennsylvania. Mr. Michael J. Brown has full returns for 1886 from 120 associations in the city as follows: The capital, which is almost all loaned, was \$8,749,339.17. As the average loans are about \$1,700, this would give 5,147 borrowers in less than one-third, and that, it is thought, not necessarily the largest third of the associations. The borrowers from all the associations must therefore exceed 15,000 at the present time, representing 75,000 people who are thus struggling successfully to own their own homes. The expenses of the 120 associations averaged only \$378.20 each. The number of shares in the 120 is 151,680, which, at the average of 5.1 shares to a depositor, found to be true in the 156 banks of New Jersey last year, would indicate 29,741 shareholders, or, in all the Philadelphia banks, fully 90,000, representing over 400,000 souls, or nearly half of the entire population of the city, a remarkable exhibit which tells its own story. In the rest of the state there are, in the 800 building associations, fully as many borrowers and depositors, and very likely twice as many as in Philadelphia, but no statistics have been compiled. It is safe to say that in the more than 1,200 coöperative banks of the state there are over \$50,000,000 assets, owned by nearly a quarter of a million depositors, and borrowed by over 40,000 families, representing 200,000 persons who are thus able to build and pay for homes which they would without these invaluable banks have been forced to rent. Surely, the far-reaching benefits of these coöperative associations are almost incalculable and the best antidote possible to popular theories of rent confiscation.

The records of New Jersey, as compiled by the Bureau of Labor Statistics, are equally interesting. October 31st 1886, there were 156 associations in the state, since grown, May, 1887, to over 175. In October there were 37,730 depositors, representing over 150,000 people, of whom

two-thirds were wage-earners and one-third borrowers. The number of shares in one hundred and fifty-one was 203,907, and the assets \$9,300,705, or an average of \$247.36 to every member. Eight thousand five hundred and sixty-two families, by borrowing of these banks, were fast paying for their homes.

Very few coöperative banks have been found in New York, and the general statute incorporating them is very loosely drawn. Is there not some connection between the two facts?



## ADDENDUM.

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On revisiting the solidarity enterprises in New York in November, 1887, I found that they were still fairly prosperous. Over \$6,000 had been raised as capital and put into small manufacturing companies under the auspices of District 49, K. of L., which professes to guarantee the refunding of the money on sufficient notice being given. No interest is paid, but all profits are to be devoted to increasing the business and assisting other enterprises.

A new company with the name solidarity, but independent of the control of the coöperative board of District 49, was started August 2, 1887, at 132 Canal street, New York, called the Solidarity Coöperative Clothing Company. Over \$5,000 capital has been raised, in twenty-five-dollar shares, on which no interest will be paid, but there will be dividends to the stockholders on their shares. About thirty are employed, all of whom are necessarily stockholders. Four shares are all that any one can hold, and each stockholder has one vote.

The Solidarity Cigar Factory, coöperative, the next door, under Pythagoras Hall, the headquarters of District 49, has \$3,500 capital, and is apparently the largest enterprise managed on strictly solidarity principles in New York City.

### SOLIDARITY WATCH-CASE COMPANY (COÖPERATIVE) OF BROOKLYN.

The largest coöperative manufacturing company that the writer has found in all the East is the above, with its \$67,000 capital, besides a growing reserve fund, and one hundred and ten employés. The experiment deserves some description, which I am able to give from a visit, in November, to the factory at 11, 13, 15 and 17 Hope street, Brooklyn, and from the great kindness of one of the officers in furnishing me all the facts desired.

The company was incorporated July 1, 1885. The shares

were twenty-five dollars, and are sold to men and women actually employed in this or other factories in the making of watch-cases, and who are members in good standing of some assembly of the watch-case makers. So as to allow every employé of this company to become a shareholder, due bills are sold for one dollar each, not transferable, which may be redeemed for shares when the holder has twenty-five, or they can be redeemed at any time for cash, regardless of the amount. This is done so as to induce the members to save money by investing one dollar at a time. Mr. D. E. D. McMurray, superintendent and treasurer, writes:

“We have found that this plan has worked very well, and has been the means of the company’s obtaining a large amount of money, as many of those working in the factory or in the other shops have taken every week from one to ten dollars, and often we have received as high as \$300 at a time.”

Each shareholder has only one vote, and no one can hold more than eighty shares, or \$2,000. No interest is paid, but all profits go as dividends on stock. It is possible that some share of the profits may be given the employés as such, according to their wages, but it has not yet been so decided. The management consists of four officers—president, vice-president, secretary and treasurer—and nine shareholders elected as a board of directors. The officers are elected annually, the directors every three years, three being elected each year. In addition to the above a superintendent is yearly elected by the shareholders to manage the business, but the nomination therefor must be made by the board of directors, who must put at least two persons in nomination.

The greatest trouble has been ignorance. Many men could not understand how one could earn four dollars a day while another at his side was worth only two dollars. Foreign-born skilled workmen, largely French, were first employed, and were more sensible in these matters. Now, however, American workmen have been taught to understand the subject better, and are the majority of the

employés. An important means of education is the quarterly meeting, where practical questions in coöperation are discussed by the officers and men.

All employés are Knights of Labor, but sales are to the regular jobbers, and the work is in good demand, being the best hand-made cases of gold. Some machinery is used, but for the finest cases it is claimed that most of the work must be done by hand. The wages of the men average about twenty dollars a week, higher, it is claimed, than in any rival private factories, and the men are skilled workmen.

The company, which started as the result of a strike for fewer hours of labor, commenced to manufacture with only eight men October 10, 1885, at 222 and 224 Plymouth street, Brooklyn, on the top floor. The paid-in capital was \$7,000. The company increased its help and succeeded in disposing of its production, but lost considerable money the first year. This is attributed by the managers to the class of work that was done, the want of facilities to turn out the work to advantage, and the lack of necessary funds to keep on hand a sufficient amount of gold, so that the men could work steadily. During this time the men made great sacrifices. Many left half their wages in the company every week, and some did not draw out one cent of wages for three or four months.

At the end of the first year there was in the employ of the company forty-five men, a woman and a boy. The average production was thirty cases a week. The shareholders elected a new superintendent. The officers and board of directors introduced a new system of work, and thus made a complete change. The success was so flattering that a part of the floor below was taken, and more men were employed. The workmen were given the Saturday half holiday—that is, they stopped work every Saturday at 12 o'clock noon, and were paid full time. By careful calculation it was found that instead of the company losing money they gained, as the men worked so much more, and every one was at work when the steam was ready at seven

every morning. In winter, the factory is run nine hours daily.

January 1, 1887, the books showed that the loss of the first year had been made good, and there was some profit for division among the stockholders. The business continued to increase and everything was going on well. There were more orders than could be filled. The men, the board and the officers worked and sacrificed to make the business a success. But on the 20th of June the factory, with all the designs, was destroyed by fire. The loss on machinery and property was covered by insurance, but the loss from stoppage of the business and the enforced idleness of the workmen was considerable. The company, instead of being disheartened, went to work with new life; the shareholders gave more money; the present commodious factory was rented and in one month so fitted up that the men could resume work. The force of employés was increased until it now numbers one hundred and two men, three women and five apprentices. The average production is now, November, 1887, two hundred and fifty cases a week or \$32,000 worth monthly. Three long rooms are occupied, and success seems assured. Only one man has ever been discharged, and that was for drunkenness. Preference in hiring new men is given to stockholders if capable workmen, and after them to those holding due bills. The great need of the coöperative movement was said by Superintendent McMurray to be education which would teach the men the conditions of business success. No coöperative manufacture can hope to thrive without a large capital. Failure to secure it before beginning work has been the cause of many a failure.

Since my visit one of the officers has written me:

“So far we are perfectly satisfied with our attempt at coöperation, and from your own observation made when you were at the factory you must have been convinced that where there is harmony and a perfect understanding among the workmen, and business is conducted on business principles, coöperation must be a success. I can safely state from my experience that we produce more work with better workmanship and less trouble than any other manufacturer in the business.”









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