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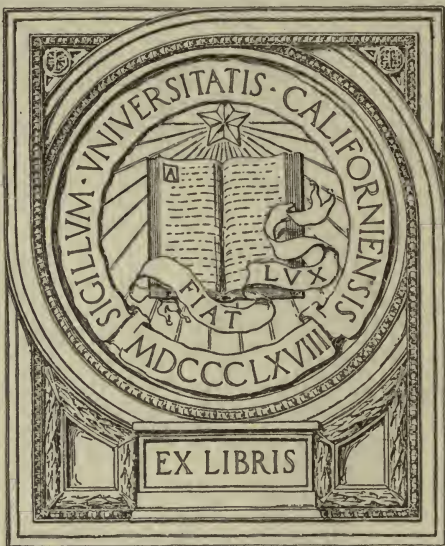
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THE PRINCIPLES OF TRADE CO-OPERATION

R. H. BENNETT

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Robert H. Bennett



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The Trade-letter

In the interest of Trade Co.-Operation

By R. H. BENNETT

216 Market St., San Francisco



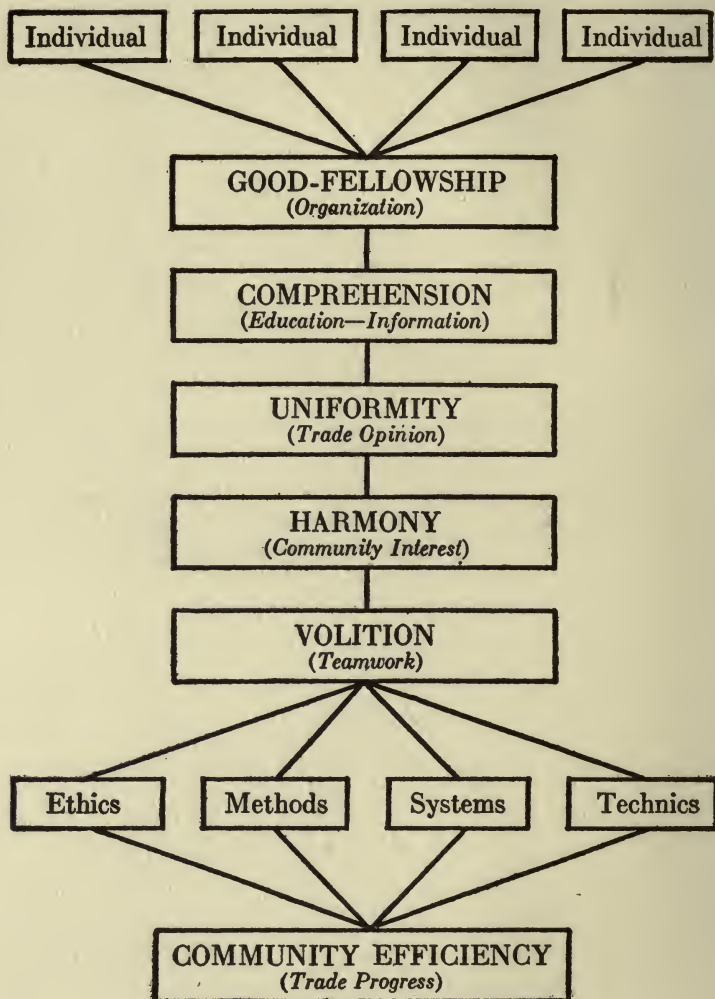
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**THE PRINCIPLES OF
TRADE CO-OPERATION**

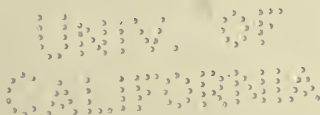
CHART OF TRADE CO-OPERATION



THE PRINCIPLES OF TRADE CO-OPERATION

By R. H. BENNETT

*"Co-operation is the Watchword of
Our Day — Co-operation among
Business Men, Co-operation between
Employer and Employe, Co-operation
between Business and Government."*
"Awakening of Business" by E. N. HURLEY



THE TRADE-LETTER
SAN FRANCISCO

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By R. H. BENNETT

216 Market Street
San Francisco

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**TO THE AWAKENING BUSINESS MAN
THIS WORK IS HOPEFULLY
DEDICATED**

388345

A commercial organization philosophy, clearly defined principles, recognized standard methods of procedure, absence of trial and error of experience, method of learning rudiments and specialized preparation—(not necessarily, but increasingly academic)—must constitute the basis of efficiency in commercial, industrial and civic development of American communities.

Prof. ALFRED L. SMITH of Dartmouth College.

It (business) is not now a frontier of axe and plow, nor of engines and machinery, but of Principles and Policies.

To make education effective, we must establish the principles and policies which are to be mastered, so that training may form the mind of the executive more certainly, more rapidly than unregulated experience can do.

Prof. E. D. JONES, University of Michigan.

PREFACE

THE most urgent need of the times is a revision of the code of business ethics with community welfare as the point of attainment. Economic necessity, in fact, decrees such revision.

The age demands efficiency which cannot be attained under the unbridled competition now existing in the trade community.

Competition must be dethroned as the dominating factor in business affairs and selfish individualism in business must go with it.

Trade development along lines of stability, efficiency and progress, calls for co-operation—some true system of co-operation—in which the principles and facts involved may be understood and business men inspired to curb the evils of unrestricted competition.

Effective co-operation has been lacking in business because, first, of the absence of known and accepted fundamentals and, second, of the lack of some comprehensive educational system.

It is therefore the purpose of this work to set forth the fundamentals of trade co-operation and define the lines of the needful education, so necessary to impress upon the business man's

PREFACE

conviction, if he is to emancipate himself and his trade from the traditional competitive domination and eventually gratify his aspirations to elevate his business to the plane of efficiency and to the standard of morality to which it is entitled.

I therefore submit to the business man "The Principles of Trade Co-operation," which represents the cumulative result of many years of striving in the cause of trade co-operation, with the sincere hope that it may prove successful in its purpose.

R. H. BENNETT.

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PART I

INTRODUCTORY

Ideas are to be found on every hand in American business—admirable ideas but isolated, each known to only a handful. For while the peaks of efficiency are high in this country, the valleys of inefficiency are notoriously low and wide. What is needed on behalf of common progress is to put the elements of efficiency, now known only to the few, into the hands of the many.

* * * *

The wasteful individualism in business, each concern hewing its way alone with little aid or counsel from the rest, is undoubtedly due to no set opposition to co-operation but rather to the lack of an adequate agency to stimulate it.

A. W. SHAW.

INTRODUCTORY

Trade co-operation has every argument in its favor—save perhaps one. Personal incompatibility is that exception, and experience shows that with the proper education of a community in the essential principles of co-operation, even that possible exception may be overcome. *Opening Argument*

Economic necessity, science, morals, experience and common sense all sustain the argument for the application of co-operation to business.

It is logical, with the continually increasing complexity in economic conditions, that the policy of “each for himself” (individualism) must needs end disastrously for all.

It is reasonable, where such complexity of conditions exist, that some scientific basis is necessary to furnish the comprehensive solution.

It is manifest, if the standard of business, demonstrated now by unmoral competitive strife, is to be elevated to a plane commensurate with the times, that co-operation is the necessary foundation.

It is rationally certain that the experience of mankind in obtaining results from co-operative work in every one of its other community affairs, dictates the application of co-operation to business also.

And is it not plain common sense that more could be accomplished for each individual's welfare, were the experiences, the brains, the energy of all interested individuals concentrated upon a given purpose, co-ordinated in the reciprocal policy of "one for all and all for one," than where each takes his chance in the competitive scramble?

The question, then, is not *why* trade should co-operate, but *how*!

*The Trade
Association*

Trade Associations which are organized for the purpose of co-operation are of two classes, national and local.

A national association (assisted perhaps by a state organization) operates for the welfare of the trade at large, while the local association, as the designation indicates, operates in the interest of a local community.

In a national association the broader principles and policies which should govern the trade are formulated and announced, standards are established for guidance and

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uniformity of usage, and the interests of the entire trade unified, advocated and protected by national representation.

In the local organization, not only are the principles as announced by the national association accepted and its standards adopted, but they are here to be applied and placed in practical operation.

The national association can treat of the solution of trade problems only in the abstract, without reference to local conditions or personalities, while local organizations have not only to deal with the concrete questions but also with personal peculiarities.

It is the local particularly to which our arguments are directed, for it is to solve the problem of the practical adaptation of co-operative principles which is our object, and while of course the principles must apply equally to the broader co-operation of the national, it is only within the local where we meet the vital issues face to face.

The question of effective co-operation is *Education* purely a matter of education, the community problem of—how to effectively instruct and drill its individuals.

There is a lack of mutual understanding

amongst men, a lack of comprehension of facts, a lack of adequate information regarding the personal, moral and economic elements in business.

Business must be reformed from its scrambling competitive methods, to an equitable system of co-operation. Its sordid, grasping, disorderly strife must be replaced by an orderly system embracing the principles of the equality of opportunity, community progress and common welfare, and the rule of thumb must give way to exact methods.

System Unquestionably the solution to such a problem lies only in a proper system of education. To be effective, such a system must present to its students a substantial foundation, and outline to them such a clear comprehensive plan of superstructure that the perspective of the results to be attained may be plainly convincing; for the business man is skeptical of theories and, while knowing the practical side of his business and its needs, he is deeply imbedded in the rut of habit.

Any education undertaken must be a post-education which will result in a re-educating process which will discard old methods only as

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the new demonstrate that they will stand the test.

Therefore, only a system which is based upon practical principles and plain fundamentals is possible of success.

The Principles of Trade Co-operation as set forth in this work constitute the groundwork for the development of practical co-operation. *The Groundwork*

These principles, together with the philosophy and the rudiments of the subject, are concisely stated. In fact, the context has been confined to essentials. Everything, including explanations, arguments and illustrations not necessary to the clarity of the subject, has been omitted in order that the business man may more readily scan its simple scope.

The work is and can be only elementary inasmuch as the matter of business is a very deep and broad subject and one which must be treated minutely and exhaustively to properly cover the requirements of each detail.

The seeming reiteration herein of certain statements is for the purpose of emphasizing their importance and to impress upon the reader their invariable necessity to the subject.

The object of the work is to submit in an orderly and logical manner the essentials of co-operation so as to prepare the business man for some system of community education supplementary to this elementary knowledge.

Without the groundwork here presented such education would be fragmentary, incoherent and consequently lacking in effectiveness.

*The Trade
Secretary*

While he is not specifically mentioned in the work, it is due to the Trade Secretary to say that his professional services are indispensable to any organization for successful accomplishment of co-operation.

The secretary represents the embodiment of a trade community, while lending to it his personality. He is largely responsible for successful co-operation as an interested, impartial arbiter and executive, whose single purpose is the community interest. As he is an adviser or counselor only, his authority cannot be commensurate with his responsibility, for it is impossible in voluntary co-operation to delegate to him any authority to compel. If his constituents are loyal to community interest and obedient to the decrees of their trade opinion, he is enabled to guide

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them very readily into effective teamwork. If, however, any of them exhibit traits of individual incompatibility which render co-operation ineffective, he is helpless beyond his ability to persuade or convince.

Therefore, he will appreciate the help and added influence which a definite knowledge of orderly principles of co-operation, upon the part of his constituents, will undoubtedly have upon his efforts in promoting harmony and the progressive development of his trade community. The moral support of accepted principles will greatly help to reconcile the gap between his responsibility and his authority.

If the world is to be "safe for democracy" from autocratic rule, so must the democracy of business be made secure from the rule of paternalism, socialism and plutocracy. *The Urgent Necessity*

Business is in jeopardy from one and all of these dangers—government control, government ownership and the power of concentrated wealth.

The welfare of the Nation is best preserved and its democracy made secure only where independent units prosper, and this will be impossible under any domination which will not

give full sway to the freedom and equality of individual opportunity in business.

*Underlying
Cause*

This does not and cannot mean unlimited competitive freedom (a false theory), which tends to that waste and destruction which is the underlying cause for the tendencies toward governmental control. It does, however, require that business must be characterized by community interest, efficiency and economy if it is to be effective in producing the best results for its individuals and for the public.

Individualism in business like autocracy has reached its end, but democracy in business like the democracy of a nation must be effective if it is to be enduring. If not, it is bound to lead on to anarchy and eventually back to autocracy.

*Paramount
Issue*

Community efficiency is the paramount issue, and community efficiency can be attained only through co-operative effort made effective by individual obedience to its fundamental laws, for the citizen of a trade community like a citizen of a democracy must be both informed and obedient.

“The hope of democracy lies in education.”

PART II

THEORY, PRACTICE AND EDUCATION

"The desire for organized efficiency has always been particularly strong in Americans, and possibly no other people has ever carried organization and efficiency in an individualistic sense farther than have we. Now it is rapidly dawning upon the cleverest thinking of our citizens that there is still a higher kind of efficiency than that of competitive individualism, namely, the efficiency of properly devised and safeguarded co-operation."

ELBERT F. GARY.

I. TRADE CO-OPERATION

THE THEORY—*The theory of co-operation is based upon the evident fact that "two heads are better than one" where both are working to the same end; and this fact is confirmed by the law of self-preservation which dictates that when the effort of a single individual fails to produce the desired result, his next move is to seek the help of another or others whose purpose is the same as his own.*

The Theory

This theory, as applied to trade co-operation, works upon the hypothesis that as man has made great progress by co-operative work in many things, it is logical that he can also make progress by co-operation in business.

And the theory upon a further hypothesis assumes: that the individuals working together are inspired by a common purpose, that they are friendly, that they possess a common intelligence of their business and of their purpose, and that each will direct his action to accord with that intelligence.

THE theory of co-operation, as applicable to trade, does not require much argument to sustain its desirability. Its necessity, too, is very evident. There is not a trade, business or vocation within the scope of the industries, of commerce, of transportation, of finance, or

of the professions which will not attest to the necessity and to the benefit to be derived from the organization of its co-operating units.

It is not a question, then, of necessity, but of means to effectively accomplish the co-operation.

Unorganized business is in the identical position of a mob without order or discipline. It is incapable to cope with any organized efficiency, no matter how much less in number or in justness of cause such opposition may be. It is organization alone which gives unity and an opportunity to gather strength, knowledge and efficiency. It is organization alone which can accomplish results, but only by proper co-operative work, that is, through the co-ordinating teamwork of its individuals.

*Compared
with
Government*

Our own Federal Government affords the best example of applied co-operation. Forty-eight free and independent sovereignties yield, for the "community of interest," some portion of their inherent rights to the centralized National Government, rights which otherwise would interfere and clash.

Public welfare is the object of this co-operation and in that welfare each State acknowledges its own beneficent interest.

TRADE CO-OPERATION

Public welfare, by which is inferred that the common rights of individuals are protected, is the object of government and public opinion is its determining influence. In like manner, trade welfare, which implies that the common interests of individuals are equitably protected, is the object of organization and trade opinion must be its directing influence. Trade opinion and public opinion differ only in degree, the one entitled to the willing obedience of the business man equally as law-abiding citizens loyally yield to the other.

Friendliness, knowledge or comprehension, *Requisites* and obedience, are the requisites of both these democracies—National and Trade. Government, however, has authority to enforce obedience to the public opinion, which is crystallized into law, while trade organization has no such authority to enforce obedience to trade opinion. The only force which can be exerted is the moral influence of that trade opinion, *i. e.* trade ethics. The more necessary, therefore, is it that the business man be learned in the necessities of his trade community that he may see therein his own interests and more willingly obey the decrees of his trade opinion.

As a government demands some individual

TRADE CO-OPERATION

*Voluntary
Obedience*

sacrifice to the public welfare—the common interest of its citizens—as it enacts public opinion into law, and as it requires every citizen to obey that law, so should a trade organization of co-operating individuals *expect* its members to yield their contrary personal advantage to the community welfare, in which each has an indivisible interest. As Trade Opinion is the valid substitute for community law, it is *presumed* that the self-interest of the individual will cause him *voluntarily* to obey that law.

II—THE PRACTICE

The Practice

Co-operation to be successful requires that the working hypothesis of a community object, of mutual friendliness, of common knowledge, and of voluntary individual action be made facts.

As co-operation means the co-ordinating work of individuals, the success of practical co-operation depends first, last and always upon individual volition.

Each member of a co-operating body is responsible to his colleagues (as to his own interest) for the proper performance of his part. An imperfect link determines the strength of the chain.

This responsibility implies the necessity of willing effort upon the part of the individual to the extent of self-sacrifice. Self-discipline therefore should be an accomplishment of every member.

Hence, the conditions for practical trade co-operation demand: That there is a community interest in the purpose, that good-fellowship exist between and among the members of a trade organization, that a ready willingness to impart and acquire requisite knowledge be the attitude of all, and that voluntary obedience be given to the decrees of community opinion. Such will procure that effective teamwork through which alone is the purpose in view obtainable.

It may readily be seen that the conditions necessary to obtain co-operative results are not easy. The human will is often divided by conflicting opinions which interfere with that unison of effort which community interest is supposed to inspire. Business men also are overcome by conservatism, careless complacency or by competitive habits. Therefore, unless the individual willingly lends his earnest effort to correct these traits within himself, they are bound to obstruct the purpose in view.

Obstacles The American business man as he is at present mentally equipped and competitively trained, is not in shape for immediate practical co-operative work.

To be "brutally" plain: If he is self-satisfied by reason of his past independent success, or is skeptical either of his neighbor's ability or honesty, so that he cannot or will not stoop to the common necessity, and drill with his competitors in learning his "hay foot" from his "straw foot" in the rudiments of co-operation, he is unfit!

One of the greatest obstacles to the practice of co-operation, apart from inherent narrowness, is apt to be the "big house" whose

TRADE CO-OPERATION

importance is magnified in its own estimation, considering beyond argument that its prominence, its judgment, its knowledge, its analysis of situations are so superior that it "cannot be wrong"! Or a selfish interest in its prominence will not permit of yielding to community opinion for fear that equity may destroy its prestige.

It is an indispensable condition to practical teamwork that every one in the team, be he big or little, broad or narrow, must first learn the lesson of humility in the fact that his house, no matter how large, is only a "unit" in the trade community and as such it must be subservient to the opinion of that community.

In practice, co-operation means teamwork, *Teamwork* and teamwork implies the knowledge of his part by every member of the team and his application of that knowledge to actual practice. It is the principle which is applied to military service, to baseball and football and any other affair of man which calls for co-operation. Teamwork is an indispensable necessity to successful co-operation.

Before teamwork can be made effective, however, it is evident that the individual must be educated and trained and that he must

assume a willing responsibility for his part. As much of this education is reciprocal, it is bound to bring into play conflicting opinions. Where the common object is lost sight of in this conflict of opinions, the greatest danger to co-operation lies. It is natural that men's opinions should oftentimes be incompatible, so it is imperative that the policy of "give and take" should always be uppermost in mind.

Correct Policy This policy of "give and take" insures the *average* of equality, and every unit, whose opinion is but a fraction of the whole, should be content in that he will receive his fair proportion of consideration in the welfare of the whole.

The Effect The effect of co-operative training is to elevate the plane of business conduct, setting a higher mark for both moral and technical standards, so that the individual units gradually develop a voluntary desire to meet these standards.

When this voluntary desire becomes the rule of action, then will teamwork demonstrate the effectiveness of co-operation.

Effective co-operation cannot fail to establish a business upon a scientific basis, which

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means simply the application of economic knowledge to the community understanding, of moral ethics to business conduct, of efficiency to methods and of co-operation to friendly intercourse. *The Effect*

III. THE EDUCATION

The business man then must approach trade co-operation with an open mind. He must be a student for a time while he learns the rudiments of a new course in business.

This education involves a reconstruction of principles, policies and methods in business along lines totally different from those under competition in which all business men have been trained.

It will involve the unlearning of old ways—while replacing them with the new. It will mean the acquiring of a thorough understanding of trade affairs and of all conditions pertaining to them. It will eliminate all secrecy, all personal advantages, and necessitate personal training in self-control to eliminate selfish defects as a parallel accomplishment to the knowledge acquired.

Such education cannot be acquired in a day, a month or perhaps a year. It must proceed step by step, for to short-cut is to stumble.

The technical and scientific application of this education while a community requirement must be applied by individual initiative.

To accomplish such education effectively requires a system of educational training as an indispensable prerequisite.

The business man must realize that co-operation is not a matter of rapid accomplishment, but of steady acquirement. It is not a

TRADE CO-OPERATION

method to be applied, but a system to be developed. It is not a lesson to be passively absorbed, but actively learned by close personal application.

The reform of business conduct requires not only education, but training in teamwork, and this demands diligence, patience and forbearance.

The business man must know that any individual action contrary to trade usage or opinion imposes upon the trade community a *changed* condition. This change is bound to intensify competitive strife, and disturb uniformity of method, which increases unnecessarily both expense and effort—pure waste.

The *license* of individual right to impose upon community harmony in adopting revolutionary measures, whether from ignorance, spite or bullheadedness, is unfortunately sanctioned by our laws, provided only that such measures do not constitute unfair competition.

It was stated in the foregoing chapter that much of the education necessary to co-operative work is "reciprocal." It is this reciprocal education which is vital to trade progress and is practically impossible under open com-

*Reciprocal
Instructions*

petition. Reciprocal, as the word implies, necessitates an interchange of trade information. Without such reciprocity,—comprehension, uniformity, standardization and harmony,—the materials necessary to construct a system of co-operative efficiency, cannot be obtained. It is this information, mutually contributed to the common fund of trade knowledge, which will place the business upon a scientific basis.

*Open
Competition*

Business under open competition is a conflict of individual experiences and experiments, guided by the “rule of thumb” and surmise. It is hardly necessary to state that the elimination of the rule-of-thumb and guesswork, and the co-ordinating of these individual experiences and experiments, will result in turning the direction of business methods into a *system* which will codify trade knowledge and increase the possibility of results to be obtained from the business.

In order to lay the foundation for reciprocal education, we must first unlearn and demolish the old competitive policy of “each-for-himself” and its “dog-eat-dog” methods.

There must be constructed from the best parts of every contributor’s information a

TRADE CO-OPERATION

solid system of principles, policies and facts. This must be molded into trade knowledge, guided by trade opinion and applied in individual practice to produce that teamwork which is the object of co-operative education.

It must then be plain that trade co-operation is not a superficial application of something to business as it now exists, but a radical readjustment and a reconstruction of its principles, its policies and its methods. Anything less than reconstruction would result in failure or in a lack of results which is equally as bad. So radical a change, especially in the moral situation, must require some time to show results, during which time misgivings, mistakes are bound to occur and recur, but as it is from such backsets that we gain experience it should not discourage us as to the ultimate good to be accomplished. *A Readjustment*

What must be impressed above all things upon each member of the organization is that it is *his* education and *his* application of the knowledge resulting, co-ordinated with that of his fellows, which will produce community welfare—the result in view.

Therefore Trade Co-operation actually requires re-education, and instruction in its

principles really constitutes a postgraduate course in business.

GENERAL ARGUMENT

*The General
Argument*

The economic reasons for trade co-operation are too extensive for more than a passing mention in this book, but the logical reasons forming the groundwork for the principles herein outlined are fully given as they are essential for a thorough understanding of the subject.

These logical reasons make plain why trade *should* co-operate, apart from the economic reasons which decree that trade *must* co-operate, in order to solve the problems presented by existing and prospective conditions.

*Democratic
Principles*

Trade co-operation is essentially the application of democratic principles to business. The present competitive system, if system it can be called, is feudal in effect.

Anyone familiar with the principles of democracy as applied to government must freely admit that in a democratic community there are two sets of rights to be considered—individual rights and community rights. Where there is doubt as to which is entitled to

TRADE CO-OPERATION

preference, the benefit of the doubt must be given to the community—as of interest to the greatest number.

In the business community, where there is an absence of established community rights, there is a constant conflict between individual rights, which competition intensifies, and which results in the supremacy of the strong, “the right of might,”—in other words, the result of feudal contest.

The object of democracy being to constitute a condition to make possible the enjoyment of the “unalienable (individual) rights of life, liberty and the pursuit of happiness,” such condition must afford an equitable opportunity for all individuals, in which community rights will be recognized as paramount to any individual right or license, which is always prone to selfish aggrandizement.

In order to guarantee the distinction *Legal Rights* between the rights of an individual and those of the public, government is established to enact laws for the definition of these respective rights and courts of justice are constituted to determine the equity.

A trade community, however, being but a portion of the civic community (the public),

has no distinctive legal standing, and hence its individuals, while observant of public rights, too frequently ignore the rights of their trade community.

In fact, in the absence of established or recognized trade community rights, the individuals are actuated solely and entirely by selfish impulse.

Apparent therefore must it be, that trade community rights should be established, and this can only be possible where the individual units convene, co-operate, and determine such rights, and, further, there being no legal way to enforce these rights, they must be recognized and observed by individual volition.

True Form

There is but one true form of trade co-operation, and that is distinctly voluntary, in which it is assumed all individuals will willingly strive to attain the object in view. If their liberty of action is restrained by any authority or an enforceable obligation, such so-called co-operation becomes impracticable and probably unlawful. It is impracticable because of the independent nature of the business man which repudiates coercion, and it is unlawful as it implies restraint upon

TRADE CO-OPERATION

freedom of action of the individual by means *True Form* which seem compulsory.

The voluntary form of co-operation is truly democratic and depends for its success upon the willing acquiescence of all minds to their community opinion, just as in a political sense even the contrary-minded yield obedience to public opinion.

This democratic form of co-operation therefore requires intelligent co-ordination of mind and of effort upon the part of its members and without a power to compel. The organization must be composed of superior citizens whose broad intelligence will require no greater force than that of community interest, as proclaimed by trade opinion, to put into operation by individual volition the requisite teamwork to accomplish its ends.

This, then, is the problem which re-education has to solve.

PART III

**THE RUDIMENTS AND
FUNDAMENTAL PHILOSOPHY**

A business man should be interested in the efficiency, not only of his own business, but of his competitor's business. Rivalry in some lines is not inconsistent with co-operation in others. A proper balance of the two makes successful business. Too much of either leads to destruction. Rivalry without co-operation means reckless, destructive competition; co-operation without rivalry means price-fixing—the dry rot of business, deservedly condemned by the law.

*The state of mind which makes us fear to associate with our competitor and which makes us suspicious of him must go. It does not belong to the new era of American business upon which we are entering. Our competitor is not such a bad fellow after all. If we talk over with him once in a while the big things in our business, we will hate him less! We must realize that inefficiency in any factory in our industry is very likely to react seriously on us and on all others in the same business. * * * The way to protect ourselves is to help our competitor to become efficient; for industry, like a man, is reformed from within. It is the duty of each of us to preach as well as practice the gospel of efficiency and to co-operate and work with others to raise the standards of producing and selling.—“Awakening of Business.”*

E. N. HURLEY.

There should be more to business than “buy, barter and sale,” with ill-assorted parts to produce friction, lost motion and a minimum of results.

It should be a “system” with standardized gearing and with co-ordinating action so that the results therefrom may express the maximum of efficiency—and the first requisite in building such a system is mental adjustment.—ED.

THE RUDIMENTS AND PHILOSOPHY

What is business?

Business is the game of breadwinning—the *Business*
vocation of every man—which has become a *Defined*
contest for supremacy in a race for patronage.

What occasions this contest?

Competition.

What is competition?

Competition is a natural law which, *Competition*
through its process of contest for the survival *Defined*
of the fittest, provides the incentive for progressive development. As is evident, its unbridled tendency, if permitted to continue to its consummation, would result in destruction through the mutual annihilation of the survivors.

In business, as the field of opportunity narrows, unbridled competition occasions a vicious scramble for individual advantage, producing animosity between competitors and waste from their extravagant efforts to excel.

To make competition a rational and constructive force for intelligent development

therefore requires that its natural tendency be curbed or modified.

Competition will always be in evidence where there are free and independent interests in pursuit of the same object, but only when it is properly bridled (governed by ethics) can it be productive of that condition in which reposes an equity of opportunity.

What is necessary to modify the unbridled tendency of competition?

Co-operation.

What is co-operation?

*Co-operation
Defined*

Co-operation is the teamwork of interested individuals in combined effort to accomplish some mutually desired result and is therefore logically the natural modifier of the competitive tendency to strife. The very nature of co-operation demands order and organization and consequently is opposed to the chaos and anarchy of unbridled competition. Only through co-operation has mankind become a civilized community and able to overcome the disasters of intense competition so as to advance. Co-operation between independent units, however, can go only so far as the common interests of these units permit. Therefore,

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the effect of Trade Co-operation is to maintain an equitable balance between individual liberty in competition and the community interest.

How does co-operation modify competition?

Co-operation, by establishing a common viewpoint for all individuals from which can be shown that the community interest is also the best interest of each individual, thus modifies competitive strife. *Modifying
Effect*

How is this demonstrated?

The *common knowledge* acquired through a free and open interchange of information, and through frank discussion, eliminates the differences and misunderstandings so prevalent under secretive competitive methods, and enables a true perspective of the conditions. Knowledge thus gained further demonstrates that practically many problems in business are community problems which may and can only be solved by co-operation.

How does co-operation affect the result from business?

Under competitive strife the results from business are scattering, divided and diminished, *Result*

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on account of friction, unnecessary and extravagant service and by wasteful methods naturally attendant upon such strife; whereas under proper co-operative teamwork the results are conserved, multiplied and therefore increased. The uniformity introduced induces both efficiency and economy.

It is the difference between results from divergent interests under unknown conditions in competition and the results from the known and understood conditions of community interest.

Co-operation opens up a wider scope of possibilities in the development of business.

II

What is a Trade Association?

*The Trade
Association*

It is the "machinery of co-operation" as applied to trade.

Does it tend to lessen competition between its members?

In part, because it holds competition within rational bounds, by which is meant the removal of the misunderstandings which cause conflict, through the reciprocal exchange of information. It does not obstruct the free

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play of orderly competition which questions of superiority occasion.

What obligation does it impose upon its members?

Not having the power to bind, it cannot obligate, but it reasonably implies the observance of "the ethics of the trade" as expounded by trade opinion, co-operative principles and the purposes expressed in the constitution, to all of which self-interest dictates obedience.

Has it no force to compel obedience?

None, except moral force. Any other kind of force opposes the principle of co-operation. Voluntary obedience to trade opinion and the knowledge gleaned from education constitute the only force necessary and when members are schooled in the principles of co-operation it becomes a very strong force. Comprehension of matters of self-interest inspires loyalty to community welfare, which is sufficient to dictate voluntary action by the individual.

*Force vs.
Obedience*

Agreements, understandings or compacts of any kind where they affect the freedom of individual action, are barred by the nature of true co-operation. Besides, they are unlawful.

How about majority rule?

The majority rule cannot be used to force

a minority. It is used to ascertain and test trade sentiment, and if the sentiment is preponderant, it has the force of trade opinion which in teamwork is sufficient to claim the obedience of the minority.

What is Trade Opinion?

Trade Opinion Defined As stated above, trade opinion is the preponderant sentiment expressed by a trade community upon matters of common interest. It is the impelling force in trade co-operation, as it constitutes the moral authority to which every individual member owes allegiance.

Broadly, what objects are to be attained by Association work?

Objects Attained The objects of trade organization are—to determine and establish the community interest, the standardization of trade sentiments, methods and customs, and the unification of knowledge. This is accomplished through community education and the interchange of trade information. The effect is to produce harmony, efficiency and economy in trade matters—in brief, the betterment of business.

III

What about price?

Price—selling price—should be the final *Effect Upon Price* result of computation after all fixed, dependent and incidental expenses in conducting business have been determined. It is the individual's "inalienable" right to make his selling price without restraint, and it is unlawful for two or more individuals to combine in fixing price by agreement, understanding or by any other form of compact.

Can co-operation control price competition?

It does not pretend to control it. Its effect, however, is to establish a valid doubt as to the necessity for indiscriminate price competition.

When through co-operation, every member of an Association is enabled to know all conditions, especially as to expense, each is able to determine his own commensurate selling price. A member's judgment being based upon correct knowledge he is relieved of doubt as to competitive possibilities and motives, so that his conclusions are rational. Under unbridled competitive conditions this knowledge is impossible and his judgment is blinded by the

unknown conditions and presumptive possibilities.

*The Bone of
Contention*

Price is the "bone of contention" in competition and it follows the leadership of guesswork. Under co-operative influences it becomes the result of the knowledge of facts and it follows judgment.

It is a very different matter when you know from an exchange of views what a competitor really *thinks* and *knows* from that condition in which you both surmise and suspicion what the other is *likely to do*. It is the difference between steering a ship by a compass and without one.

Co-operation, then, actually tends to lessen price competition?

It does, certainly, and how could it be otherwise, when competitive abuses are corrected and a common and uniform comprehension of facts is established?

The Result

The effect of rational price determination under such conditions is to maintain necessary margins over the cost of production and handling, tending nominally to establish a stable selling figure, *i. e.*, a "right price."

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Only in the absence of understood co-operative principles, and in the ignorance of facts, do individuals thus working in the dark use their right as a license to make haphazard prices to the demoralization of their community and to their own loss or destruction.

IV

If co-operation is so necessary to business, wherein is the obstacle to its accomplishment?

The Business Man.

What is the matter with the business man?

Simply those inherent traits and taints of *Obstacles* human nature which are ever obstacles to man's progress. Beginning with the incompatibility of minds, we find some men are far-sighted, some short-sighted; some are deep, some shallow; some are broad, others narrow. Then we have the natural taints, such as avarice, deceit, doubt, envy, suspicion, selfishness, etc.; and finally, the acquired habits—competitive habits, careless complacency, lethargic conservatism.

Can these obstacles be overcome?

Yes, by re-education, meaning a higher *The* education in the principles of co-operation, *Correction*

which indicates the knowledge obtained through an open interchange of information.

With constant contact between men differences of opinion become reconciled, knowledge establishes confidence by dispelling the doubts of ignorance, and community thinking eliminates personal peculiarities and inspires loyalty.

Is this possible and practical?

Yes, when necessity dictates, and when good-fellowship permits rational thought to overcome competitive prejudices, it is both possible and practical.

As you cannot choose competitors, how can you induce good-fellowship?

When men know each other as *men*, and not as competitors only, they are invariably surprised to learn that it has been like circumstances in the experience of each which have been the causes of misunderstanding, and also to find that others are actuated by the same principles which they themselves entertain.

Then does co-operation introduce the "Golden Rule" into business?

*The Golden
Rule*

In a way, perhaps, for after all, that rule

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merely implies that men should think "fair," act "fair," as well as talk "fair," and this they will do when they are made to realize, by comprehension of the facts, *that it is to their best interest to be fair.*

V

What has caused competition to become so vicious that co-operation is now necessary to control its effect?

Simply the changes wrought by economic law. *Economic Law*

What is Economic Law?

It is that natural law which determines the development and distribution of wealth. Business is intimately affected by the changes evolved by this law. We are at present passing through the greatest economic change in the history of the world.

What are the causes for this change?

1st: The result of scientific research, discovery and invention. *The Causes*

2nd: The readjustment of industrial and social conditions, due to the rapid development and adaptation of steam and electricity

to communication, transportation and manufacture.

3rd: Acquisition of wealth by the people and its accumulation by individuals and corporate interests.

4th: The World War.

What are the effects of these changes?

The Effects

1st: The stimulation of production and manufacture, the cheapening of conveniences and luxuries, and the improved facilities for distribution, the result of which is the intensifying of competition.

2nd : The incessant demand by the people for convenience, luxury and innovation, and the friction between so-called classes for an equitable division of the results of industry, both of which effects tend to elevate the standard and increase the cost of living.

3rd: The readjustment of international relations affecting commerce, finance and transportation and the impending growth of international competition.

VI

How does the law view trade co-operation ?

*The Statute
Law*

It does not hold it as contrary to the public interest so long as acts under its influence do

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not violate the law. If the acts of a trade body are kept true to co-operative principles they cannot in any way conflict with the law.

The Sherman Anti-Trust Law ?

This law forbids combinations, contracts, etc., "in restraint of trade" and it forbids "monopoly," neither of which are possible under the principles of true co-operation.

The Clayton Law ?

This law forbids certain inequitable discriminations in trade practices. One of the objects of trade co-operation is to eliminate all unjust discriminations and inequalities in trade.

The Federal Trade Commission Law ?

This law, which establishes the Federal Trade Commission, also forbids unfair methods which unduly restrain competition, the prevention of which is yet another of the purposes and effects of trade co-operation.

How does the Federal Trade Commission view trade organization ?

"Co-operation is the watchword of our *Opinions* day—co-operation among business men,

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co-operation between employer and employe, co-operation between business and government. * * * * Trade associations and similar organizations are among the most hopeful agencies of efficient industry. Their field of activity should be extended and their work made more efficient.”—E. N. Hurley, formerly Chairman Federal Trade Commission.

And the Administration?

“Your suggestion that trade Associations * * * should be encouraged in every feasible way by the government seems to me a very wise one.”—Pres. Wilson to Mr. Hurley.

VII

What are some of the practical advantages of trade co-operation in association work?

*Advantages
of Trade
Association*

The elimination of trade abuses, evil practices and unfair competition;—the establishment of uniform trade customs;—the adoption of standardized methods and improvements in technical equipment;—the unification of system (accounting, credits, costs, distribution, etc.);—and the harmonizing of sentiment into an understood Community Opinion as a *guide* to individual conduct.

It should be evident that the efficiency and

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economy resulting from the reconstruction of a trade upon these lines must eliminate that “unknown quantity” about which competitive strife always centers, and establish in the conduct of business a higher development.

What education is necessary to attain the objects of trade co-operation?

1st: Realization that the game of bread-winning should be a fair game and that competitors are men built upon the same lines. *Necessary Knowledge*

2nd: Knowledge of economic conditions and the reasons for competitive misunderstandings affecting business. Understanding of the principles of co-operation and knowledge of the law.

3rd: Technical knowledge to produce efficiency and economy in a trade community.

4th: Establishment of community opinion and trade ethics so that the individual may intelligently play his part in the teamwork to develop and defend community interests.

5th: Realization that patience and some sacrifice of personal advantage is necessary to attain and uphold the high standard demanded by success.

The sum and substance, the letter and the
[47]

*The Sum
and
Substance*

spirit, of co-operative education is: that the individual's best interests are in his community interest, and as trade opinion is the expression of this interest, that the opinion be so firmly fixed in his understanding that instinctively he will direct his acts to accord therewith, in friendliness, in harmony, in uniformity and in loyalty.

Such education requires that the business man must be re-educated, must take a "post-graduate" course in business, in order to readjust his mental attitude, his methods and his actions to the new conditions, and, like all proper instruction, this should proceed step by step. Education in co-operative work is a community accomplishment, but it must be individually acquired.

How is this instruction to be obtained?

*Systematic
Instructions*

Naturally the question arises—if the logic is correct and the economic necessity sustains it—what process of education is necessary to place in effect the principles of co-operation? This is the critical question to which there is but one answer—a *system* of instruction.

Some system of instruction to produce uniformity of education; some method of imparting and exchanging information, so that a

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common comprehension of trade conditions may be acquired; some basic principles upon which the science of business may be established; are indispensable requisites to the fitting of business men to the task of co-operative trade building.

VIII

THE SUMMARY

The preceding discourse was designed to bring out as clearly and distinctly as possible the rudiments and philosophy of trade co-operation. *The Summary*

In reviewing we may readily outline the deductions:

1st: We are made to realize that business is a necessary everyday condition in man's life;—that its process is governed by a natural law of development, known as competition;—that competition without human regulation is bound to follow its natural tendency to produce “the survival of the fittest”;—that in all affairs of man, excepting business, competition has been modified, controlled or regulated by means of co-operation between fellow-workers; and—that if business is to be relieved of the burden of unbridled competition it therefore must also be made co-operative. *Deductions*

*Community
Interest*

2nd: That in order to accomplish this, community opinion must be formed as a means to determine community interest, with which all individual interests may be content;—that the establishment of community interest will produce uniformity and community efficiency which is the object of trade association; and—that the accomplishment of these conditions depends upon and necessitates the co-ordination of individual acts.

*Obstacles in
Way*

3rd: That the obstacles in the way of accomplishment are natural, moral, economic and legal, which indicate that the individual must be re-educated in a higher plane of duty and of technical knowledge;—that he must understand through reciprocal interchange of facts and experience all economic conditions so that he may correct the errors of individual methods and establish in their place uniform, efficient standards; and—that the false theories underlying the statute law be dispelled by the broadening of community intelligence.

*Forming
Trade
Opinion*

To further gather together the ends of the preceding discourse it will be well to elucidate certain points touched upon.

The determination of the community interest in order that it may be saved from the

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waste of competitive warfare, so that all concerned may share its benefits equitably, is the ultimate purpose of trade organization.

*Forming
Trade
Opinion*

To determine just what constitutes the community interest requires the focal influence of trade opinion, and in order to ascertain this focal point a common viewpoint must first be found.

There is but one way to find this common viewpoint and that is to compile the facts and aggregate the experience of all individuals and through discussion and argument to sift therefrom that upon which community opinion rests. This infers a reciprocal interchange of opinions and experiences between and among the individuals of the trade, each contributing to the common fund of information.

It is very evident that this interchange will require the elimination of all competitive secrecy, and necessitate a very open, comprehensive and frank discussion upon all points if the true community opinion is to be ascertained.

In combinations there is either an active or latent force which compels, as illustrated in producers' associations and labor unions, both of which have been made exceptions to the effect of the Sherman Anti-Trust law.

With trade association it is different,

because it is not aimed to *force* action or obedience, but *to make clear the reason* for both. No action, therefore, can ensue unless there is a clear comprehension of the subject—in other words, an established trade opinion, which is the only authority valid in co-operation. Hence the necessity to establish such opinion, as the focal point, by which to determine community interest. Hence also the futility of agreements or compacts in any manner of form to take the place of trade opinion as they simply have the effect of an armed truce, repugnant to true co-operation.

Community opinion is the preponderant sentiment of a trade. Where there is a “twilight zone” between individual interests and community interest, or where there is a valid minority upon any question, until such time when conditions change, the subject of controversy should be tabled, shelved or made taboo.

*Scientific
Develop-
ment*

Economic law is the great arbiter of business conditions. The world in these days moves rapidly. It is no longer possible to compare impossibility with the act of flying, because today men do fly.

Science is continually and incessantly

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discovering, improving, applying, so that irresistibly the conditions change in sympathy with development. Competition under the pressure of science is moving nearer and nearer the extremity of endurance. It must be modified, regulated or controlled to serve the business community and the day of readjustment is at hand.

We know that we cannot fight the battles of today with the weapons and methods of our fathers and yet still we cling to the traditional competitive "freedom" inherited from past generations to meet the intricate economic changes of modern times.

It is absurd, it is *inane*, for it is impossible!

The *greatest* problem in co-operation is the "personal equation." *The Personal Equation*

To correct the habits of the business man contracted through years of competitive strife; to relieve him of the fears of his competitor, inherited from his ancestors of the stone age; to convince him that in community interest his individual interests are best protected, is to practically change his nature—a very difficult task.

Then again, the independent man of business has faith *first* in his own judgment. To

prove to him that the community judgment is superior to his own, is another, also a difficult task.

But all men are susceptible to reason, some slower perhaps than others, so reason must in time broaden their intelligence and convince them that in community interest is the individual's best welfare, that in community opinion is the best judgment and that it is up to the individual's own acts to prove it.

It should be perfectly evident that if a trade community is not prosperous, its individuals cannot prosper, and as a trade community is composed of competitors, if these competitors prevent each other from prospering, that the community cannot and will not prosper.

If, therefore, the conditions in a business are not satisfactory, it is alone within the power of its individuals to make it so. They can regulate the conditions of competition so that the community and its individuals may prosper, but only if they establish first the common groundwork of community interest.

*Individual
Responsi-
bility*

A component part of the solution to this and to every other problem, is in the possession of *each* individual, and that individual who will

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not set aside his private opinions or his individual interests where they plainly conflict with community opinion or interest, blocks progress with evident purpose to make capital at the expense of his community.

The only way to get rid of an obstructing limb is to cut it off. A man who stands aloof from assisting in co-operation will hamper progress just so long as he is considered a part of the community. No man can afford to be cut off from his trade community, not even the biggest, for where he loses the consideration of his community, whether on account of anger, pique or selfish interest, he will eventually become a forgotten and negligible quantity.

In competitive business, price is the natural *Price* bone of contention. It is so because of the mystery or secrecy surrounding the motives and unknown facts under open competition, and such are bound to breed both skepticism and reprisal.

Under a co-operative system, where "every card is played face up," where light is thrown upon every transaction, where all information is open to individual scrutiny, the matter of price resolves into a simple question of cost,

plus expense, plus such profit as may be determined by individual judgment with all points known and considered.

Co-operation cannot eliminate price competition but it does render it rational and the harmony of relations removes its sting.

Under proper co-operative influence the subject of price assumes quite a secondary aspect, efficiency and its application by individuals becoming the vital subject.

*False
Theories*

False economic theories, bred during the immaturity of modern business development together with the ignorant following of these theories, are responsible for the legal strictures by which business liberty as to community rights is, in many ways, restricted.

The law is unquestionably behind the times as it follows and cannot keep pace with economic development, hence there is a disconcerting gap between the law and the economic necessities of trade.

*The Law
Merchant*

The "Law Merchant" by which, in ancient times, the equity of trade customs and necessities were recognized and established, through both usage and evidence, should be revived, modernized and made elastic. It is the sadly

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needed basis for laws enacted to regulate business. *The Law Merchant*

In such direction (unconsciously perhaps) is the trend of the Federal Trade Commission, and it is sincerely hoped that in time the decisions of that tribunal may evolve a new law merchant. The force of economic change is persistent and no doubt will assist in hastening the happy day.

PART IV

THE ESSENTIAL PRINCIPLES

Co-operation may be classified under the science of government, for the object of each is similar. Every successful co-operative effort is founded upon scientific principles.

Business inexactness has been the prime cause for discomfiture and lack of proper results, so it too must be anchored by scientific principles before it can be made effective as an efficient community process.

Trade co-operation which supplies the means to this end must therefore be based upon principles.

If we take the military science, the oldest form of co-operation, by which to illustrate, we readily conceive that its essential principles must contain—physical fitness, discipline, precision, obedience and loyalty.

Likewise the essential principles in trade co-operation are:—Good-fellowship, comprehension, uniformity, harmony, and volition.

THE ESSENTIAL
PRINCIPLES OF TRADE CO-OPERATION
WITH COROLLARIES

GOOD-FELLOWSHIP	Courtesy and cordiality. Frank and open discussion. Fair and square dealing.
COMPREHENSION	Necessity for co-operation. Co-operative principles. Trade conditions. Competitive conditions. Economic situation. False theories. The law.
UNIFORMITY	Standardization of methods. Technical standards and equipment. Systems—(credit, costs, etc.)
HARMONY	Functional relations. Trade distribution. Trade Ethics—Moral principles.
VOLITION	Teamwork. Conduct. Self-control.

I—GOOD-FELLOWSHIP

Good-fellowship signifies mutual friendliness—within a community. It is the foundation of co-operative work, without which effective results would be impossible. Organization is its sequel.

(A) COURTESY AND CORDIALITY are in- *Friendliness*
tegral parts of good-fellowship and when you know your co-operator as a man like yourself, and forget that he is a competitor, you can fulfill the first requirements of this principle.

(B) A FRANK AND OPEN DISCUSSION upon *Open*
any and all matters and conditions pertaining *Discussion*
to the trade is the second indispensable requisite for good-fellowship. There must be no secrecy in co-operation. Secrecy is the pitfall used by competitive spite to ensnare upright business. It is only from an interchange of experience, ideas, opinions and methods that knowledge of *true facts* is obtainable and confidence can be established.

(C) FAIR DEALING—surely it must be re- *Fair*
alized that fair dealing is indispensable to co- *Dealing*
operation. To be fair and square in thought, word and deed, is the final and crowning necessity in the principle of good-fellowship.

Business is the serious game of bread-winning, and like a game between good fellows it should be fair and square and according to rule. There is keen pleasure in fair rivalry, where skill is the only possible offset to the average of benefits derived; but there is neither fun nor profit where unfair methods are employed,—methods which speak of the cad and the cheat. Therefore, always, *the rules of the game* must be observed before any play is made for personal advantage, and—*good-fellowship* is the first rule.

Organization is obviously a necessary condition for business fellowship, as only through the means of organization can definite results from it be obtained.

II—COMPREHENSION

Comprehension signifies understanding of the principles of co-operation and of the science of business as adapted to trade. It means knowledge as opposed to ignorance, guesswork and the rule of thumb. It implies education and information.

*Intelligent
Understand-
ing*

(A) THE NECESSITY FOR CO-OPERATION.

Primarily the necessity for co-operation is to establish an understanding of what constitutes the common interest of community welfare, in which each and every member of the

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trade community shares equally. That both trade progress and individual success are dependent upon this welfare should sink deeply into the understanding.

(B) CO-OPERATIVE PRINCIPLES. These *Principles* principles constitute the points of the compass by which it is necessary to steer the ship of trade into the port of community interest.

(C) TRADE CONDITIONS. Knowledge of *Trade Conditions* trade conditions, which cover a wide scope, is made possible only by that open interchange of trade information through frank discussion, which creates a common understanding. You cannot know these conditions unless you know your co-operator's policy, his opinion, his experience and his methods, and he, yours. The interchange of information reveals the true conditions.

(D) COMPETITIVE CONDITIONS. Com- *Competitive Conditions* petitive conditions must also be subject to frank discussion and interchange of facts. Reports and hearsay evidence against each other's conduct must be clarified by such interchange.

(E) ECONOMIC CONDITIONS. (Here we *Economic Conditions* diverge from learning from the interchange of information to reading and study.) Economics is nothing but a study of the in-

fluences of the times upon business. It is necessary knowledge which every up-to-date business man should possess. Without such knowledge (*i. e.*, an understanding of the whys and wherefores of all conditions in his business and around his business) the business man interposes mere expedients against the mighty flood of economic law. With an understanding of the effect of these laws he can adjust his course with the current and steer his business in a progressive direction.

*False
Theories*

(F) FALSE THEORIES. False theories are constantly attacking business. They are the evil spirits which prey upon legitimate business, disturbing influences which turn popular ignorance against a trade or its methods. They are the tools of fault-finding busybodies of trade. They will be found in unfair competition, in newspapers, in muckraking magazine articles, in the legislature, and in the laws. Trade efficiency and a proper amount of publicity is the best protection against them.

The Law

(G) THE LAW. Every business man should be *well* acquainted with the laws which affect his rights and his actions. It is absolutely necessary that each individual should understand the Sherman law, the Clayton law, the Trade Commission law, as well as the State laws.

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The opinions and decisions of courts and of the Federal Trade Commission are also necessary in order to understand individual rights and restrictions.

III—UNIFORMITY

Uniformity signifies system—an orderly arrangement of trade methods, obtained through Trade Opinion and adopted by the units of trade. It constitutes the code of business procedure, the manual of training.

(A) STANDARDIZATION OF METHODS. There can be no co-ordination in trade relations without uniformity of purpose. Trade methods are innumerable and should be carefully considered in order to eliminate from them abuses, evil practices and careless habits. When a bad practice becomes a habit it means demoralization—a good habit becomes a wholesome custom. Therefore, it should be the constant aim to reform indifferent habits and establish regulated customs. Standardi-
zation

(B) TECHNICAL STANDARDS. Standardization means also the adaptation of efficiency and economy to the entire business system. If, of a manufacturer, it should include factory machinery, equipment and methods; otherwise, as of a distributor, the general and Technic

departmental management, the purchasing and sales systems.

System (C) SYSTEM. There are two or three systems which ought to be uniform in application in order to be thoroughly co-operative in nature. The accounting system, a classification of goods system, a system of cost determination, and the system of profit sharing, should be identical, or as nearly so as practical, with those of other members of the community. Another important system which can only be adopted as a trade system, is that of credit interchange and investigation.

It can be readily discerned that such uniformity is dependent upon the determining influence of trade opinion.

IV—HARMONY

Harmony signifies the application of the knowledge gained through the principles of good-fellowship, comprehension and uniformity. It indicates established community interests.

Harmony (A) HARMONY signifies the operation in a trade of uniform standards, customs, methods and systems.

In addition to this it includes the relationship between functions in trade distribution, and the observance of trade ethics.

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(B) FUNCTIONAL RELATIONS. Many lines of trade are distinctly divided into functions, *i. e.*, manufacturing or packing, wholesaling or jobbing, and retailing. *Trade Relations*

A harmonious relationship between and among these factors is of prime necessity for co-operation between them, for to every function should be known and respected the ethics of its lateral branches, as well as of its own.

(C) TRADE DISTRIBUTION. Particularly is the observance of proper trade distribution in inter-co-operation necessary to the preservation of the trade unity and welfare. If you are a manufacturer your policy of distribution should be announced and adhered to. If you elect the jobber as your distributor you should be as loyal to him and to his interests as the jobber should be loyal to you. The jobber should sell to the retail trade exclusively, or if elsewhere, only where it does not affect the interests of that function. If you are a retailer you should buy only of the jobber and not attempt to pass over his head. The lack of observance of this principle encourages that revolution in trade methods (quite apparent today) which demoralizes legitimate trade relations. It is the disloyalty of individuals to their trade functions and hence to the *Distribution*

established channels of distribution which sustains false theory and causes disturbance of uniform conditions. This may be illustrated by mailorder houses, chain stores and co-operative buying clubs, which are made possible only by breaking down established customs. Loyalty to trade interests, which incidentally are one's own interests too, should govern the individual at all times.

Morals (D) MORAL PRINCIPLES. And now we pass to the particularly ethical principles in co-operation.

Your highest standard is the Golden Rule, modified:

Do unto others for thine own sake what thou wouldst that others do unto you and in so doing accept a law from which thou canst not escape.—THOMASIVS.

When for our own sake we do those things which others desire, and who reciprocate in the doing, we are following the natural law from whose penalties for neglect we cannot otherwise escape.

The following of this law would cleanse business of its abuses, its evil practices, and correct in the business men those traits of character which mar humanity and which

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are so especially evident in business intercourse.

Unless we follow such standards how can the community interest, which denotes those things which are necessary for common welfare, be made stable and secure?

For any higher attainment it is necessary to have an ideal and while we may never reach it, the inspiration derived from its influence, is a constant incentive to greater effort. The gait which one advanced member of a trade assumes will influence the pace of others. If one or more cannot keep step, patience, forbearance and example will in time show, lead and impress them. The tendency in competition is to follow the lower standard of morality, whereas progress must be in the direction of the higher standard.

V—VOLITION

Volition is the motive power of the individual will—to follow co-operative principles through the guidance of community opinion. Its effect is teamwork.

(A) TEAMWORK. Here is where the results *Teamwork* of Association education, training and work prove out. If the individuals *all* reflect community opinion in their voluntary acts, the

acme of co-operation is attained. If *your* act co-ordinates with the acts of the other members of your community then all have attained efficiency in teamwork.

Conduct (B) CONDUCT. Each individual in Association work is alone responsible for his own conduct. There can be no coercive measures by majority rule or otherwise in voluntary co-operation, neither can resolutions bind members to act in accordance therewith. The freedom of the individual to act as his desire dictates is paramount in co-operative principles as well as in the eyes of the law; therefore, the conduct of the individual must be of his own volition in following any enactment of his association as well as in observing the principles established by community opinion.

You, as an individual, are then an essential part of the machinery of your organization, without whose effectiveness the other parts cannot operate as a community. Hence, there is the responsibility of the community welfare upon your individual conduct. This conduct of the individual is the dominant cause for failure or success in any co-operative movement and business cannot be an exception.

Self-Control (C) SELF-CONTROL. Self-control means the use of the principles of co-operation *by you*.

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If you do not keep up with every principle, you become a drag upon your community, you lower the possible standard. It will unquestionably require sacrifice of personal privilege and private advantage, as it will require service of an earnest character, to make good any community purpose.

Can you not now realize what is dependent upon your self-control? Without it, you may not act and teamwork is obstructed, community opinion is violated, harmony is disrupted, uniformity is disorganized, comprehension is nullified and good-fellowship is forsaken. *Co-operation absolutely depends upon you and your self-control.*

THE ARGUMENT

The Spirit of Democracy is the Spirit of Co-operation. Both are inspired from the same point of view by the same necessity, and the principles governing each are identical. In a democracy it is public opinion which rules; in co-operation, community opinion. The former determines public welfare, the latter the community interest of the trade. *Spirit of Democracy*

The similarity between the federal principles of our country and the co-operative principles of trade is striking and the very

arguments of constitutional authorities fit perfectly the requirements of trade co-operation.

In 1805—Thomas Paine wrote:

*Secrecy and
Mystery*

It is by keeping a country well informed upon its affairs, and discarding from its councils everything of mystery, that harmony is preserved or restored among the people and confidence reposed in the Government.

Substitute *trade community* for the word “country” and *co-operation* for the word “government” and we can adopt the truism as exactly applicable to trade co-operation.

A century later (1916) David Jayne Hill, an eminent authority on Constitutional law, wrote “The Foundation of the State” (North American Review), and his analysis furnishes exactly the basis for trade co-operation:

*Self-
Renuncia-
tion*

The very idea of government implies a restraint placed upon the volitions of men, which are of necessity not only different, but conflicting. The true secret of good government lies in the spirit of self-renunciation; and the word “self-government,” which we are proud to repeat as a watchword, has no other meaning. It signifies government by self-restraint, as distinguished from government under compulsion. A people that is incapable of renouncing personal and private advantage in the interest of the public good

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is incapable of self-government, and will sooner or later seek and find a master.* * *

There is in every human being capable of social organization a conception of justice as a principle wholly apart from personal desires or volitions. Attending this conception there is a sentiment of obligation to respect this principle, regardless of personal interest or advantage. It is this that renders men fitted for human society, and makes possible the organization of the State as the embodiment of public authority. The State is nothing else than the body of which this principle is the life.

This "self-renunciation" which causes the relinquishment of personal and private advantage to the community interest is obedience to that community opinion whose voice is the voice of authority.

*Self
Renuncia-
tion*

Clearly do these excerpts interpret the necessity for a comprehensive intelligence, upon which the stability of a democracy is founded, and which also must be the foundation for successful trade co-operation.

A trade community really is a "little democracy" of which the individual is a citizen, and to whom community or trade opinion should be as valid a guide to his business dealings as public opinion is the valid basis for the

laws which are made to govern his conduct as a citizen of a democracy.

*Basis for
Co-operation*

In a democracy there must be harmonious friendliness to insure a unity of knowledge in the affairs of state. Does not the same necessity dictate that within a trade community there should be harmonious friendliness—"good-fellowship"—amongst its members, in order that there should exist a community knowledge of all trade matters?

Competition upon the present basis of aloofness, selfishness and secrecy is a process of attrition as may be noted by the constant elimination of old business houses. Results from such "dog-eat-dog" methods as are illustrated by competition are obtained only when the other fellow happens to be the "under dog." As intelligent beings, business men must realize that if the plane of competition can be elevated to meet the requirements of moral law, the standard of business conduct will likewise be higher, producing unquestionably greater results.

Intelligent co-operation means a high standard of business, with efficiency as its watchword. A low standard of business such as competition induces implies ignorance, with chance as its only hope. A high standard of

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both morals and efficiency creates a condition which ignorance cannot attain.

THE FIRST PRINCIPLE

GOOD-FELLOWSHIP. By good-fellowship is implied a unity of friendliness, which is the first indispensable condition to any co-operation. *Good-Fellowship*

In human nature the inclination to friendly intercourse is inherent. Give this inclination chance to develop and it quickly resolves into good-fellowship. And if there be a common sentiment directed toward any purposes, a unity of spirit becomes immediately manifest. Even between seemingly incompatible natures there will grow a certain sympathy of feeling when a necessity, or some common interest, inspires a joint desire.

To make effective this unity of purpose there must be confidence, and to insure confidence, the absence of all mystery, secrecy and ignorance of motive is imperative. And with the elimination of these "unknown quantities" will quickly follow fair dealing.

It is evident that to accomplish this necessary condition, an interchange of information forms the requisite solution.

It should be unnecessary to observe that

it is only the competition of ignorance which is to be feared. If a competitor is intelligent his competition is "clean." It should follow, then, that it is to the interest of all concerned that all competitors should possess as nearly as possible an equality of knowledge, or an equal opportunity to acquire it.

Information which one competitor may possess, which others do not, can be of but momentary advantage, for when others do discover it the reaction, which inevitably follows, often results in the loss of what had been gained by the advantage. A selfish advantage is invariably followed by reprisals and reprisal upon reprisal spells ultimate ruin.

*The Open
Door*

"Shirtsleeve diplomacy" through "the open door" is equally a wise and up-to-date policy for business. Throw open the doors, let in the light upon all transactions, handle the truth with shirtsleeve frankness, and mutual interests will grow. A frank exchange of information between competitors certainly must increase the knowledge of both, while an interchange between and amongst all competitors unquestionably will result in the growth of the trade community, in knowledge, in opportunity, in economy, in efficiency and in scope.

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What more could be wished? Is this not what business is looking for?

The interchange of information should include everything of common interest. No secrets in trade, would mean both competence and efficiency, a condition which would exclude opportunity for "pirates" to undermine the trade stability by preying upon its undefended units.

A trade placed upon such a basis would be invulnerable because it would be wholly efficient.

The Federal Trade Commission has gathered data in shape of direct information pertaining to manufacturing industries which reveals an astonishingly deplorable condition of "hit or miss" ignorance in the simple elements which go to make, not only efficiency and stability, but solvency. It serves as conclusive proof that it is simply the lack of uniform knowledge which is responsible for the condition.

*Present
Inefficiency*

If such be true of manufacturing industries, it is sufficient indication to prove also that the conditions in the miscellaneous classes of business engaged in the distributing function must be infinitely worse.

The interchange of information is that

Interchange of Information process of education which in time leads to the point where trade units recognize that their troubles are similar and their interests identical.

Most all problems in business are community problems and it is evident that they can only be solved by community effort. Therefore, just so long as the units of a community waste their energy, their capital and their wits in the scramble of competitive attrition, the problems cannot be solved and inefficiency must continue to ruin those whose stock of these attributes is insufficient to stand the strain.

It is the interchange of information which reciprocally educates, and establishes that intelligent understanding which is necessary to cope with the constantly increasing problems presented to the trade community by the unremitting economic law.

THE SECOND PRINCIPLE

Comprehension COMPREHENSION. Comprehension herein is construed to mean intelligent understanding, the absorption of definite knowledge.

It is only when facts and conditions are intelligently understood that the problems

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confronting the 20th century can be solved, and this equally is as true of business as of political problems. The solution is up to the trade community upon a business issue, as it is up to the people upon a political question.

Not to impugn the mental ability of business men, it is no injustice to assert that it is their lack of proper comprehension of economic fundamentals, natural laws, which occasions the present absurdity of competitive strife, just as the people's lack of comprehension causes them to indulge in false political theories.

*Lack of
Knowledge*

The untrained minds of business men cause them to differ until there is formed a state of chronic incongruity. They do not understand the exact conditions in business, nor each other's motives, consequently there is the absence of a seeming possibility for unity even while their interests and objects are identical. Hence, in the absence of the common basis of a uniform understanding, it is perfectly natural that they should resort to competitive contest in accord with their primal instincts.

Really, it is to the lack of that comprehension (which is possible for every man to acquire) that almost every human difficulty, disagreement and failure may be attributed. Children are sent to school to learn the rudi-

ments, the groundwork of knowledge, yet their elders, owing to their disregard of these very rudiments in business, indulge in what, to the children, could they understand, would seem ridiculous. Cause and effect are ignored and motives attributed, which have no place in reality whatsoever, being simply the result of ignorance or of a suspicious imagination.

*Men's
Characters*

While men's characters and dispositions may differ widely, all are influenced by the same righteous principles, known as ethics, which are established by moral law. But these principles they cannot apply because their minds differ too in ability to reason, in clarity of purpose and in understanding. Therefore, they do not comprehend how to identify their community interest.

When, however, good-fellowship, mutual confidence and unity of purpose, characterize a body of business men—when they exchange with each other the information which will upbuild their common understanding of the common interest—the result is bound to create this necessary comprehension.

Essentials

Without the groundwork of comprehension, it would be idle to expect results from co-operation; but with its acquirement, the mental process of every mind is revealed, the false

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impressions dispelled, the doors of business are opened to the light of intelligence and righteous ethics applied.

It is here, too, where patience is an essential part of the education of the brighter minds, while diligence is building up the intelligence of the duller; and here again is "bear and forbear" essential to equalize the adjustment of men's characters, mental abilities and expressed opinions.

A clear comprehension, therefore, of the principles underlying co-operation must lead unerringly to the goal desired by all—progress and success.

THE THIRD PRINCIPLE

UNIFORMITY. The outcome from the com- *Uniformity*
prehension of the foregoing principles of co-
operation will result in uniformity—the con-
dition for proper teamwork.

Uniformity is specific in its application, adapting standards to common use in the trade. It is the utilization of methods and materials, such as have been determined as best adapted to produce the results desired. It applies the education gained from trade intercourse, to active practice in matters of

Uniformity trade technic, efficiency and economy. It establishes the scientific basis for business. The secret of any progress in American business lies in its universal adoption of uniform standards.

The question as to why such uniformity should not be equally as efficient if applied to business morals, principles and policies, is strictly in order, and the answer, to be consistent, must be in the affirmative. And, when there is the same uniform teamwork in the mental and moral processes of business, as there may be in its practical forms, then indeed will the purposes of co-operation be fulfilled.

The determination of this uniformity, as can be readily surmised, is the part of trade opinion. After good-fellowship becomes the rule and information becomes a common fund, then is it possible to obtain a definite trade opinion because the community interest has been made the working hypothesis, based upon facts as revealed by comprehension.

Argument should not be required to sustain the desirability of uniformity or standardization, the value of which is self-evident. It is a principle too well founded and demonstrated to inspire a doubt. The only question is as to its possible effective application to the mental

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and moral process, and this may be answered *Uniformity* by the statement made in the preceding chapter regarding the necessity for the groundwork of fundamentals to the acquirement of comprehension. Uniformity in business must follow community comprehension as the one possible result.

Unfortunately, uniformity of opinion is today the great lack in business, and the only possibility for progress and for defense lies in the force of which it alone is capable. It has been said that "public opinion is the only enduring force in the world"; likewise is the uniformity of trade opinion the only enduring force in trade as it constitutes the only authority to which the units of trade owe allegiance.

Until this uniformity of purpose manifests itself in trade opinion, the practical uniformity, such as accounting, cost determination, standardization of usages, classification of competing articles and other essentials to the conduct of efficient business, cannot be forthcoming.

THE FOURTH PRINCIPLE

HARMONY. Harmony is that ideal condition to which nature and man are both work- *Harmony*

Harmony ing—nature in the direction of perfection and beauty, man in the direction of happiness and truth. This may be hard to reconcile with the incessant work, worry and circumstance of man's existence, but the fact is clearly shown by comparison with the past conditions of mankind. It is very evident also from the history of nature that harmony is the ultimate purpose of her process.

Competition is the antithesis of harmony, because it produces friction, and while rivalry to excel is in itself an element in the happiness of man, the vicious function of strife is no part of it.

The result from co-operative work is harmonious action, general in its effect. It proceeds from the crystallization of trade opinion—the determination of the community interest. It means the co-ordination of parts, the movement of the whole. It cannot exist except under moral influence, as it is applied ethics which determines righteous action. It necessitates, too, mental control which determines correct action; and it implies obedience to natural law—economics.

Harmony is therefore not a condition possible to create, except through progressive steps, for it is the condition of that “working

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order" which requires that the team be in perfect action, the gearing in perfect alignment, and co-operative principles in operation. It is not a working tool, as with the former principles, but the finished product of their action.

THE FIFTH PRINCIPLE

VOLITION. Much could be written of this subject as it covers the entire scope of man's actions—his reasons, his emotions, his aspirations, inspirations, instincts—as they work upon his will. It is, however, not within the scope of this work to undertake to dissect mentality or character but only to distinctly and emphatically place the responsibility upon their master's use of them. He has the authority over himself—his responsibility. As he controls himself, denies his instincts, follows his reason by sacrifice perhaps, certainly by service, so will he obtain results. His conduct must determine his self-control, the direction of his will—his volition. *Volition*

The volition of the individual is the motive power of co-operative principles. Without it, they would be empty, inactive, impossible.

Volition, together with good-fellowship, with which it joins hands to complete the

Volition circle of principles, supplies the personality, the humanizing spirit, in co-operation.

Volition is the active principle to teamwork, and as teamwork depends upon the co-ordination of individuals actuated by volition, it is the vital principle in co-operation.

PART V
COMMENTARY

Meditating upon these matters, it is hard to resist the persuasion that unless capital, i. e., business, can, in the immediate future, generate an intellectual energy, beyond the sphere of its specialized calling, very much in excess of any intellectual energy of which it has hitherto given promise, and unless it can besides rise to an appreciation of diverse social conditions, as well as to a level of political sagacity, far higher than it has attained within recent years, its relative power in the community must decline.
BROOKS ADAMS: "The Theory of Social Revolution."

*I tell you the tendency toward co-operation is so much stronger in this twentieth century than the tendency toward competition, that co-operation will exist everywhere. * * * * We have an irresistible tendency for co-operation in business in every line from the crossroads to the great metropolis.*

Professor VAN HISE, University of Wisconsin.

We must recognize the probable effect of present-day political tendencies upon business, upon property and upon property rights and upon the course of industrial and commercial development. I believe that currents are developing today that may quickly become irresistible forces, and that, too, forces of adversity and ill-fortune, if their dangers are not comprehended, their direction corrected, and their sources controlled.

F. A. VANDERLIP.

Preparation to meet this (international) competition must be a complex operation, but it must be effected upon the basis of certain general principles, and conspicuous and essential among these must be reckoned that of domestic reciprocity and co-operation between government policy and private initiative and endeavor.

COL. HARVEY in N. A. Review.

THE COMMENTARY

Trade Co-operation means nothing more than the application of common sense to a business proposition, and the five principles outlined in this work define the logical lines of endeavor by which to make possible its practical application. *Practical Application*

It is perfectly evident that co-operation necessitates system, which is impossible under open competitive methods. The main difficulties lie not in the adoption of a system in accordance with co-operative principles, but in the breaking down of the accustomed habits under competition, in thought as well as in methods.

To correct the thought there must be dispelled that misapprehension which, in the ignorance of facts and where interests seemingly conflict, is prone to dwell in individual minds. It is obvious that to dispel this misapprehension will require enlightenment in a common knowledge of conditions.

The chief obstacle confronting the correction of competitive methods is inherent selfishness, which is the chief support of compet- *Chief Obstacle*

Chief itive strife. A course of rational reasoning
Obstacle should reveal that wherever selfishness exists there is an impossibility either of an equitable opportunity or of an equitable enjoyment of results.

No matter how bounteous the quantity of an object may be, a beast in his nature snarls to keep others away from it, and in the fight which results, much of the object is destroyed and lost. Among men, especially in civilization, the enjoyment of anything in which there is a recognized community of interest is partaken of in harmony and good-fellowship, for then each is assured of an equitable portion. Likewise should it be with trade, for there is ample business for all, and if the community interest is observed the equity in its division is certain. Without the observance of this community interest the selfish scramble resulting means an inequitable division of portions with the waste of a substantial part.

Why civilized man should not recognize the error of competition, as it now exists, and apply the obvious correction of co-operation, as he has done in every other phase of his political and social life, is due principally to this inherent selfishness which lingers in his nature.

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As has been indicated, co-operation cannot eliminate competition entirely, but in withdrawing the selfish thoughtlessness and misapprehension from it, its unbridled tendency to destroy is curbed and a basis is created for clean rivalry in efficiency.

If the signs of the times are read correctly, proper consideration for a fellow-man and the acknowledgment of his community rights are principles which hereafter will govern humanity, and business must undergo the change to conform to these principles.

During my twenty years of service in the councils of trade, I have seen an old generation pass out and a new one take its place. I have observed during this period a gradual transition from acute individualism to a semi-co-operative condition, induced by increasing necessity. In some instances the individuals plainly entered in the community organization with an illy-concealed protest and certainly with no co-operative spirit.

*The
Transition of
Business*

Such an organization cannot be called co-operative for it lacks the zeal, the basic knowledge, the harmony and uniformity which are the cardinal necessities of true co-operation.

The necessities in recent years have been growing more and more evident and plainly

call for closer contact between members of a trade, as they demand amity, unity and the determination of community interest. These necessities are created by economic, political or social and legal conditions.

Community interest has become insistent upon being recognized and in a short time must become preponderant in the consideration of trade, taking precedence before all individual interests.

The business man's hesitancy today in accepting the inevitable, in answer to the call of necessity, to perfect his trade organization, is due partly to his conservatism, owing to his past success, partly to adherence to the habits of competition, partly to skepticism, but principally to his ignorance of the fundamental principles of co-operation, a proper knowledge of which would overcome his reluctance.

*The Business
Man*

Taking the business man as he is, he is a sort of a "rough diamond" as far as higher business culture goes. To use F. A. Vanderlip's phrase, he is an "economic illiterate," but as he has not heretofore been compelled to polish up his economic knowledge, nor his ethical attainments, he perhaps must be forgiven for following his competitive breeding.

It is not our privilege to accord to the

business man the distinction of "superman"— *The Business Man*
he is but plain human, even as his ancestors were, and when called upon to perform a necessary duty, which in view of past experience may appear to him as superhuman, he is helplessly puzzled.

The business man is not a scientist and if he be a philosopher he reasons along the lines of human frailties rather than about the moral possibilities of his fellow-being. He calls science "theory"—and logic he dubs "academic stuff." He considers the rule-of-thumb as "practical" knowledge and he is tainted with the old, old habits, formed by his forbears generations back, which he has inherited to his present discomfiture. He is a victim of conservatism, a slave of habit and a follower of circumstance. He progresses by dogged persistency and by experiment, rather than by applied ability; by impulse and by expediency, rather than by judgment, and oft-times by luck rather than by design.

The business man carries with him all the youthful characteristics of hopeful development even though, at times, he lapses into boyish thoughtlessness or mischief. Like any other human being he is more readily susceptible to the will power of a dominating mind

The Business Man than to cold argument; he will follow a leader sometimes without discrimination. He is readily swayed by eloquence and sometimes by bombast. In brief, he is human and therefore uncertain. Throw into the balance with these attributes, competition with all that it implies, and mental incompatibility, and some realization may be had of the necessity for careful education as preliminary to real association work.

Fortunately, he is amenable to the resurrecting influence of reason, that is, if it does not too abruptly attack his interests, and if it is given to him in doses not over vigorous. Once, therefore, get him into the habit of "right" thought (even though he backslides at times to "meet competition") then does his real progress begin.

Here, then, is the material for that teamwork which the age demands.

If seemingly not promising, we must consider that we have two great influences on the proper side of the balance, common sense and necessity, and if we can engraft them sufficiently into the minds of our business men, to convince them, we may be assured that their education will be rapid, for they are, after all, the keenest of all human classes.

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If once the business man becomes convinced of the great advantage that harmonious teamwork has over competitive conflict to produce results, and when he absorbs the truth that community welfare means his individual progress, the foundation to successful co-operation is laid.

Now let us take a glance at the economic conditions—the stormy sea of troubles over which the ship of trade is sailing, and we shall see the practical necessity for co-operation.

*The
Economic
Conditions*

Up to twenty or twenty-five years ago, individual merchants had ample room to seek new fields of opportunity, but with the development of steam and electricity, the world gradually contracted into a smaller sphere, and the scope of opportunity likewise became narrower.

Means of communication and transportation increased, facilities for manufacturing multiplied, the appetites of the people for luxuries and conveniences developed with their increasing wealth, and greater service was demanded.

At the same time individual shops grew into factories, factories into corporations, corporations into combinations.

*The
Economic
Conditions*

Goods became standardized, supply anticipated demand so that speculative opportunity in many commodities lessened. Labor organized and demanded a larger share of the profits. Extensive advertising, intensive salesmanship and extravagant service stimulated the demand to the extreme. The wants of the people continued to increase until they rebelled at the cost of their own high living and then sought out the business man as responsible. Politicians caught the cue and howled at the robbing business man and laws were enacted to restrain him.

To do business and make money under these conditions made business a wasteful warfare. Is there any wonder that business is floundering about in its endeavor to find a firm footing, some stable condition upon which it may hold its own, even intruding upon its neighbor's rights in the wild scramble for survival? Is it not evident that the individual must be lost in this sea of troubles unless he save himself by seeking assistance through mutual helpfulness in co-operation?

There is no doubt that the old time "trust" was created as a means to overcome the disasters of internecine competition. The idea of a combination or a "community of interest,"

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so called, with force behind it, was a shorter cut to the object than of voluntary co-operation with its attendant necessary education.

*The
Economic
Conditions*

Such combinations were iniquitous but no more so than the concentration of capital and purchasing power, which, with government assistance in shape of the parcel post, are destructive of legitimate trade functions, particularly in distribution. Their ability to exist and succeed is due to their efficiency, with which their competing lines in individual competition cannot possibly cope.

And just at this moment the world war, the war of democracy and co-operation against autocracy and combination, is raging. Whatever the outcome, there will be a new world, with new conditions, new fields of opportunities and a new moral code. Business can never be the same as before the war. It, too, must be revised. International competition in business is inevitable and its effect will change the competitive conditions within the Nation.

Many governments will assist their commercial interests, making their co-operation mandatory, while in America co-operation must be voluntary. It is up to the American business man, with his power of initiative, to show that he can so co-operate, for competi-

tion will exist hereafter between co-operating bodies. The community interest, the trade interest, must be defined, comprehended and held inviolate if the American business man is to hold his own in the coming test for commercial supremacy.

*Political
Conditions*

In the coming order of things we are certain to be confronted by the growing popular clamor for paternal government—socialism. As the gap widens between the efficient classes and the inefficient, discontent will increase the demand for government control. There will be a revolution of sentiment, seeking to change the very foundations of our government. The indication can be had by analyzing the tendency of labor unionism today, a constantly growing power, which takes no cognizance of competence or of efficiency, but its cry is: the fewest hours, at the greatest wage, for the least amount of labor. Equality is forced, ability has no preference, and this legally recognized combination of labor compels obedience to its decrees. The opportunity for business to expand and develop is restricted, for the laws prevent trade combinations. As the way narrows between the economic necessity on the one hand and legal rights on the

other, government control seems the only possible relief. *Political Conditions*

State legislatures will unquestionably follow the tendency, so it appears that gradually all public utilities eventually will be doomed to government control.

And what possible defense will the members of a trade, dealing in a staple commodity, have except in community efficiency? If divided in opinion and interest and subject to competitive conditions they will be deprived more and more of their freedom of action—action which perhaps economic necessity will demand. We have already tasted of this legislative medicine and all that can save many industries in staple commodities in the future, from a still more bitter and perhaps deadly dose, will be the force of their unified opinion in their trade interest and their community efficiency.

Seemingly the force of circumstance impels business men to co-operate in their own protection, as it impelled their forbears, the cave men, into clans for mutual protection, and they of today are a much higher order of beings. So, when analysis points to greater protection as well as greater results, through co-operative work, surely rational men should hesitate no longer.

*Legal
Conditions*

As we have observed elsewhere, there is a wide gap between the constructive economic development and the conservatism of the law. There is an urgent necessity for a bridge which will bring these two great elements in national life together.

Unfortunately, the gap is maintained by the false theories which an uninformed public creates in its wild clamor for a correction of its social difficulties. These theories can only be offset by the truth, by the education of our lawmakers in economic law, and by the enlightenment of both lawmakers and administrators to the fact that it is a natural impossibility to either alter or obstruct an economic law by statute, without creating a condition of demoralization which aggravates rather than corrects the situation.

Business today is law-burdened. A superfluity of regulations embarrass its natural course. But very few of these laws are truly beneficial, amongst which the Pure Food law stands pre-eminent. The Sherman Anti-trust Act was passed—a righteous law, perhaps, but unnecessary because the common law adequately protects against the very iniquities which this law was aimed to prevent. We see a mass of decisions and interpretations which

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apply without discrimination, harassing the very business man whom the law was intended to protect. When his embarrassment became too painfully evident through the decisions under the Sherman Act, we find other laws passed to assuage their violence—the Clayton law, the Federal Commission law, and the Webb Export law for instance—when what is really needed is a repeal of all restrictive laws with a court of commercial equity to decide whether or not an act of business is detrimental to public welfare. *Legal Conditions*

We observe further that but few of the technical questions get to the Supreme Court for final determination, but are left in the air in the district and circuit courts. We observe that even conflicting opinions will license in one part of the Union that which is prohibited in another. We observe that the "Rule of Reason" is given to the courts as a criterion for their decisions, but unfortunately the rule of reason seems to differ in the mind of different courts. We observe that the Department of Justice, upon its own initiative and without court decisions, brings suits and obtains "consent decrees" from the poor business man to force its own opinions. We have observed that our greatest industry, the railroads, was

Legal Conditions taken over by the Government under the stress of war, because the Interstate Commerce Commission decided that either the railroads must be relieved of the stringent laws, fail under the handicap, or that the Government (against which the laws do not prevail) must control them.

Most all onerous and restrictive laws are based upon the false premise of the necessity for the "freedom of competition," which is a fetish with the public and politicians. As has been shown, this freedom, the unbridled tendency of competition, leads directly to destruction and it must be modified, not by laws but by economic requirements. The law in equity alone should interfere where some such modification may be proven injurious to public welfare.

An eminent authority, former Justice Hughes, in January, 1917, in an address given before the New York bar, said:

"I hope that the days devoted to the application of the uncertainties of such statutes as the Sherman Act are numbered. What an absurdity it is to find that the very co-operation which the Nation finds necessary for its own economic salvation under the strain of war is denounced as a crime in times of peace!"

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How is the correction of these legal incongruities to come about unless the unified opinion of business can be used in protest, and how is it possible to obtain such opinion except through co-operation ?

It is not that these laws directly affect true co-operation which does not violate them in fact or tendency, as the act of any individual is of his own volition, but they do cast a shadow over the liberty of business by following it with harassing threats of penalty or imprisonment if it fail to keep within certain confines as determined by the opinions and interpretations under the law.

Such laws are irritating and undemocratic, so, as former Justice Hughes further said in the address above referred to, "Let our legislators free our statute books of cant."

In this brief commentary upon the conditions influencing business, I have been careful not to overdraw the situation. In fact, perhaps I have rather minimized the dangers, problems and necessities confronting trade, but knowing that but few business men have seriously considered the effect of the tendencies upon their business prospects, I have thought best simply to place before them a conservative statement,

Conclusion

Conclusion content to know that if they do investigate the facts their efforts will readily confirm my views and they will not accuse me of overdrawing the situation.

And now in conclusion—you have been introduced to the subject of co-operation as it should be understood by all business men. The result, if my hope is fulfilled, is that you will consider earnestly this new phase in your business career;—that you will now be willing to yield a portion of your individual sovereign rights in order to constitute the community interest—that your individual business will be looked upon by you as a department—one unit of the community whole—with you as its manager, responsible for your part in the community welfare;—that you will hereafter regulate your actions to accord with community opinion, the highest authority in co-operative unity;—that you and your fellow members will look upon each other, no longer as competitors in the old sense of the word, but as co-operators;—that your co-operator is not one to down, but to uplift, to aid, and from whom to receive aid;—that your competition hereafter will strictly be a good natured rivalry to obtain the result of efficiency or of economy with price balanced with service;—that you will meet the

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heads of other departments of the trade community frequently, exchange with them views, experiences and facts;—that you will yield to a preponderant opinion against you, remembering that the progress of the whole will yield better results for you than anything you may obtain by independent action, and finally;—that you will follow the essential principles of co-operation, particularly in exercising control over yourself and your action, so as to perform properly your part in the teamwork.

If you do this, I am confidently certain that the results of your organization, of your education, of your co-operation will produce for you and for your community the success, progress and prosperity which such loyalty and teamwork must merit, and which it is unquestionably certain to achieve.

PRESS OF H. S. CROCKER CO., SAN FRANCISCO

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