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CO-OPERATION *versus* CAPITALISM.

MEMORANDUM
ON
THE CO-OPERATIVE MOVEMENT AND
THE MENACE OF CAPITALISM.

Introduction.

The object of this Memorandum is to present a view of the very grave situation with which the Co-operative Movement of many countries is threatened by the enormous consolidation of capitalist interests which has taken place during the war, and to put forward certain suggestions for action of a far-reaching character to meet this menace.

While the situation described and examples given are those of Great Britain, there is no doubt that similar conditions prevail in many countries, and if the movement is to emerge successfully from the struggle before it, it can only be by the united action of Co-operators throughout the world.

Capitalist Consolidation in Great Britain during the War.

A vast strengthening of the capitalist position has taken place during the war in every industry and by every means. The inordinate profits have made possible the accumulation of enormous reserves as well as the increase of capital by the issue of bonus shares, a practice resorted to by many companies for the double purpose of concealing the profits made and retaining them for the development of the industry.

Formation of Trusts.

The building up of trusts, combines, syndicates, and every form of combination has gone on apace during the war, partly owing to the impetus given to it by State administration and the need for conserving labour, power, etc. Every industry is moving rapidly in this direction—metals, oils, cotton, wool, food, shipping, banking, insurance.

Interlocking Industries.

Nor are industries consolidating themselves separately only. By the most intricate system of interlocking directorates and shares held by one company in another on which it is dependent either for raw materials or a market, a vast network of interests is being built up so closely linked together that any one can set in motion all the rest. All the great shipping companies, for instance, are linked up in this way, not only with one another but with railways, ironworks, collieries, oil companies, rubber trade, meat trade, margarine, cotton, tea, banking, newspapers, and numerous other undertakings.

Employers' Associations.

Another way in which capitalist interests are drawing closer together is by the associations of employers and manufacturers in each industry, which in their

turn are forming national federations representing numbers of industries. Examples of the former recently inaugurated are:—

- The British Insurance Association, representing 123 insurance companies.
- The Motor Transport Owners' Federation.
- The United Kingdom Oil and Oil Brokers' Association.
- The Scottish Non-Ferrous Metals Association.

Examples of federations of manufacturers in various industries are:—

- The National Employers' Federation, which has acted in an advisory capacity to the Ministry of Munitions during the war.
- The National Union of Manufacturers.
- The Federation of British Industries.
- The Imperial Commercial Association.
- The British Empire Producers' Association.
- The British Trade Corporation.
- The British Manufacturers' Corporation.

Of these the most important are:—

1. THE FEDERATION OF BRITISH INDUSTRIES, formed some two years ago for the protection of capitalist interests in all industries. It now represents a capital of £4,000,000,000. It is a fighting organisation, concerned with questions of legislation, labour, and foreign competition.
2. THE BRITISH TRADE CORPORATION, formed on the recommendation of Lord Faringdon's Committee of the Board of Trade which investigated financial facilities for trade. The Corporation was started with a capital of £2,000,000, under the chairmanship of Lord Faringdon, with the purpose of financing new undertakings.
3. THE BRITISH MANUFACTURERS' CORPORATION, formed at the end of last year, under the chairmanship of Sir Charles Mandelburg. Its object is to increase British export trade, and its organisation is to consist, according to the chairman's inaugural speech, in "agents-in-charge to protect members' interests abroad, technical experts who would give advice, information bureaux at home and abroad to equip manufacturers and producers with all the necessary knowledge, and financial facilities and safeguards against risks designed to give them the confidence essential to enterprise."

Control of the Government.

A further source of strength to capitalist industry is the enormous influence, direct or indirect, which the war has enabled it to acquire over the Government and the machinery of the State. "Business" men are everywhere. Not only are many of the most important Ministerial posts in the Government held by "business" men; during the war it has always been to "business" men that the Government has looked for advice and assistance. The Chairman of the Board of Trade Committee on Industrial Policy after the War was Lord Balfour of Burleigh, himself a director of nine well-known companies. Business men have been used by the Government as agents in their method of central purchase, the most successful part of the State organisation of industry, and the experience is not likely to be lost on them. Business men have been employed in Government Departments, where they have had an unrivalled opportunity for acquiring valuable information and a knowledge of the State machinery, and they are now returning to industry. According to the "Manchester Guardian" of January 2nd, 1919, there is keen competition in the City for the services of these

men, and not only business men temporarily employed in the Civil Service, but also some of the permanent Civil Servants are being induced by handsome offers, or the attraction of large enterprise, to enter commercial life.

Manipulation of Legislation.

In legislation also capitalist influence is apparent in the many Bills favouring particular industries which have been passed or prepared, e.g., the Corn Production Act, the Petroleum Production Act, the Non-Ferrous Metals Act, all of which will result in still further strengthening capitalist power.

Policy of the British Government.

The capitalist menace has become the more immediate in this country because of the return to power of the Coalition Government with a majority which gives it a free hand. No previous Government has been so openly dominated by capitalist commercial interests. The Minister of Shipping is a great ship-owner, so also is the Minister of Supply. The President of the Board of Trade and the Minister of Ways and Communications were well-known railway directors. The Minister of Labour is a lawyer with large business connections. This Government is pledged on the one hand to the abolition of State control over industry at the earliest possible moment. Already arrangements are being made for the ships built by the Government to be sold to private owners, and 137 now under construction are being handed over by the Minister of Shipping to his capitalist friends Lord Incheape and Sir Owen Phillipps; factories erected by the Ministry of Munitions are being disposed of in the same way; the Wool and Cotton Control Boards are to be turned into Whitley Councils. At the most critical moment in our industrial life nothing but the Co-operative Movement will stand between the consumer and his unfettered exploitation by capitalist interests, which State control during the war has partially restrained.

On the other hand, the Prime Minister has committed the Coalition to promote the better "organisation" of industry. If the lines of this organisation are those advocated by the Government's advisers on commercial policy after the war, the Co-operative Movement may find itself isolated and confronted by a solid ring of capitalist combines.

If this danger is to be averted immediate action of the most far-reaching character is essential.

Board of Trade Recommendations.

The Report of the Board of Trade Committee appointed to advise the Government on Commercial and Industrial Policy after the war is founded upon the reports of similar Committees on certain trades, viz., iron and steel, coal, engineering, shipbuilding and marine engineering, non-ferrous metals, electrical, textile, and chemical trades. It therefore covers a very large part of the field of British industry.

This Report devotes a special chapter to "industrial and commercial organisation," and recommends the formation of combinations of manufacturers for the purpose of—

1. SECURING SUPPLIES OF RAW MATERIALS.

The Committee advise "that every encouragement should be given by the Government to the formation of combinations of manufacturers and others concerned to secure supplies of materials, and that, where it appears



expedient that the control of mineral deposits in foreign countries should be obtained, all practicable support should be given."

2. PRODUCTION.

It suggests that large scale production should be encouraged by arrangements for the compulsory acquisition of land, the diversion of roads or footpaths, and access to rail and water; while the hope is expressed that the Department of Scientific and Industrial Research will assist the development of combinations for purposes of production in various ways, e.g., by "substantial grants," which it is stated to be prepared to make to "associations of firms" established for purposes of industrial research.

3. MARKETING.

The Committee advocates the formation of joint selling organisations which would involve "the regulation of prices and some control of output," extending, as they admit, to home as well as export trade. They believe, however, that such development is "not only desirable in some cases but is practically inevitable under modern economic conditions," and think that the antagonistic attitude of the public and the Government towards the principle of combination must be modified.

The Committee further point out that for these combinations to be effective they must be enforceable among members, and recommend that the law regarding restraint of trade should be amended accordingly. They deprecate any Government interference with the operations of such combinations, and urge that Government control "should be carefully restricted to cases in which these operations can be clearly shown to be inimical to national interests," though the Government should have information and the power of investigation in special cases.

In fact, the "organisation" here recommended by a capitalist Committee to a capitalist Government, and supported by the leading men of the most powerful industries in the country, would place industry in all its stages in the hands of capitalist combines unhampered by any effective control—a system threatening the very life of the Co-operative Movement.

Position of the Co-operative Movement.

The very magnitude and variety of the business of the Co-operative Movement renders all these different kinds of combinations a menace to it. As consumer of raw materials it may find itself at the mercy of capitalist combines for controlling their supply; as manufacturer it must meet the competition of large scale production by associations of producers; as wholesale distributor it will have to face the hostility of the combinations which control prices and output.

It is, therefore, evident that to safeguard its own existence the Co-operative Movement must take steps without delay to make itself independent of capitalist enterprise. For this purpose development in two directions is necessary, involving a new and very much wider conception of the whole purpose and scope of co-operative industry:—

1. The establishment of direct co-operative international trade.
2. The securing of such control over raw materials as would enable Co-operation, not Capitalism, to determine the conditions of its supply to manufacturers.

International Co-operative Trade.

In so far as direct trade between the Co-operative Movement of different nations has taken place, it has hitherto been largely confined to the disposal of surplus stocks not required for home consumption. There has been little or no attempt to estimate and supply the needs of the movement in other countries, nor has it been part of the policy in any country deliberately to manufacture for export.

The time has now come for a great expansion of this direct trade. It should be the aim of Co-operators in every country to draw such supplies as they import from co-operative sources in other countries, and to produce in turn the goods of which those countries are in need. Thus the manufacturing countries might draw supplies of metal from Russia (the only country whose metal resources have not been largely exploited by capitalists), and produce the machinery, fittings, agricultural implements, etc., of which Russia stands so much in need.

A beginning of this expansion of co-operative trading has already been made, e.g., the proposal of Belgian Co-operators to place orders in Great Britain, and the plans for a direct interchange of certain goods between the movements of this country and Russia. The time is ripe, however, **for the working out by Co-operators of all nations in common of a great international scheme which shall have regard not only to the requirements of the moment, but to the developments of the future, with a view to making the world Co-operative Movement self-supporting, and independent of capitalist sources for its supplies of raw materials.** The fact that the trade of Russia, a country of vast undeveloped natural resources, is now largely conducted through the medium of the Co-operative Movement, offers an unprecedented opportunity for a great beginning to this new enterprise, though the operations of such companies as the *Irtys Corporation show that if the resources of Russia are to be secured for Co-operation and not for Capitalism there is no time to be lost.

Control of Raw Materials.

In regard to raw materials the aim of the movement must be not merely to secure those raw materials which it needs for its own production, but to become the source of supply for all industry. In considering this question the distinction must be borne in mind between those raw materials which are made more or less directly into the finished article, such as wool, the materials of food trades, etc., and those which form the basis of all industry, viz., fuels, metals, and chemicals.

It is in those basic industries that capitalist combination has gone furthest, particularly in the iron and steel trade, in which it is part of the policy of manufacturing combines themselves to acquire the deposits. The United States Steel Corporation of America and the Stahlwerks-verein of Germany are notorious, and although the trade in England and France is not so highly organised, the process of amalgamation has gone on apace during the war. Non-ferrous metals, coal, oil, and chemicals are also moving rapidly towards great trusts.

In these industries, therefore, the Co-operative Movement cannot now obtain any considerable control over raw materials. What is vitally important is that,

* This company, whose chairman is Mr. Leslie Urquhart, claims proven ore reserves in Russia of £13,000,000 profit value. It is working in close collaboration with the reactionary Admiral Koltchak, and its managing director was one of the financial ministers of the late Czar.

before a complete union of capitalist forces is effected, **the Co-operative Movement should secure for itself some direct channel of supply in those materials on which all other industrial activities depend.** Here, then, the need for direct co-operative trading is the most imperative.

The same process of combination is going on to a dangerous extent in other industries also, e.g., food trades. The American Meat Trust, for instance, which now controls the whole of the chilled meat trade of America, is the most serious menace to the world's food supply. In Scotland a federation of meat traders has lately been formed to protect the trade in dealing with the Ministry of Food. An important combination of British jam manufacturers has just been announced, Messrs. Keiller, Crosse and Blackwell, and Lazenby having united.

But in the case of all those industries in which the raw material is made more or less directly into the finished article it would appear to be much easier for the Co-operative Movement to secure extensive control for various reasons, either because the sources of raw material are not controlled by the manufacturers who use it, or because the trade is comparatively small.

Here, again, action on international lines would be the most effective. The immediate steps needed would be the formation of an international co-operative buying organisation, which might be effected by an expansion of the operations and membership of the International Wholesale, lately formed between Norway, Sweden, Denmark, and Finland.

It is possible, however, that the Peace Conference may decide to maintain some system of rationing raw materials of which there is a scarcity, for a certain period after peace is signed, and that the League of Nations may set up some machinery for this purpose. In such an event the Co-operative Movement might well claim, as being an international organisation of a non-profit making character, **to act as agent of the League of Nations** for this purpose, just as private traders have acted as agents for the Allied Governments in their wheat and meat purchases. The various Wholesales would then become the distributing machinery of the League of Nations, and when the rationing period ended the movement would have the knowledge and experience necessary to act successfully on its own account.

Transport.

In connection with the suggested developments of co-operative enterprise the question of transport, and particularly shipping, needs equal consideration.

The shipping industry, like the iron industry, is one of the most highly federated of all industries. For some years before the war there existed a system of pooling certain earnings (mainly on freight and steerage passenger traffic) of the chief British and foreign shipping lines. No industry, except the armaments trade, exhibits a more complete system of interlocking directorates and shares, by which it is also linked up with all other industries controlling communication on the one hand, and with the shipbuilding, iron and steel, coal and engineering, trades on the other.

As a necessary part, therefore, of any attempt to extend its international trade, or acquire large supplies of raw materials, the Co-operative Movement must ensure the command of sufficient shipping, and until a shipping trade can be built up by the movement itself, which depends upon the growth of an export trade, careful consideration might be given to the possibility of developing the policy of directly

employing shipping on the basis of either voyage charters or time charters, through which the Wholesales could secure their tonnage space months ahead, and which would at the same time reduce the cost of transport. Such use of independent Norwegian boats by the International Wholesale might form the first step towards an international co-operative shipping business.

Control of Raw Materials as a Means to Co-operative Production.

Control of raw materials by the Co-operative Movement would make possible a very great and rapid development of co-operative production. For this purpose the machinery of private business could be utilised, and the Wholesales would have to be prepared to supply all manufacturers with raw materials on a non-profit-making basis. As soon as the Wholesales could command sufficient supplies of any raw material to enable them to control the market, they could contract with the manufacturers they supplied for the whole or part of the output on such terms as would have the effect of transforming private businesses into agents for the Wholesales, working at a fixed rate for services rendered. In this way profit-making would be eliminated.*

This would be a much quicker and less costly method of increasing co-operative production than that of building and equipping fresh factories, and the development of international co-operative trade would compel some such rapid increase of production.

Such a policy would need a wholly new and far wider conception of the functions of Co-operation, and there are many problems connected with it which are outside the scope of this memorandum. But, in face of the capitalist menace, it will be seen that a policy on the above lines is essential if Co-operation is not to be strangled by capitalist combines, and if a co-operative system of industry is ultimately to replace a capitalist system.

Finance.

In connection with so great an enterprise the question of finance at once presents itself. Here also the rapid movement towards combination, which between December, 1917, and August, 1918, reduced the number of joint stock banks in Great Britain from eleven to five, has created a most dangerous situation.

To secure control of raw materials, as here suggested, may mean ultimately the raising not of millions but of thousands of millions of capital, and the steps to be taken to meet the possible hostility of a money trust will have to be seriously considered by the Co-operative Movement. The question, however, is too complex to be dealt with here, and would probably involve legislative proposals, which are out of place in this Memorandum.

Meantime, the capital necessary to start the enterprise could be raised by means of loans widely advertised and open to all, and by securing the whole capital of the working classes—Trade Union funds, Insurance, clubs, etc. This would necessitate an extension of banking and insurance facilities. If the movement acted internationally, moreover, the raising of the initial capital should present little difficulty, and the rapid turnover which would result from the great extension of trade would enable the movement to work on a proportionately smaller capital.

* This is the method which has been followed by certain Government Departments during the War with the object and effect of keeping down prices.

Summary.

The suggestions here made are briefly as follows:—

1. That to meet the danger of capitalist consolidation the policy of the Co-operative Movement must be directed towards—

- (a) an immediate development of international co-operative trade;
- (b) securing for the movement the utmost possible control over raw materials.

2. That in the basic raw materials, particularly metals, which are already largely controlled by capitalist combines, the immediate object of the Co-operative Movement should be to establish for itself a channel of supply outside capitalist control, e.g., by development of the resources of Russia.

3. That in regard to other raw materials the aim of the movement should be to become the source of supply for all industry.

4. That this should be effected by means of international co-operative purchase, or if a rationing scheme is set up by the League of Nations, by acting as agent for the League of Nations while rationing is in force.

5. That the policy of the Co-operative Wholesale Societies should be modified so as to allow ultimately of trading on a large scale with non-members on terms which would safeguard the non-profit-making character of co-operative industry.

6. That the control of raw materials should be used as the means of extending co-operative production by the Wholesales contracting for the output of private manufacturers on such terms as to exclude profit-making.

7. That in regard to transport immediate attention should be given to ensuring a sufficiency of shipping, and that pending the growth of a co-operative export trade and shipping business, the policy of chartering independent boats on a voyage or time basis should be developed.

8. That the capital necessary to initiate the enterprise should be raised by loan and by securing Trade Union funds, Insurance, etc.

MARGARET LLEWELYN DAVIES,

A. HONORA ENFIELD,

LILIAN HARRIS

(Members of the Women's Co-operative Guild).

28, Church Row, Hampstead, N.W.,
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To be obtained, price 3d. each or 2s. 6d. a dozen, from the Women's Co-operative Guild, 28, Church Row, Hampstead, N.W. 3.