

# Consumers' Cooperative Societies in New York State eBook

## Consumers' Cooperative Societies in New York State

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# Page 1

## Title: Consumers' Cooperative Societies in New York State

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## CONSUMERS' COOPERATIVE SOCIETIES IN NEW YORK STATE

*Published April 1922*

*by*

The Consumers' League of New York

*289 Fourth Avenue*

## NEW YORK CITY

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This study was originally prepared for the Consumers' League of New York in 1921 by Mr. Cedric Long. It has been revised by the League in April, 1922. The Consumers' League wishes to express its appreciation of the valuable advice and assistance given by Mr. Louis B. Blachly of the Bureau of Cooperative Associations of the State Department of Farms and Markets both in the original preparation of the material and in its revision.

\*\*\*\*\*



## COOPERATIVE PRINCIPLES

The principles established by the Rochdale Pioneers in England in 1844 and observed consistently by successful societies since that time are as follows:

1. Earnings of capital stock limited to legal or current rate of interest.
2. Surplus earnings to be returned to members in proportion to patronage.
3. One vote for each member regardless of amount of stock owned. No proxy voting permitted.

In addition, the majority of societies adhere to the following principles:

1. Business to be done for cash.
2. Goods to be sold at current market prices.
3. Education given in the principles and aims of cooperation.

## CONSUMERS' COOPERATIVE SOCIETIES IN NEW YORK STATE

The Extent of Consumers' Cooperation.

The Tenth International Cooperative Congress, held in Switzerland in 1921, disclosed the fact that since the last Congress, in 1913, the number of cooperators in the twenty-five countries represented had increased from approximately eight million to thirty million and that cooperative trade had increased correspondingly.

Today in Great Britain the cooperative societies number more than four million members, nearly one-third of the entire population being represented in these societies. Switzerland, in 1920, boasted three hundred and sixty-two thousand members and a third of the Swiss people bought goods through their own societies. Cooperation is still alive in Russia in spite of its unsettled economic conditions. In 1920 there were twenty-five thousand societies with twelve million heads of families. In the same year the German cooperative societies were two million seven hundred thousand members strong.



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In the United States cooperation has had an erratic development. Within the past seven years, however, there has been a rapid increase in new societies until today it is estimated that there are about three thousand with a membership of half a million. In number of societies New York is far behind most of its sister states. It has one hundred and twenty-five genuine consumers' cooperative associations, seventy-five of which are among farmer groups and the remaining fifty among city consumers. There are in addition some twenty cooperative buying groups connected with large commercial organizations. No complete tabulation has been made of the total business of all these cooperative groups, but in 1921 the five largest cooperative societies among the city consumers, with an average membership of 1,800 persons, all located in New York City, did a total business of approximately one million dollars. These societies and many others are prospering. On the other hand there are many cooperatives which have failed. Whether they have failed or succeeded more knowledge of practical cooperation can be gained from their experience than can ever be learned from books.

The Consumers' League feels that the experience of these societies should not be wasted. For this reason it is telling the stories of several cooperatives in New York, some of which are successfully established and some of which have fallen by the roadside. In these brief stories are written a hundred lessons that cooperatives should heed.

### **SUCCESSFUL COOPERATION**

The Utica Cooperative Society.

At the corner of Court and Schuyler Streets in Utica stands a grocery store which is different from an ordinary store. It is different because it is a cooperative store and it belongs to those who buy as well as to those who serve. There is no need for the purchaser to be on guard lest the bargain be to his disadvantage, for he is dealing with friendly clerks who are there to help him find what he wants, not to sell him something he cannot use. In this store the purchaser can find all the articles carried by a first-class grocer, canned goods, green goods, dairy products and, in addition, a complete supply of baked goods, baked by the cooperative society itself.

The bakery is to be found behind the grocery. Large, high windows throw a flood of light into the mixing room. The oven is of a modern type, large, easily controlled and economical. Five men work at the baking and a boy wraps bread in waxed paper with a mechanical device which automatically folds and seals. The three delivery wagons bear the cooperative motto, "Each for All, and All for Each." They are used in the morning for the delivery of baked goods and in the afternoon for the delivery of groceries. It keeps three boys busy all day covering the territory between the cooperators' homes. The delivery system is essential because the membership is scattered throughout the entire city.

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There are fourteen employees in the grocery and bakery. Hitherto they have received wages higher than those generally prevailing throughout the city for the same kind of work, but recently on their own initiative they voted themselves a ten per cent decrease. In a cooperative all members may know the financial status of the business and the employees found that, due to the diminishing margin of profit, the business could not support such a high scale of wages. Their wage cut followed because as members of the cooperative they were interested not only in their own wages but in the good of the society as a whole.

The Utica Cooperative Society was organized in 1915 by a group of Germans. Half a dozen nationalities are now represented, although Americans predominate. Although they had only ninety-two members and \$1,250 to start, they bought out a private store and began cooperative business. Their bakery was originally in the cellar under the store. The former owner was employed as manager. For three or four years they experienced many difficulties. Within two years two managers proved inefficient and had to be replaced. Only the tenacious loyalty of a few kept the society alive. But they had the foresight and determination to fight through those lean years.

Now for five years they have had the same manager. He insists upon scrupulous bookkeeping methods, careful buying, close supervision of his work by the board of fifteen directors, strict regard for the needs and desires of the membership, and exceptional precautions against waste and leakage. The president, a man having a private business of his own, has an idealism almost religious in quality. These two men cooperate closely on matters of policy and provide much of the leadership which has brought success.

The membership is now 380. The capital stock has increased from \$1,250 to \$27,594. The business in 1921 amounted to \$105,598, forty per cent of which was done by the bakery. Since 1915 the rebates to members on patronage have totaled \$8,207, fluctuating from nothing at all in some years to eight per cent and ten per cent in other years. During this period the lump sum saved to purchasers, including rebates, the earnings on stock shares, and reserve fund, amounted to \$12,642. This sum would have gone into the pockets of private storekeepers except for the cooperative store.

The Utica Society has succeeded because it has met the prime requirements for effective cooperation. The greater part of the membership was loyal during critical times when the easy way would have been to withdraw and trade at chain stores. The management worked unceasingly to put the business on an economical basis. Finally they won out because they put Service over Profit and carried out that rule in the most practical and businesslike way they could find.

\* \* \* \* \*

Our Cooperative Cafeteria.

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If you should drop in for lunch at any one of the three branches of our Cooperative Cafeteria in New York City the first thing that would strike you would be the friendly spirit of those back of the serving tables. Before you paid your check you would observe further that the food had a variety and flavor not found in the ordinary restaurant. If you were discerning you would detect that a complex machinery was at work which had nearly escaped you because of its smooth operation.

That genial spirit which infects the whole place and those subtle things which appeal to your eye and palate explain the success of the cafeteria. But there are some underlying causes for these things that we must get hold of and to do that we must go back to the year 1919. In October of that year a private cafeteria was started by two women with a record of successful cafeteria experience behind them. The experiment proved successful and the following April a momentous step was taken. It was proposed that the persons who ate there become the owners. A cooperative society was formed and in two weeks shares were sold to the value of two thousand dollars. The new owners took over the cafeteria and the former owners became their hired employees. This was the beginning of Our Cooperative Cafeteria.

The cafeteria had from the outset advantages which are gained by many cooperatives only after bitter and costly experience. They had skillful and experienced management to which they immediately gave over all technical control, holding them responsible through an active Board of Directors and an accounting system devised by experts. The management justified the confidence of the shareholders. On April 1, 1921, after one year of operation they had outgrown the first plant and a new branch had been running for two months. There were in all 379 members. The year's business had been \$96,000, of which \$6,000 were net earnings. The stockholders had received six per cent on their investment, a reserve fund had been laid aside, and every month the member-patrons had received rebates on the food eaten of from six per cent to sixteen per cent. At the end of the second year the third branch, larger than either of the others, located in the Wall Street business section, had been in operation for three months. The membership of the society had increased to 750. The business for the year had been \$190,000 and the net earnings were \$12,000.

The cafeteria now employs sixty-eight workers, most of whom are shareholders and vote as such in membership meetings. The worker receives the same food as the patrons, served at the same counter. Against all restaurant traditions the worker is served before the meal so that she may have the best there is and have it before she is too tired to eat it. The minimum wage is higher than the customary rate for restaurant workers in New York. The forty-eight hour week is the standard, although as yet some of the help work over that time. Overtime is one thing that the management has not yet been able wholly to eliminate.

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It has been found that the policy determining function of the stockholders and Board of Directors cannot operate independently of the plans of the management. The two in a business organization must be closely inter-related. The stockholders have not tried to supervise the details of the business, as has sometimes been done to the disaster of cooperatives. The general manager instead has gone to the Board of Directors and sits there practically as a full member. As a result the policy function of the Board and the management function are closely linked together as they must be in a business that is to be permanent.

The stockholders are not idle, however. Through their committees, they have amended the by-laws. They have recently called a general meeting for the consideration of labor policy, and they publish monthly a little paper known as "The Cooperative Crier." The average attendance at the shareholders' monthly meetings is sixty or sixty-five.

To an unusual degree the success of Our Cooperative Cafeteria is bound up with its management, not only because it is technically expert, but because it is thoroughly imbued with the cooperative spirit. Around the first nucleus has grown a staff of intelligent young men and women, usually college bred, who are devoting all their brains and energy to see that this cooperative cafeteria succeeds. They seem to find a peculiar satisfaction in knowing that their efforts will not enrich a few individuals at the expense of patron and employee alike, but will increase the common welfare of the community itself.

Like other cooperatives, the cafeteria has found the need for expert and trained workers in place of the hard-pressed volunteer. Much of the work on education and cooperative organization is carried on by trained members of the staff. This interest of the paid employees in things other than mere technical efficiency contributes much to that friendly spirit which makes Our Cooperative Cafeteria unique among the restaurants of New York.

\* \* \* \* \*

The Village Cooperative Society, Inc.

After nearly two years of discussion and meetings and after long consultation with experts a group composed largely of the housewives in Greenwich Village in the heart of New York City started in January, 1921, a cooperative laundry. The second-hand machinery which they purchased was not a laundry unit, the capacity of the washer being one-fourth that of the ironer; they had insufficient capital, half of it borrowed; they employed an inexperienced manager and a green bookkeeper; and for the first eight months the supervision was almost entirely carried on by volunteers, hard working, but without the foresight and power of control so essential to a new organization. Under these handicaps the cooperative laundry lost money every month.

It existed through those months due largely to two things. First, they were forced almost immediately to employ a new manager who consistently turned out high grade work, and secondly, a small group of volunteers put all their energy into making the thing a success.

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Then the causes of the continued failure were one by one eliminated. A business manager who had an intense interest in cooperation was hired to supervise general operations. He took over much of the work of the volunteers and for the first time the laundry developed a well thought out policy. The inexperienced bookkeeper was eliminated and all supervision headed up in the new manager. Better service brought more work, and new machinery made greater output possible without additional labor. The manager found labor cost too high and introduced methods which saved both labor and money. He found the machinery badly arranged. When the plumber told him it would cost twenty-five dollars to rearrange it he spent a dollar and forty cents and did it himself. After a discussion in the Board of Directors which nearly wrecked the organization, a Board policy of leaving all details of management to the manager and chairman of a managing committee was determined upon, while the Board devoted itself to the determination of general policies.

The results of these changes were soon apparent. For the first time the dead line between losses and earnings was crossed and net earnings gradually began to mount. In September, 1921, the amount of business wavered around a hundred dollars a week. In March, 1922, it averaged about \$330 per week, and net earnings have run as high as \$75 per week.

The laundry is still small and is located in quarters for which it pays a regular commercial rent. It has expanded several times and now has three power washers, an ironer or mangle, a dry room and other equipment. It employs a business manager, who supervises the plant and does everything from keeping the books to collecting the laundry in a pinch, a work manager, a washer, a sorter and marker, four ironers and a delivery boy. It still holds hard to the policy of putting out the very best kind of work and economizing in every particular.

Its very success has in a way embarrassed the laundry. The manager has been offered special inducements to leave. The delivery system has been tampered with. There has even been acid thrown on the clothes by outsiders jealous of its business. But this has only stimulated the whole membership to fight harder to realize their aim of getting their own laundry work done the way they want it, and without profit.

\* \* \* \* \*

The Finnish Cooperative Societies of Brooklyn.

What is it that makes the Finns so successful at Cooperation? Industry and cleanliness. At any rate those are the striking characteristics of the Finns of Brooklyn.

Up to the present time they have never paid any dividends. It has been explained to them, as their manager says, that if the business is to serve them properly it must grow, and in order to grow it needs all the surplus earnings for expansion. And so, because

the members are industrious and far-sighted, they have foregone their dividends. The cleanliness of their stores, too, is an inspiration not only to their membership but to hundreds of others who have visited their plant. This is one of the biggest business assets they possess.

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These virtues have enabled the Finnish group in Brooklyn to build cooperatively a three-story modern business block, to run therein a wholesale bakery, a retail bakery, a meat shop and grocery store, a cooperative restaurant and a cooperative pool room, to build adjacent to this two modern cooperative apartment houses and to lay the foundations for a third now under construction. Outside of the housing venture the business done last year was \$175,000 and today there are nearly two thousand members.

Although these undertakings are practically a part of the same group there are three separate corporations. The largest of these is the Finnish Cooperative Trading Association, Inc. The restaurant is operated as the Workers' Cooperative Restaurant, Inc., and the housing association as the Finnish Homebuilders' Association, Inc.

The restaurant is the oldest. Seven years ago a group of Finns in this locality boarded together. Their capital was a hundred dollars which some one had loaned to them. They ran their little business on a cooperative basis, paying for the meals and putting back any surplus into a reserve. No one contributed anything, but before long they paid back the one hundred dollars. Early in 1922 they incorporated. They then owned a fine modern restaurant, had done \$70,000 worth of business in 1921, and had three thousand dollars in the bank. And no one had ever paid a cent into the business. With all this they sell their food at unusually low prices, well cooked, wholesome, and clean.

In 1917 a larger group determined to have a bakery which came up to their standards. In 1919 they had raised enough money to start construction. Then they faced their first test Their money gave out. Undaunted they organized a money raising "army," as they called it, of thirty or forty men. The money was raised. By the time the new bakery was opened they had fourteen hundred members and had raised \$140,000. The total organization expenses for three years came to \$400, less than three-tenths of one per cent for promotion expenses.

The new business block was opened in May, 1920. All but the restaurant was under one general manager. He was bonded for \$10,000. He had had business experience in running a cooperative bank in Wisconsin. To him was delegated a large degree of freedom, but he was held strictly accountable to the Board of Directors. A thorough and comprehensive system of bookkeeping and accounting was installed. Each separate business, the bakeries, the pool room, the meat shop, was put on a cost accounting basis and the manager knew just which one was making or losing money.

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All the branches of the business, however, have made money. Over \$12,000 in net earnings, after allowing for interest on the investment, have been made since the business started. Last year the bakery did business to the extent of \$135,000, the meat market and grocery \$58,000, and the pool room \$12,000. Already the business has outgrown its quarters. A new oven has been added to the bakery. The third floor, which was used exclusively as a pool room, has been invaded and the thirteen pool tables rearranged and put closer together so that more room may be had for bakery products. Adjacent land has been purchased so that the building itself may be added to. The membership of the Trading Association alone is eighteen hundred and forty.

The employees of the association work among almost ideal conditions. The twelve bakers are all union men and members of the cooperative association as well. They work seven and one-half hours a day and are paid from forty-five to fifty dollars per week. The light, airy bakery is always kept spotless. Adjacent to it is a commodious room with lockers for each man and two shower baths make it easy to keep clean. Down on the first floor the retail bakery is so immaculately clean that you would be willing to defy anyone to find one speck of dust in the place. Every article of food is under shining glass. The floor is white tiled. But the food is what attracts one. The pies swell out as if about to burst. To look at the bread and rolls makes one hungry and to smell them hungrier still. This, you are told, is because only the purest ingredients are used. Many bakers use powdered eggs for baking, commonly imported from China; this cooperative uses only fresh eggs. They buy a better grade of flour than their competitors do. The same thing is true of the meat shop next door. They do not aim to make money on their meat. Their sole aim is to sell only the best. This policy has been so popular that the quantity sold the first three months of 1922 was almost treble that for the same months in 1921. And the meat store, too, has made substantial net earnings.

The two cooperative apartments which lie adjacent to the business block house thirty-two families. The apartments contain five rooms and bath and are thoroughly modern. They are light and airy with high ceilings and hardwood floors. Needless to say their tenant-owners keep them in the most immaculate condition. Recently a group of business men, several of them builders, went through the buildings and many expressed the wish that they could get similar apartments for three times the money that these cooperators were paying. For the best apartments the rent has recently been raised to \$31.50 per month. But out of this amount the tenant-owner is not only paying all upkeep but is paying off the mortgage at the rate of \$1,000 per year. Similar apartments in the locality rent from \$75 to \$80 per month. The tenant-owners, of course, run their apartments on the cooperative plan of one vote per member.

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The members of the Finnish Cooperative Societies of Brooklyn are fast becoming independent of the middlemen, for cooperation touches them on many sides. They have learned to serve themselves and they get what they want, honest goods—and clean.

### COOPERATIVES THAT FAILED

When one has made mistakes the importance which is attached to them depends upon the gravity of the consequences. This being the case, the stories of cooperatives which follow are worth attention, for, as a result of their mistakes, they are now dead. One of the most pitiful aspects of cooperative failures is that one group after another will go on making the identical mistakes that have brought ruin to others. Sometimes it is the result of sheer ignorance, and sometimes of shameful negligence. In either case the result is the same—the stockholders lose their savings and cooperation feels the blow.

Two years ago the State authorities were called upon to investigate a cooperative that was about to fail. Several members made the claim that the officers had defaulted with property of the association. An accountant was called in to examine the books. After considerable coaxing the secretary-treasurer unearthed them and turned them over. They consisted of an old black bag full of all the bills, vouchers and other scrap paper for the previous six months! Those were his books. He had sold the store without taking an inventory. When an inventory was finally made it was found that some of the stock had not turned over for a year. On one top shelf two hundred pepper shakers full of pepper stretched half the length of the room. Full value had been paid for this dead stock and several hundred dollars to boot for “good will.” From the cooperative standpoint the most dangerous thing was that half the directors had become disgruntled and, though remaining on the Board, refused to attend meetings. A quorum could not be obtained and for months the president and treasurer had run the business without reference to directors or stockholders. The cooperative society failed and every cent of the four thousand dollars of the cooperators was lost.

Another cooperative store, this time in the Bronx, was taken over by the manager within one year. Upon inquiry its directors proudly exhibited its books. It was a beautiful set costing, they said, nearly seventy-five dollars. The store had started in November. For November and the first three days of December everything was kept in good shape. But during the entire next year not an entry had been made. The directors had the books, but the manager had the store. The stockholders lost all their capital.

A thriving business was being done by still another cooperative store in New York. At the outset the directors had voted to bond the manager. But the matter was put off and put off. One day the manager disappeared and with him two thousand dollars belonging to the cooperative. After a few months the manager was found, but the

money was gone. The loss of the total sum was more than the cooperative could stand, however, and after struggling along for a few months, it closed its doors.

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A clever organizer two years ago started organizing a cooperative store in New York. On the society's letter heads he had printed a picture of the world and across the world the word "*Big.*" He was going to start a whole chain of stores. In three months the first and only store was put into the hands of an assignee and the man left the city. An audit of his accounts showed that he had collected \$3,600. One-fourth of this had gone for promotion expenses, \$2,350 for rental, fixtures, etc., leaving only \$350 for operating expenses. Where the Finns spent three-tenths of one per cent for promotion he had spent twenty-five per cent. This had forced the association to start with so small an operating capital that it was soon badly embarrassed for lack of funds and could do nothing but close its doors.

It would be possible to go on with many other illustrations. Such failures as these are not really a test of genuine cooperation. Any ordinary business with such management would also have failed. But it is significant that most of the recent cooperative failures have been among grocery stores. In this particular business the margin of profit is so small that only the most skillful and economical management can bring success. A recent survey of all the private grocery stores in one city showed that the average annual profit was only \$400 per grocer.

There is no longer any excuse for cooperatives to follow the blind into the pit. There are many sources of information and advice available to cooperatives that should be fully utilized before any money is spent in a cooperative enterprise that promises only failure.

### **FALSE COOPERATIVES**

The impractical cooperative which fails is bad enough, for it discourages many people from making a second attempt, but the false cooperative is a greater menace to the cooperative movement. The private promoter with his selfish interests rigs up a scheme to look like cooperation, but the actual purpose is to provide a channel whereby thousands of dollars will flow from the pockets of the working people into those of the promoter. Inasmuch as New York State has a law which forbids the use of the word cooperation by any concern which is not organized under the Cooperative Law, such promoters have to be uncommonly shrewd.

\* \* \* \* \*

The Glynn System.

Early in 1920 a group of three or four private business men in Buffalo established a promoting corporation and then set out to organize a cooperative wholesale which was to be a separate concern from their promoting enterprise but was to be controlled by it. The promoters sold shares in the Buffalo Wholesale to individuals in fifteen or twenty

cities and towns all the way across the central part of the State. They opened up six or seven stores and handled goods in large quantities through their wholesale plant.



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The capital was solicited chiefly through labor unions. Elaborate promises were made to prospective shareholders: they were to have a local store in their neighborhood, dividends were to be paid regularly, goods could be bought at prices below those prevailing at the chain stores and the local group was to have local autonomy. As a matter of fact the ultimate control was always in the hands of the few promoters in Buffalo.

These men had two large sources of revenue from the many transactions carried on. They exacted from each member five dollars "for organizing expenses," and they took a commission on all the business handled through the wholesale.

By the spring of 1921 some of the members in one or two centers became suspicious, and began an investigation. They found that stores were in many cases grossly mismanaged. One manager had absconded with \$600. Organizing or promoting expenses in some places were as high as thirty-three per cent. The weekly newspaper was discontinued for lack of funds. Some wholesale merchants finally refused to give further credit to the Buffalo headquarters and at the end of the first year of operation one of the office force confided to a friend that there was a ten thousand dollar deficit. When bankruptcy was finally declared in midsummer, the promoters were not to be found. The principal organizer, an ardent friend of labor for many years, had been completely duped by these promoters and was left penniless and alone to face hundreds of investors. Cooperation was put in disrepute for thousands of men and women in dozens of cities and towns throughout the State.

Cooperation cannot be developed downward from a central wholesale organization with a corps of organizers, nor will it grow when built upon mercenary motives. In this case organized labor in the state was partly to blame for not heeding the warning of a few groups of cooperators who were aware of the nature of the concern early in its history. But the ultimate blame lies with the individual men and women who joined the corporation without looking carefully into its organization.

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The Cooperative Society of America.

In 1920 The Cooperative Society of America was doing a flourishing business in Chicago and vicinity. One of the leaders of the enterprise went to Europe in 1921 and convinced most of the leading cooperators of those countries that he was the greatest power in the cooperative movement in the United States. By the summer of 1921, the agents of the principal promoter of this scheme, Harrison Parker, were operating in New York City, and scores of salesmen were covering the various boroughs selling stock. Within two weeks all the agencies interested in protecting cooperation were organized to fight this fraud. The matter was placed in the hands of the Attorney General and a special deputy appointed to prosecute. The leading newspapers ran an expose of its

operations. At this juncture, the Chicago headquarters suddenly went into the hands of a receiver and the New York office closed its doors.

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Late in the year federal action was instituted against Harrison Parker in Chicago. The entire business of the so-called cooperative was disclosed to the courts. It was found that 81,000 people had invested fifteen millions in this gigantic fraud. Here in New York there were many hundreds, if not several thousands, of men and women who lost large sums of money in the ensuing bankruptcy. These people were taken in by the dramatic appeal to their selfish interests. The Chicago organization showed them photographs of the "massive buildings" in Chicago in which it was doing business, spoke glibly of its banking and insurance departments, and then promised them a share in the spoils if they would pay \$75 for their certificates which were worth only \$25 or \$50 at their face value.

That so many people could be duped by these "get-rich-quick" methods is an indication of the amazing lack of cooperative understanding which prevails in the United States. It is a part of the purpose of this Bulletin to correct the misunderstanding which prevails because of the fraudulent use of the word cooperation. In the case of a suspected false cooperative, test it by the Rochdale principles. If it fails to measure up to them take the matter up directly with the State authorities or the Cooperative League of America.

## HOW TO START A COOPERATIVE ENTERPRISE IN NEW YORK STATE

In starting a cooperative enterprise two things must be considered: first, the kind of business to go into and, second, the method of organization. Any group desiring to engage in a cooperative venture should first of all, through a committee and by consultation with experts, determine what type of enterprise will serve them most effectively. Where competition is unusually keen and profit margins are low, cooperation is less likely to be of service than where the opposite is the case. Whatever enterprise is started men experienced in that business should be consulted as to the location of the business, the stock and equipment needed, the operating capital necessary, *etc.*

Preliminary organization should likewise be handled by a committee which might estimate the number of persons who would become members, the service each could contribute to the society, *etc.* Meetings should be held to educate the group in both cooperation and the special need of the undertaking. For this purpose many educational bulletins may be obtained from the Cooperative League of America and other reliable sources.

Actual organization of the society consists of incorporation, election of officers, the adoption of by-laws, and the immediate adoption of a sound system of bookkeeping. No action undertaken before incorporation has any legal effect on an incorporated body, so early incorporation is desirable. The New York State law requires that all firms using the word "cooperation" incorporate under one of the three state cooperative

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laws. Outside of farmers' cooperatives practically all cooperative societies are incorporated under the Stock Law known as Article III. Copies of these laws may be obtained from the State Department of Farms and Markets. The Department has prepared simple forms for incorporation under this law. When these are filled out and sworn to and the papers filed with the Secretary of State and the County Clerk, the society may legally begin business. The fee of the Secretary of State is \$30. A board of directors is named in the incorporation papers and this board, through a paid manager, will transact the society's business. Model by-laws, upon which the by-laws controlling the organization may be based, may be obtained from the State Department of Farms and Markets or from the Cooperative League of America.

### **THE PRESENT TREND OF COOPERATION**

There have been significant developments in the cooperative enterprise in New York in the last two years. In the first place while a number of small groceries closed their doors, the larger cooperatives have grown larger and more prosperous. At last there appear to have developed cooperatives which have passed that critical stage connected with the life of a newly-organized business. One of these larger cooperatives, which did over \$200,000 worth of business in 1921, has turned its surplus into its business ever since it started and is now buying more land to erect a second business block in order to take care of expansion which is forced upon it by the growing trade. Another cooperative has established two prosperous branches and is now doing a business of a quarter of a million dollars a year. A third, following a profitable year in which its business amounted to \$205,000, is likewise building a new plant. The balance sheets of each of these associations would be the envy of most business undertakings.

A second development is the appearance of a new type of management. A group of younger men and women with a broad background, an intense interest in cooperation and a capacity of growing up with the business is working now to make these cooperatives even more successful. The cooperative movement is likely to grow in pretty close proportion to the ability of these leaders and the men and women they can attach to themselves. Heretofore the greatest handicap of the cooperative movement in this country has been the lack of trained and able leaders.

A third significant development is the adoption by cooperatives of the best methods of management and accounting. Until this had been done the cooperatives had small chance of succeeding. It is probable that cooperatives which lack some of the incentives of the ordinary commercial business will be compelled constantly to adopt the most efficient and advanced type of machinery. In setting this up as a definite standard they will escape the inertia and conservatism that ordinarily characterize large groups, a condition which at the present time is retarding the British cooperative movement. Two

years ago accurate accounting was an unusual thing among cooperatives. At the present time practically all the cooperatives in the State have their books gone over periodically by trained public accountants.

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A still further trend in the cooperative development is the extension of the movement into new lines of business. To this extent the failure of cooperative grocery stores has had a beneficial effect since it has forced groups to undertake different kinds of cooperative business. In New York City at the present time cooperatives are engaged in such diverse business as that of restaurants, cafeterias, bakeries, coal associations, pool rooms, printing establishments, meat stores and laundries. This means that the cooperatives are not following tradition but are thinking for themselves and are selecting that enterprise which will serve them most effectively. In going into these businesses where profits are greatest they are not only prospering themselves but they are performing one of their most legitimate functions, that of protecting the consumer from extortionate profits.

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[Footnote A: Best books on the subject.]



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Article 21, Membership Cooperative Law.

By-laws for Cooperative Associations organized under Article 21, Membership Cooperative Law.

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System of Store Records and Accounts.

A Model Constitution and By-Laws for a Cooperative Society.

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Why Cooperative Stores Fail.

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Cooperative Housing for Europe's Homeless.