Has Co-operation Introduced a New Principle into Economics?
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Source: *The Economic Journal*, Vol. 8, No. 32 (Dec., 1898), pp. 490-511
Published by: Wiley on behalf of the Royal Economic Society
Stable URL: http://www.jstor.org/stable/2957091
Accessed: 03-05-2015 02:07 UTC

# HAS CO-OPERATION INTRODUCED A NEW PRINCIPLE INTO ECONOMICS?

THERE has recently appeared in the *Giornali degli Economisti* a critical study on co-operation signed by Professor Pantaleoni [1] and well worthy of holding the attention both of economists and of practical co-operators. Briefly stated, its argument is that co-operation has not enriched economic science with any fresh principle whatever, and that, in practice, it can add nothing to what we get by way of natural result from the free play of competition. This thesis is developed and maintained with all the verve and dialectical ingenuity (not wholly exempt from a certain subtle casuistry) which we expect in the method of the distinguished scholar, carried off by Geneva from Italy, whose striking discourse on 'The Strong and the Weak' in the sphere of economics was delivered a few months ago before the assembled British Economic Association.[1]

Professor Pantaleoni's article may be said to come at a peculiarly opportune moment. In every country the future of co-operation is being discussed with the greatest candour and from the most opposite points of view. In England a leader of the co-operative movement, Mr. Acland, asks with much misgiving in the *Economic Review*: "Is Co-operation a failure?" In a more recent utterance at the Hawick Congress Lord Grey has professed an unconditional belief in its success:—"It is as certain as that to-morrow's sun will rise!" And in the closing volume of his colossal philosophical and sociological work, Herbert Spencer declares that the future belongs to it. In France, while economists remain sceptical or indifferent, nearly all the political leaders, irrespective of party, hail it as the true solution of the social

[1] See ECONOMIC JOURNAL, June, 1898.

question. Even among Collectivists and Anarchists, hostile hitherto, there are some who have become its adherents.[1]

I wish at the outset to point out that there is to us of France nothing very surprising in the substance of Professor Pantaleoni's criticism, although his originality lends a genuine freshness to his arguments. We have been accustomed for over half a century to hear the highest authorities in the political economy we call *libérale* declaring and demonstrating, almost without exception, that co-operation is an illusion, in so far at least as it claims to be a mode of social transformation. This attitude of the Liberal school towards co-operation is peculiarly instructive, and is well adapted to illustrate the history of economic doctrines. It seems at first sight uncalled for and illogical. Is not co-operation, no less than the Manchester school, a daughter of liberty, claiming, as she does, no leverage but that of free combination, and rejecting all state intervention? I admit that Liberal economists have not combated the movement openly. They have even professed sympathy with it and have recognised its serviceableness in certain respects. No, they have not repudiated her, child as she is of their own family, but for all that they have never treated her as other than a "poor relation." That is to say, they have politely given her to understand that the connection was a little compromising, and that she would therefore do well to keep modestly in her proper place and not make herself talked about. Little sister Cinderella must just be content to keep house and sweep the kitchen! Not for her is it to aspire to reform society, abolish the wage system, supersede commerce or cherish other such windy ambitions.

I am not exaggerating at all. I will merely, lest I should launch out on a chapter of economic history, recall the fact that in 1848 and 1866—years of a great stirring in co-operative feeling in France—the Society of Political Economy at Paris devoted several meetings to discuss co-operation, and decided almost unanimously that the movement had no future to speak of. Then, to come at once to the present day, M. Paul Leroy-Beaulieu, in a series of articles on co-operation which appeared two or three years ago in the *Revue des Deux Mondes* (they have since then been incorporated in his great treatise on Political Economy), took co-operative societies severely to task for their pretensions,

[1] See, in the daily press for the last two or three years speeches by MM. Méline, ex-President of the Council, Paul Deschanel, now President of the Chamber of Deputies, and by their opponents, MM. Clémenceau, Pelletan, Goblet, etc. For socialistic opinion, see the Review, *l'Humanité Nouvelle*.

though not without professing a lively sympathy for their theories. He compared their programmes of social renovation to the "wailings of infants," showed that they would never succeed in abolishing middlemen or wages, and ushered them to a humble sphere to which they were to confine their activities.[1]

It was interesting to note that the Neo-liberal school, of which M. Pantaleoni is one of the highest authorities, retains the same old attitude towards co-operation. Their position has perhaps gained in sympathy with practical co-operation, for I know that M. Pantaleoni has himself been a practical co-operator. But it is as discouraging as ever in banishing co-operation from those high hopes which are alone worth living for and which alone render victory possible. Nevertheless I hasten to add that there is in the new school this distinctive feature :—its criticisms are of the purely scientific order, and not in any way infected with a narrow conservatism or the *a priori* desire to justify the existing economic order of things.

When I say that M. Pantaleoni belongs to the new Liberal school, the language in which I refer to him calls for some apology on my part. Our colleague devoted his inaugural lecture at Geneva to a pointed and pithy demonstration that there should be no question of different schools in political economy; that the science was one and indivisible; and he suggested discreetly that there were but two sorts of economists, those who know and those who don't. But, if I may be permitted to say so, herein is precisely one thing the more in which the new economists resemble the old. For the latter, like the Physiocrats—the "Economists"—have always refused to let themselves be labelled as a school, either as Orthodox, Classical, Manchester, or even Liberal, and have

[1] Numerous passages might be quoted. Even the dissentient Liberal school, which labels itself with the name of Le Play, shares the same opinion. No one has spoken more contemptuously of co-operative associations than the eminent author of *La Réforme Sociale*. He saw in them nothing but a kind of futile travesty of the old corporation guilds, lacking the advantages which such associations ought to afford, and even threatening to turn aside the worker from his real interests.

English economists, better primed no doubt by what was going on under their eyes, have shown greater faith in the co-operative movement. I need only mention the names of Stuart Mill, Cairnes, Professor A. Marshall, Herbert Spencer. And yet, if we were better posted in English economic literature, we should, I believe, have no trouble in detecting the same tendency we found in France. We have found, for instance, in the *Fortnightly Review* for 1866, precisely the same arguments maintained by Mr Harrison as are now put forward by M. P. Leroy-Beaulieu. He admitted that co-operation was a good system for improving the condition of the working classes, and as such deserved to be encouraged. But in so far as it aspired to popularize great social truths, or to undertake production on a large scale, "it has never kept its promises, nor will ever keep them."

always maintained that there could no more be divergencies in economic laws than there could be in so many propositions of Euclid. They admit the right to construct in theory a collectivistic economic system, though they refuse to consider it as possible in practice, because in that case the fundamental principle of such a system would be coercive. But the moment you let in liberty—and it is a point of honour with co-operators to uphold liberty—it becomes impossible to create an economic world essentially different from the present order of things.

Are there in the word co-operation magic virtues capable of transforming the mode either of production or of distribution? And if at the back of the word there is some unknown thing, what is it? "Is there," asks M. Pantaleoni in the sentence that ends and sums up his discourse, "is there, among all the conditions bearing to-day on supply and demand, a single one that has undergone modification? If any one can discern anything of the sort, let him tell us!" Co-operation is association, of course. Now what is the specific difference in co-operative association? If it offered anything distinctively essential and characteristic, if it constituted an original autonomous system, there would have been no difficulty in defining it so as to distinguish it from every other form of economic enterprise. But this is precisely what, in spite of all attempts, has not yet been accomplished. And M. Pantaleoni demolishes all the definitions of co-operative association put forward by MM. Wollemborg, Brentano and others, by showing how they fail at some one point. Thus it cannot be said to constitute an association of individuals in order to "the satisfaction of a common need," for this definition, valid in the case of associated consumption or credit, fails to answer to co-operative production, the simple object of which is to carry on a form of industry. It cannot be said to have for its aim "the suppression of the wage-system," for whereas this may fit the case of co-operative production, it is assuredly not the object of distributive societies, nor of the co-operative wholesales, which employ wage-earners at their manufactories and do not seem at all disposed to allow even profit-sharing among their employees. It cannot be said that it involves the suppression of contract by the job, since it adheres to this mode of remuneration, and that means wages to the employee, and interest to the capitalist. Neither, of course, can any particular sums expended on philanthropic institutions and constituting but a small item in its budget, be taken as a general criterion. It could not even fix the sale-price of its goods, nor the wages of its employees, nor the rate of interest for its shareholders,

nor the distribution of profits generally, without checking these by those outside markets regulated by free competition which are the basis of its evaluations. In that economic world which it claims to alter it lives and moves and has its being as unconditionally as a fish exists in water. Hence it does not contain in itself any autonomous principle, any vital element peculiarly its own, and we may apply to it the words of the apostle: "What hast thou that thou didst not receive? Now . . . . why dost thou glory, as if thou hadst not received?"

Such approximately is a summary of M. Pantaleoni's discussion. Our thanks are due to our colleague for stating the question so concisely. He has put in a suit against co-operators to specify more clearly their aim and their ideal. Now nothing could be more ominous for the future of co-operation than a number of discrepant, in some respects even contradictory, intentions. Herein, in fact, does lie one of the causes of its slow growth, nay, of its retrogressions in different countries, France especially. M. Pantaleoni has, therefore, rendered a positive service to co-operation by his criticisms. Let us endeavour to find a reply.

## I.

What new element, asks M. Pantaleoni, does co-operation contribute to the conditions of supply and demand? Before we look for any—and we believe we shall not look in vain—would it count for nothing if we could show that the effect of co-operation is precisely to restore the free play of supply and demand which as a fact gets falsified by a multitude of disturbing causes? If it were so, if it contributed towards the realisation of the ideals of Neo-liberal adepts and of M. Pantaleoni himself, would it not seem somewhat ungrateful in them to demand of it whence it comes and what is the use of it? Now we believe that this is precisely what it does.

In justifying ourselves for replying with apparently a dash of paradox, we must from the first bear in mind what is that hedonistic world, that realm of pure political economy, ever kept in view by the adepts of Neo-liberalism when they attack us and cry triumphantly, "You will never get further nor do better!"

This hedonistic world is that in which free competition will reign absolutely; where all monopoly by right or of fact will be abolished; where every individual will be conversant with his true interests, and as well equipped as any one else to fight for them; where everything will be carried on by genuinely free contract, in

which each contracting party will weigh in a subjective balance, infallibly exact, the final utility of the object to be disposed of and of the object to be acquired,—a bargaining where neither violence, nor fraud, nor lies, nor ignorance, nor dependence on others, nor any foreign disturbing element whatever—for instance the miserable preoccupation as to whether there's anything for supper —will come in to upset so delicate an operation: a world where the law of supply and demand will bring about the maximum of utility for both individual and society, and will always send back the barometric needle, at once and without friction, to "set fair"—I mean to the fair price.

Well, but—where is that world? Nowhere save in the inaccessible regions of abstract thought. It has no more relation to the society in which we actually live, than has the world of pure geometry with the configuration of the earth or the human form. And there you have the same reason why:—because it doesn't exist. The hedonistic world may be imagined no less than the geometric world. So the mathematical economists illustrate their books with algebraic symbols and curves. But to their procedure may be applied the witty definition of geometry, as a science "which consists in reasoning correctly about forms that are false."

I admit, none the less and forthwith, that this world, *if it did exist*, would be very superior to the actual economic world, and that, though it does not perfectly carry out our ideal (there being a serious defect to be pointed out presently), it would, nevertheless, satisfy many of the co-operator's desiderata.

But we would call on M. Pantaleoni to admit in his turn that co-operation might conceivably be the best means of giving reality and life to that city of purely speculative economics. That it might conceivably give us that which *laisser faire* and individualism never will,—a society governed by free competition and free contract.

Here are some proofs.

When the Liberal economists hold up to us the benefits and even the moral virtues of competition, when M. Yves Guyot, for example, entitles his curious apologia for competition "La morale de la concurrence," and seeks to show that every producer is aiming only at the general good; or when M. Brelay, contributing to *L'Economiste Français*, writes in the same vein the amusingly optimistic sentence:—"All producers, emulous of the general interest, which is inseparable from the welfare of the individual, are intent on creating the best products at the lowest price," it is clear that what they have alone in view is fair, straightforward

competition, and not the anti-social and demoralising competition paramount at the present day in the economic world, not the struggle for existence in which the least scrupulous win and the most honest go to the wall.

Now what is it that co-operative societies do—especially those of distribution, but also those of credit—if it is not to set themselves to abolish everything which tends to vitiate free consent between co-exchangers by misleading them in sundry ways? Adulteration of food, false weights, lying advertisements, tips to servants, usury, sale by credit which is but a form of usury, and, above all, the friction resulting from an excessive number of intermediaries and in fluctuations of price or an inert balance—if to sweep away all this is the aim of co-operation, who shall deny that it seeks to rid the mechanism of free exchange of all the abuses hindering its free play?

It is a matter of observation that the retail price of commodities adjusts it but slowly to the wholesale price. In the case of the price of bread adjusting itself to that of wheat, the process takes so long that in some countries, especially, for instance, in France, the legislature has authorised the municipalities to tax bread on the basis of the price of corn or flour. Now it being the aim of societies for co-operative distribution, not to augment, but to diminish, or do away with, the margin between wholesale and retail price, they are much better able to follow the variations in the market. And unquestionably, under a general co-operative system, that bread-tax, so exasperating to Liberal economists, would cease to have a *raison d'être* and be forthwith abolished. Similarly if co-operative credit societies became general, all the old laws limiting the rate of interest, which have called forth a still greater effusion of economistic bile, would become useless, while the rate of interest which is practically rigid in civil matters, would conform to supply and demand as flexibly as does the rate of discount in commercial transactions.

M. Pantaleoni, it is true, will by no means allow that co-operative societies are favourable to competition! He accuses them of tending to monopoly and of inevitably attaining to it. But on what does he base this grave impeachment, astonishing as it is to co-operators generally, who regard themselves as quite guiltless of such wrong doing? Simply and solely on an economic law which his friend, Professor V. Pareto, has invested with a special importance and called by the happy name of the "law of definite proportions." Translated into the vulgar, this means that to the development of any industrial enterprise there are certain limits,

beyond which it can only incur ruin ; that the factors in its production—labour, land, capital, fixed or circulating—ought to be and remain in certain fixed proportions if they are to attain to their maximum efficiency ; that not only may these proportions not be arbitrarily disturbed, but also that no enterprise whatever, any more than any living being, is able to grow indefinitely. And under this law comes co-operative enterprise.

Now we admit all this. Nevertheless in the case of distributive societies, it should be noted that the limits are so elastic as to seem capable of indefinite extension. Thus, in Breslau, in Leeds, the associations of this kind have grown so great that they include almost the whole urban population, while the federation organised on the system of the Co-operation Wholesales has extended its limits till they almost coincide with the boundaries of an entire country. But in the case of the productive societies the law holds without question. Every one of them must stop at a certain point if they would avoid increasing their expenses of production at a greater rate than their receipts. But what of that ? Where is the monopoly involved in such a state of things ? Those who came late would find the doors closed, but in another respect would differ from the foolish virgins of the Gospel. They would not be shut out from paradise, but would simply have to found another co-operative society next door. Would they be impeded by the society already in existence ? By no means. What interest would the latter have in hindering them, when, by hypothesis, it would have already reached its maximum development ? Where, then, is the monopoly even in the societies which have stopped growing ? If by the imputation it is only meant that the members of any co-operative society enjoy a more highly favoured position than that of non-associates, that is a matter of course. What would be the use of any association if it held out no advantages to its members ? But do co-operative societies enrich themselves at the public expense ? Do they levy a tribute on consumers, as is the nature of all monopoly ?

Finally, to contest M. Pantaleoni's charge, we can fortunately call to our aid his own opinion stated in the June issue of this very Journal, and already referred to by us. In justifying competition and in replying to the objection that through it the strong crushes the weak, he denied the truth of the allegation that greater undertakings necessarily eliminate the smaller, maintaining on the contrary that a certain equilibrium was set up between them, and that the effect of competition was simply to compel each undertaking to confine itself within its natural limits and not

degenerate into a monopoly.[1] But this is just what co-operative societies do automatically, without needing the constraining force of competition!

Another proof:—In the ideal system of free competition as formulated by MM. Pantaleoni, Pareto and Walras, the value of things is always brought down to the level of the cost of production, which is tantamount to saying that all profit disappears. The *entrepreneur*, all monopoly being by hypothesis excluded, would therefore touch no other returns save what he would get as wage-earner, or as capitalist, in which case his reward would form part of the cost of production. Thus in our actual economic organisation they must regard profit as a kind of anomaly, the very existence of which proves how far we are from the full realisation of the system of free competition.

Now it is precisely the aim of co-operation to abolish profit! This is its chief task, its essential characteristic. The history of the movement shows this beyond question. It was the original idea, the ideal of the father of co-operation, Robert Owen. He saw in profit a cancer preying on society, the cause of all the miseries and injustice of the social order, the original sin of the economic man, to extirpate which called for the undivided effort of socialism.

His co-operative communities and exchange shops were intended only as means to this end. They were to solve the social problem because they did away with profit. And since his time a very large number of co-operative societies, for example, the Raiffeisen rural credit societies and many societies for co-operative consumption, have it as one of their rules never to realise any profit. They arrange the sale of their goods or the loan of their capital at a price which just suffices to cover their expenses. Even those stores, who keep to the Rochdale programme, and sell in excess of cost price, do not consider themselves as making a profit, nor ought theoretically to be so considered. What they take is simply a surplus on the price of each commodity which is at the end of a fixed term refunded to the buyer. It is a *ristourne*, as we should say—a repayment by way of drawback. And there is here no subtlety or quibbling. These dividends are exempted from income tax, although we know how lynx-eyed any Exchequer is to detect where it may apply its claws.[2]

[1] ECONOMIC JOURNAL, Vol. VIII., p. 185.

[2] It would seem that we must make an exception in the case of productive societies, since they, like capitalist *entrepreneurs*, try to sell as dear as possible and to secure a large bonus. And yet, in the system called Federalism, the profits are limited and taxed by the "Wholesales" for whom they work.

I will finally adduce one more proof. Since Bastiat the Liberal Economists are ever holding up the consumer as the most important personage, the King in the economic world. They show him to us wise, enlightened, perfectly acquainted with his own interests, and those interests as alone worthy of being taken into consideration because they alone are identical with the interests of society. And it is by this criterion that they decide all difficult questions, such as that of protection, or that of machinery.

Very good! but as a matter of fact we know that in the existing economic organisation the consumer is really a poor sort of creature, entirely ignorant of his most pressing interests, exploited, bamboozled, poisoned by producers and tradesmen, and considered as playing in this world the one part of enabling others to live and affording them an opening. Now how, were it possible to provide this uncrowned King with an effective authority, how could he be made to learn his true interests, and the means of compassing them? By societies for co-operative consumption, which are genuine consumers' leagues, teaching them by practice the whole range of their power. Does any one think that if the co-operative *régime* were carried into effect in all countries, the protectionist system would any longer exist? Does any one believe that all the Trusts, Corners, Rings and other syndicates, by which producers rake in products and force up prices, would have a chance of holding their own against a world of organised consumers?

As in the political order manhood suffrage has transferred the sovereign power into the hands of the people, so in the economic order it is co-operation that will transfer the sovereign power into the hands of the consumer. At the international co-operative congress held at Paris in 1889, I quoted the famous *mot* of Sieyès at the outbreak of the Revolution:—*Qu'a été le Tiers Etat jusqu'à ce jour? Rien. Que doit-il-être? Tout*——and applied it thus:—"What has the consumer been up to to-day? Nothing. What must he become? Everything." But this formula, which Bastiat would have hailed with approval, can be carried into effect solely by the co-operative Commonwealth.[1]

[1] Here I clearly assume that, in the Co-operative Commonwealth, the essential organ will be the society for co-operative distribution. And this is actually our opinion. But we must not forget that the French co-operators of 1848, as well as the English Christian Socialists, hung their faith on co-operative production as the pivot of social reform. Lord Grey recently expressed the same opinion when presiding at the Labour Association Co-partnership Congress at Hawick. He said that the ideal, which he had vainly looked for in co-operative consumption, he had found in associated production. Nevertheless in the same speech he declared that co-operation represented a new principle:—"the subordination of self-interest to the principle

## II.

So far, then, one point has been gained. Even if we take the purely hedonistic point of view, we reckon that co-operation has a far more important part to play than M. Pantaleoni will allow. To his question : In what respect does it modify the law of supply and demand? we answer : It is a much better safeguard for the effective functioning of that law than a purely individualistic *régime* could ever be!

And here it must be admitted that, according to the conception of many co-operators that which co-operation can be and do does not go beyond perfecting the mechanism of the distribution of produce, without altering it in principle. On the other hand, all co-operators who really have faith in the future of co-operation would hold that to stop at this point were to betray the cause. To them co-operation, or rather co-operatism—as it is now becoming usual to designate their school—is a species of doctrine, which, if it is not new—nay, it is fairly ancient—is at least original and distinct alike from *laisser-faire* and from collectivism.

Such co-operators do not pretend to desire that self-interest should be suppressed. They are no monks, but men who have always shown strong practical sense and held that "Co-operation is business." They do not dream of suppressing all competition in human society, although this is repeatedly alleged of them, and is made plausible by the indiscretion of many co-operators in opposing co-operation to competition. This could only happen through the general suppression of all private enterprise, of nearly all individual initiative. Now that would involve the acceptance of collectivism, and co-operators will have nought of that. But they do hold that a society governed, like that in which we live, or like that hypothetical society ever before the mind of the hedonists, solely by self-interest and by the inter-competition of those interests, would be far from perfect; it would not even be truly human. And their conclusion is that it is indispensable to complement and correct the hedonistic principle by another principle; that this may be called altruism, or solidarity, as you please, but that co-operation is the practical method for organising and developing it. For the tendency of co-operation may be,

of altruism." We think so too, but we fear it is just in societies for productive co-operation that the principle of altruism often gets subordinated to self-interest, or at least to professional corporate interest, which comes to the same thing.

not, as Lord Grey expressed it somewhat optimistically in his above-quoted speech, "to *subordinate* self-help to mutual help," but to *reconcile* these two. And its disciples believe that herein they are carrying out, in the spirit, the evolution of economics and of morals.

On the other hand, the economists of the Liberal school, both of the new and the old, maintain in the most categorical fashion that exchange, provided only it be perfectly free, is sufficient not only to ensure the maximum of utility to one and to all, but also to bring about the widest distribution of justice, in so far at least as that is possible in this world. Here it is that we part company. *Hic saltus !*

In his article, quoted above, on the Strong and the Weak, M. Pantaleoni himself gives us an excellent example, which will enable us to appreciate this divergence of opinion. He instances the celebrated bargain between Esau and Jacob. He asks himself how he shall judge about that bargain from the hedonistic point of view, and he is considerably puzzled. Certainly from the point of view of pure political economy, the transaction is unexceptionable. What fault can be found with it? Was it not freely enacted, and, that being so, did it not produce the "maximum of utility" for either party? By what authority do you say that Esau was virtually cheated? He would only be so if the birthright which he gave up was *for him* of less value than the pottage of lentils which he got. But the testimony of the interested party, the fact that he voluntarily accepted the exchange, is an incontestable proof that this was not so. It would be an impertinence to pretend to be a better judge than he on his own behalf. At the moment when the bargain was concluded, the birthright *was* assuredly of less value than the dish of lentils. Where simple souls—like ourselves—are scandalised, is at the thought of Jacob's ill-gotten gains at Esau's expense, of his acquiring something a million times more valuable than what he gave! From the hedonistic point of view, however, this mode of argument is quite incorrect, for there is nothing to authorise us to maintain that Jacob won more over the bargain than Esau, nor, in any case, that he won too much. To maintain this, it would be necessary to know if the right of primogeniture was really of more value (more *ophélimité*, to use M. Pareto's expression) to Jacob than to Esau. Now this cannot be, for while it is possible to compare two desires in the mind of one individual, it is impossible to compare two desires in two minds. There is no common measure to hold good, no means of passing from one to

the other, "no bridge," as Mr. Wicksteed's well-known phrase has it.

Here, surely, is the culminating point of individualism! When the older school assumed, arbitrarily no doubt, that on the contrary all men were alike, their sensations and appreciations more or less identical, we believe they were nearer to the truth. But argument strictly in accordance with the principle of pure hedonism is irrefutable. Nevertheless, it must not be thought that M. Pantaleoni is unaware how this conclusion jars with the sense of justice innate in each of us, and even with our common sense. Accordingly he sets himself to devise a means of escape, to seek, that is, some scientific criterion which will warrant his deciding that this particular bargain was unjust. And he puts one forward, with some diffidence, namely, that we should compare the exchange Esau did make with the one he would have made in his "normal state," that is to say, if he had not been famished. In that case it may be held as exceedingly probable that his birthright would seem of greater utility than the dish of lentils. I am not prepared to say how far this criterion is good, for we should still have to establish the "abnormality" of being famished. On the contrary, it is, alas! a perfectly normal state for a great number of our fellow creatures. And if we consider as vitiated all contracts in which one of the parties is driven by hunger, or some pressing need, we shall have a long road to travel, for we shall have raised no less a problem than that of the legitimacy of wages, lending at interest, and rent.

Now our social relations are at every moment leading to cases analogous to that of Esau, and raising the same question. When one of those great experts in surgery, whom a French novel has branded with the name of "morticoles," demands of a patient under his knife the sum of 100,000 francs for an operation, the hedonistic standpoint has nothing to say to it. The patient has thrown into one scale of the balance the sacrifice incurred by the fee, in the other, the satisfaction to be gained through the performance of the operation, and has seen that the one counterbalanced the other. In the same way all lawyers, artists, engineers, administrators—all, great and small, who derive from their produce or their services the maximum value bestowed by the needs of others, and who even consider it an honourable matter to demand it in terms of price, all these who do as Jacob did are absolved by the hedonist.

But co-operation absolves them not. Far from it! We think that, in a world of co-operative organisation, men will not be

absolved in getting the maximum of final utility out of their products or their services, and that, conversely, they will not be intent on paying for the products or the services at the minimum rate resulting under the law of supply and demand. In witness hereof look at the directors of co-operative societies, or of the co-operative wholesales, who administer concerns worth millions of pounds in return for salaries at which the manager of a commercial business on the most modest scale would grumble.

Well then, says M. Pantaleoni, if you ask people to accept less than the total value of their services, or if, inversely, you choose to give more than that value, as quoted in the market, these persons will give or receive the difference gratuitously. And this amounts to saying that they will give or receive charity. Whoever claims less than his due, for instance the philanthropic administrator, such as those who have just been mentioned, or whoever gets more than his due, bestows or receives alms. Frankly confess, then, that you would have the hedonistic principle superseded by the charity principle (*principe caritatif*).

This last word, we must confess, is well chosen. It is spitefully *spirituel*, and I have no hesitation in saying that it puts us somewhat into a corner. For, as a matter of fact, co-operators have always indignantly repudiated any approximation between co-operation and works of charity.[1] I am positive that those directors, to whom I just now alluded, have no idea whatever of dealing out doles to their co-associates, and that the latter have still less any idea of accepting such. Nevertheless, I do admit that there is some truth in the argument put forward, and that I do not see very clearly or precisely where to draw the line between the principle of altruism or mutualism and the "caritative" principle—still less clearly or precisely, if the word "charity" be taken in its etymological sense of *love*—the sense in which St. Paul used it when he wrote, "Now there abideth these three, Faith, Hope, and Charity; but the greatest of these is Charity." And if I am compelled to testify that through co-operation this element of Love is introduced into the social field, I shall not hold co-operation as on that account discredited, or even unworthy henceforth to attract the attention of scholars. But it does explain, on the other hand, why it is that co-operation has always had the peculiar

[1] The idea was repudiated again this summer at the Co-operative Congress at Peterborough. Mr. Brown said, "What working men want are better surroundings, more means of social improvement, without having to resort to the patronage or to the charity of anybody, no matter who."

privilege of being at the same time a kind of religion and a matter of business, and why a member of the Hebden Bridge Society, a simple manufacturer of fustian like Joseph Greenwood, could say: We feel we are doing God's work.

Nor has any one the right to say that this feature removes co-operation from the field of science. Certainly it is beyond the pale of that science which goes by the name of pure political economy, and which takes into account the one motor of personal interest. But the day may come when the "caritative" principle, or the ethical forces—as you will—may be developed in equations just as well as the principle of hedonism, and may form in their turn the object of an exact science.[1] Even now it is not irreconcilable with that science which may be called social economy or sociology, and which inquires into *all* social relations. For observation and history do assuredly reveal this principle of love functioning in the world, under a thousand different shapes, side by side with the principle of hedonism. Let no one, therefore, say that we are creating chimæras. Contrariwise, it is the *homo œconomicus* who is a chimæra! Economists have no doubt a right to imagine and to study him, as a naturalist may study the skeleton hung on wire in his laboratory. But leave us the right to study the real man, the concrete man, the sociable man, the living man! And grant co-operation the right to seek how this all-round man may be realised—not created, for, I repeat, there he always is and has been, this creature half egoist, half altruist—but how he may be evolved through being set in a favourable environment and endowed with institutions appropriate to his real nature. Banish co-operation, if you will, from the domain of pure political economy; without there remains a world, a greater world. That world shall be ours.

As to that favourable environment, we do not believe that competition is adequate to ensure it. Competition is a word which, taken alone, means nothing more than the action of several persons making for the same goal. But the effect of competition may be beneficent or disastrous according as that goal is good or bad. Among lions competition ought to secure the survival of those whose fangs are stoutest and whose claws are sharpest in tearing their prey. And in a society where men would be moved solely by personal interest, its result would no doubt be likewise to create a race of men of prey similar to that race of giants of whom the earth was purged by the deluge. But in a society

[1] See in this connection an essay lately published: *Mécanique sociale*, by Winiarski.

inspired by the "caritative" principle, in a City of God where the power of the wicked should be abolished and where the wages of sin should be death, competition would create a race of saints carrying out the word of Christ—"Whosoever will lose his life shall find it."

Hence it would be absurd to declare, as a foregone conclusion, for or against competition. It is like the tongue in Æsop's fable—it can be the best possible thing or the worst. We shall take good care not to condemn it *en bloc*, and hold it responsible, as some Socialists have done, for every kind of social iniquity. But we can still less hail it, like the Liberal economists, as able by its inherent virtue to give us justice in distribution, liberty in production, equilibrium between production and distribution, &c. We cannot admit as an axiom the proposition formulated from the outset by Turgot with admirable conciseness, and which subsequent generations of economists have only elaborated, to wit: "Competition alone can bring out the fair price of things"—a sentiment which we found again only the other day in the book, otherwise remarkable, of a young professor of philosophy: "Justice is not equality but equivalence, and equivalence can only come through competition. Hence competition is not war; it is justice, law, peace."[1] It may indeed be all that, but it is just as possible for it to be all the opposite. It is probable that, in a society composed of honest people, it would indeed bring about the fairest prices and the best quality of produce, as well as the survival of the most honest. But in a society composed of people with few scruples, which is the case in all countries, whether they are civilised or not, it will bring about the exploitation of the consumer by the adulteration of goods, and the exploitation of the worker by the sweating system. And it will not tend at all to the survival of the most honest, but rather to their elimination. Hence we have to try, not to abolish competition, but to transform it; to repress whatever there is in it that makes for deterioration, for retrogression, for homicide, and to develop whatever there is in it that makes for melioration, for progress, for humaner issues. And for many reasons we believe that it is precisely co-operation that can bring about its evolution on these lines.

Here are our principal reasons:—

In our present economic organisation, that which makes competition so sharp, such a positive "struggle for life," is the pursuit of profit. Profit is the goal of all economic activity.

[1] Goblot, *Essai sur la Classification des Sciences*.

Nevertheless, there are no reasonable grounds for this being so. The sole object of production, the ground of its existence, is the satisfaction of wants. The interest of society is to provide in the best possible way for the needs of the greatest number. Engaged on these lines competition would have only good results —cheapness combined with excellence of quality. The interest of the individual is to realise the biggest possible profit. And it is because competition has been shunted on to these lines that it has become a war to the knife.—Now what is it that co-operation does? We have already said it:—(1) Co-operation suppresses profit, and in consequence, it does away with the competition that makes for profit. (2) It puts power into the hands of the consumer, and thereby gives production the object of directly satisfying wants. From both points of view, therefore, it is exactly the remedy needed for the disease. It does not abolish competition, but steers it on to the right track. There is this also that, production being henceforth entirely on the bespoke system, it is likely that over-production and all the crises it entails, would be avoided.

Of course it is understood that we are speaking of a theoretical co-operative commonwealth. We are within our rights in so doing, inasmuch as M. Pantaleoni's criticisms bear only on the theory of co-operation. We do not ignore the fact that dividend-hunting is the greatest scourge of co-operation, and has inspired Mr. Acland's melancholy article "Is co-operation a failure?" to which we have made allusion. But it cannot fairly be expected of societies, born and bred in an atmosphere over-heated by the craving for profit, that they should wholly succeed in ridding themselves of surrounding influences and in acquiring a new spirit. It is true that co-operation is held to be at a reactionary stage and to be showing less disinterestedness than in her heroic period. And if this were a verified fact, it would be a disquieting symptom. But the probability is that there is only an optical illusion in the matter. The total number of co-operators has grown a little too fast, faster at any rate than the number of earnest members, so that the latter have come to constitute a smaller proportion of the whole mass. To change this state of things we must wait till education swells the number of sound co-operators fit to rank as the true heirs of Rochdale.

In any case the fact that this "divi-hunting" is reckoned treason against true co-operative principles and calls forth constantly the liveliest protestations, is sufficient to justify our thesis. And besides, however imperfect as yet the co-operative

system may be, and however remote as yet from its true ideal, still it is quite evident that here and now the competition carried on under it has not the same fierceness as it has under the *régime* of capitalism, but is actually attenuated by the existence of a genuine solidarity. For example, as often as a new co-operative society comes to birth, it does not find itself confronted by devouring wolves in the shape of rival undertakings seeking to choke it before it can develop, by underselling its goods, by debauching its customers. On the contrary, it sees around it elder sisters welcoming it and lending it very positive assistance, either directly, or by the intervention of their wholesale stores, or their banks. Even the smallest and the poorest societies enjoy the great privilege of finding themselves at the outset in a position almost as favoured as the wealthiest and oldest. They can procure commodities and capital on the same terms. And if that is not a positively new phenomenon in economic history, I do not know what is!

But competition is not the only form of conflict among mankind; far from it. It only lays *like interests* by the ears. The more rival concerns resemble each other, and the more highly they are specialised, the keener becomes their mutual competition. Now in the most serious struggles, in those usually borne in mind when the "social problem" is spoken of, the conflicting interests are *divergent*, as in the case of seller and buyer, creditor and debtor, master and man. Does co-operation bring here a new principle to bear, a method of organisation by which these antagonistic forces may be reconciled, which by *laisser-faire* were pitted against each other in perpetual combat? Most assuredly is this, in our judgment, the essential character of co-operation. We have on many an occasion insisted that this is so, and that the real criterion of co-operation is to reconcile opposing interests in one and the same association. This definition is more comprehensive than any of those discussed and set aside by M. Pantaleoni, since it applies without exception to every form of co-operative association.

What, in fact, is co-operative consumption? A group of consumers organised so as to be their own purveyors. Hereby there disappears that antagonism between buyer and seller which has given birth to so many conflicts, so much knavery, so many lies, and which still finds naïve expression in the haggling of provincial dealings and oriental bazaars. In the distributive society, the price at which the stores sell their goods is of no great importance to the associates. If it is dear, they will get back their excess payments in the shape of dividends. If it is cheap,

the gain is in a more direct form. Buyer and seller in one, the member unites in himself their opposite interests. Every co-operator bears in himself two men in mutual conflict. The struggle is therefore transposed. It no longer rages between two individuals, as in the actual economic world; but is carried on in the mind and heart of one and the same person. Now this aspect of co-operation is worthy of more praise and attention than it has yet commanded. It is a moral advance of an incalculable range! The external struggle between man and man is nearly always demoralising, and disseminates hatred. But the internal struggle is always beneficent, it educates, it forms character, it is the beginning of wisdom.

Practically as much, though in a less perfect fashion, is effected by co-operative credit societies. They, in their turn, tend to put an end to the terrible war between lenders and borrowers, with all its frightful offspring of the starving, the bankrupt, the despairing, the suicides. Here, too, creditor and debtor are leagued together. Not, it is true, in the same individual; nevertheless each person in turn fulfils both functions. At one time, through the society as intermediary, he lends money to his co-associates; at another, through the same channel, he borrows from theirs. If he has borrowed at too high a rate of interest, he runs no risk of insolvency, since he will get back the excess by way of dividend. The savage insistence on his rate of interest, peculiar from of old to the usurer, will no longer have any ground for existing. No longer shall we see, when co-operation holds the field, a Shylock demanding in default of payment his pound of flesh, for it is from his partner's breast, or perhaps his own, that he would have to cut it!

Finally we claim no less for co-operative production or "co-partnership." By it, in its turn, the two antagonistic functions of employer and employee are united in one head, and by that fusion are annihilated. The workers become their own masters. If they reduce their own wages too much, they will, as *entrepreneurs*, compensate themselves, at the year's end, by touching a larger bonus. Ricardo's terrible law of the inverse variation in profits and wages, constituting as it does a synthesis of the whole social question, ceases to be intelligible, since there can remain, at the outside, only a nominal difference between wages and profits.

Here then, it seems to us, is an assemblage of changes in economic relations of sufficient importance to hold their own against M. Pantaleoni's argument that co-operation can contribute

no new principle of distribution. If he contends that we put forward no formula like that of the Communists: To each according to his needs,—or that of the St. Simonians: To each according to his capacities—or that of the Marxists: To each according to his hours of labour—this is quite true. We have no faith in formulas. But, if we do not deceive ourselves, there is something positively new in doing away with those old economic categories, under which products were artificially divided into three portions, and each portion was assigned to a definitive factor of production :—wages to labour, profit to capital, rent to land,—leaving the quantity of each part to be determined by the chances of supply and demand; and further, to substitute the standpoint of regarding the produce of every undertaking as a common lump, belonging to all who have co-operated under any title whatever in its production, and distributed among them in accordance with a social contract, voluntarily imposed and permanent, compelling a just division.

After all it would matter little, even if it were shown that we have effected no change in the actual system of distribution, if only we were to succeed in changing its results! Now on this point the facts are demonstrable enough. The members of the co-operative societies in England distribute six or seven million pounds in dividends, and probably put by an equal amount. Had it not been for co-operation, these sums would have gone into the pockets of middlemen. In the speech above mentioned Lord Grey quoted the town of Kettering by way of example. Nearly all the inhabitants were members of societies for co-operative consumption and production. By one title or the other they received (1) a dividend of 2*s.* 6*d.* in the pound on their purchases at the stores; (2) bonuses equal to 7½ per cent. of their wage-earnings; (3) from 5 to 7½ per cent. interest on their share in their common undertakings, their savings being invested in the same. This is as much as to say that nearly every inhabitant of Kettering can realise, as a consumer, a saving of 12½ per cent., as a worker, a wage bounty of 7½ per cent. and, as a capitalist, a bonus, at the current rate of interest, of from 2 to 4 per cent. Total bonus on his budget :—22 to 24 per cent. And his wages are paid at the Trade Union rate, and he is fairly sure of continuity of employment. And now if economists want to prove to him that the distribution of wealth has undergone in his case no change, and that *laisser-faire* would have given him just as much, let them!

Co-operators make no pretensions to have discovered either

America or gunpowder. They do not even claim for their methods any magic virtues as distinct from other forms of association. Nay, they believe that trade unions, friendly societies, neighbourhood guilds, workmen's clubs, &c., all help to deaden the buffetings of frantic individualism and to develop the feeling of solidarity among mankind. But they do believe that, of all modes of association, none is better fitted to give definite shape to the principle of solidarity or altruism, to extricate it from what M. Pareto recently termed, in the *Journal des Economistes*, "a vague and nebulous ethical conception," and even "soup-meat for cats."[1] And its superiority lies herein, that whereas other forms of association are useful only in mutual aid, or in defence of professional interests, co-operative association under its different forms, production, distribution, credit, actually constitutes industrial enterprise, and thus goes right to the heart of the economic system. There it is a living example of moral forces working for industrial ends. And if it be true that the primary condition of all social reform is to produce new men, we can say that in this respect also co-operation seems to succeed better than the rest. I do not know whether Trade Unionism has called forth from its ranks as large a number of men not only devoted and enthusiastic, but capable as well, and who, but for co-operation, would have remained lost in the mass of wage-earners. One of the chief virtues attributed, as we know, by Professor Marshall to co-operation is precisely its saving a great squandering and waste of men.

This is why, when a certain number of these societies will have been started sporadically here and there in every country, we may hope that these microcosms will be adequate to transform the world, the great world, after their own image.

One word in conclusion. Those same economists who lay down the impotence of co-operation to transform the world for the better, do not hesitate to declare that, if co-operation were to become general, its certain result would be to transform the world for the worse, to sap the vigour of individual initiative, to slacken production, and to bring us to something similar to that stationary condition predicted by Stuart Mill when he discerned, through the lowering or abolition of profits, "that the stream of human industry should finally spread itself out into an apparently stagnant sea." There is a contradiction here not entirely evaded

[1] *Journal des Economistes*, 15 Février, 1898 :—"Solidarité sociale," par Vilfredo Pareto. See also M. Démolins *A quoi tient la Supériorité des Anglo-Saxons*, in the chapter against the "Solidarity" School.

by M. Pantaleoni, for he rebukes us in the same terms. And yet, if the coming to pass of the Co-operative Commonwealth were to produce such an effect, we must conclude that it would be no insignificant event! If it is to slacken the spirit of enterprise, it would no doubt have first slackened the race for fortune and that dollar-hunting, bitterly stigmatised by Stuart Mill in the same chapter. That is to say, it would first have done exactly what we desire it should do!

We acknowledge that if co-operation were at one blow to reduce the inventive spirit, the efficient utilisation of labour and of scientific research, there would most certainly be cause for anxiety.[1] We readily admit that the quest of profit has hitherto been the motive force of the whole economic machine, and that it would not disappear without leaving a great void. But happily it is not proved that progress and discovery are necessarily bound up with egoistic ends. Other forces will unquestionably rise up and fill its place. It will be said that this is optimism. So it may be, but not greater after all than that of those engineers who foresee the day when, the coal-supplies being exhausted, other natural forces will be ready to supersede them. Nay, if industrial progress will not cease for want of a sufficient store of coal, neither will economic progress cease for lack of a sufficient dose of hedonism, otherwise called egoism. Truly There will always be enough.

[1] M. Pantaleoni goes so far as to believe that co-operation, if made general, would raise the cost of production. But the statistics of Swiss co-operative societies published this year, and which I regret not to have at hand, showing the figure of the business done by them and the number of their employees, made it clear that the proportion was less than in business carried on under free competition. The same phenomenon could no doubt be verified for England, and it would be worth while to carry it out.

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