THE PROFIT EVIL AND ITS REMEDY

A letter written by Mr. Amos Pinchot to the Conference Committee of the United States Senate and House of Representatives, presenting Statistics to show that the Profiteers are making Billions of Dollars by taking Advantage of War Conditions

An article by Harry W. Laidler, in Pearson's Magazine, showing how the British Cooperative Movement has built up a System of Production and Distribution that Yields no Profit to Parasites

THESE ARTICLES ARE REPRODUCED RESPECTIVELY FROM THE OCT. 1 AND NOV. 1 (1917) ISSUES OF THE BROTHERHOOD OF LOCOMOTIVE FIREMEN AND ENGINEMEN'S MAGAZINE, PRECEDED BY THE EDITOR'S COMMENT ON EACH ARTICLE
The fundamental economic evil of today is the profit system. That system embodies and nurtures all the vices that spring from avarice.

In this pamphlet are presented, on the one hand a concrete and vivid portrayal of how flagrantly outrageous is the operation of this evil and on the other hand a practical, extant, highly successful demonstration of how the said evil can be overcome.

In the first instance we find men supposed and professing to be ardently patriotic, who are coining fabulous riches out of the misfortune of their country having entered the world war and we are shown the vast amount of wealth which in the aggregate, interests of which they are representative, have accumulated through such grossly unpatriotic selfishness.

On the other hand we have a demonstration of a great commercial and industrial institution (The British Rochdale Co-operative Society), supported by plain every-day people, nearly all wage earners, the purpose of which institution is the production and distribution of life's necessities, its business reaching proportions measured by millions and millions of dollars annually—not one cent of the money thus changing hands being absorbed as private profit. Nor that alone—but we have before us a glorious expression of the high ideals and entire lack of greed that characterizes this institution as set forth in the refusal of its managers to acquire "blood money" through increasing the prices of commodities because of the war, when certain "business interests" in Great Britain sought to induce them to enter into a combination to exact from the public the profiteers' pound of flesh.

In these concrete examples of greed run wild on the one hand and co-operative conservation on the other we have a lesson, which every person having at heart the welfare of his country, his own economic interests, and the uplift of the exploited masses of humanity would do well to study and be guided by—a lesson which clearly depicts crying evils of the profit system and which points the way definitely and unerringly to economic emancipation.
Profitable Patriotism—The Corporations and the War

The Injustices of the War Revenue Bill

(Editorial from the October 1, 1917, issue of the Brotherhood of Locomotive Firemen and Enginemen's Magazine.)

We publish elsewhere in this issue, under the title "Patriotism That Pays," an article by Mr. Amos Pinchot, chairman of the American Committee on War Finance, same being a letter he sent to the Conference Committee of the United States Senate and House of Representatives under date of September 18, 1917.

In this letter he tells of the connection of members of the Council of National Defense with big corporations, and he goes on and shows the enormous profits these corporations are making out of the war. He shows that after deducting the miserable 31 per cent. tax levied on corporation profits by the war revenue act they still have an immense abnormal profit so that this tax does not only not in any way affect their regular profit, but after the 31 per cent. is deducted leaves them fabulous gains over and above the vast profits which they were already making prior to the war.

Mr. Pinchot’s article tells all about it, it shows the bewildering sums they are deriving from the slaughter, and makes clear what an enormously profitable eventuality is the war to big corporations represented on the Council of National Defense.

He points out those who profit by the war and those who lose by it. He tells how his committee—the War Finance Committee—pleaded with the Congressional Ways and Means and Finance Committees to remember that while rich men are piling up vast fortunes, it is the people of the class who must do the fighting and the men who are the producers that are not only getting no profit out of the war, but becoming poorer because of it. He shows that war profits mount to several hundred per cent. and specifies some of the corporations that are participating in the spoils. He shows that the loot of forty-eight corporations in excess war profits in 1917 will be $1,200,000,000 (one billion two hundred million dollars) and he estimates that all the profiteers will gather in for this year the astounding total of $3,600,000,000 (three billion six hundred million dollars) excess war profits. Think of it—three thousand six hundred million dollars! a sum in excess of the entire cost of the Civil war.

Think of how severely the people are being taxed and the sacrifices they are called on to make on account of the war and of the enormous wealth these corporations are deriving from it while practically free from taxation, yes think of how the people are being taxed to assure this standard of profit for these corporations on all commodities they sell to the government. From Mr. Pinchot’s article it is clear that the profiteers’
spoils are increased as the war is prolonged and that through their vile prostituted press and their control of public officials they trample on every constitutional right of American citizenship that may be exercised in an effort to hasten an honorable peace. Not only are these profiteers not making any sacrifices in connection with the war, but they are reaping fabulous wealth from it. Why is such rank injustice tolerated? If your Congressman or United States Senator is in any sense responsible for it, try and keep him from being re-elected to Congress if he is a candidate to succeed himself at the next election.

Lincoln's Prophecy

I see in the near future a crisis arising which unnerves me and causes me to tremble for the safety of my country. As a result of the war corporations have been enthroned and the money power will endeavor to establish its reign by working on the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this time more anxiety for the safety of my country than ever before even in the midst of war.

—ABRAHAM LINCOLN.

Ill fares the land, to hast'ning ills a prey,
Where wealth accumulates, and men decay;
Princes and lords may flourish, or may fade;
A breath can make them, as a breath has made;
But a bold peasantry, their country's pride,
When once destroy'd can never be supplied.

—OLIVER GOLDSMITH.

"Monarchs of Industry"

Besides the economic significance of these great inequalities of wealth and income, there is a social aspect which equally merits the attention of Congress. It has been shown that the great fortunes of those who have profited by the enormous expansion of American industry have already passed, or will pass in a few years, by right of inheritance to the control of heirs or to trustees who act as their "vice regents." They are frequently styled by our newspapers "monarchs of industry," and indeed occupy within our Republic a position almost exactly analogous to that of feudal lords.—Extract from Industrial Relations Commission's Report.
Patriotism That Pays

Amos Pinchot Turns the Searchlight on the Council of National Defense

Cold, Hard, Relentless, Inescapable Facts Laid Bare by Mr. Pinchot in Letter to Conference Committee of U. S. Senate and House of Representatives Regarding the Council of National Defense, War Profits and the Revenue Bill—Gentlemen to Whom Peace is Not Nearly as Profitable as War.

Under date of September 18, 1917, Mr. Amos Pinchot sent a letter to the Conference Committee of the United States Senate and House of Representatives which makes glaringly clear the fact that peace is not nearly so profitable to interests represented by members of the Council of National Defense as is war. In his letter* Mr. Pinchot says:

Gentlemen:

Owing to a crisis in the war revenue situation, I take the liberty of communicating with you again. In doing so, I want to have it understood that I am writing to you as an individual citizen. I am not writing as Chairman of the American Committee on War Finance, as I shall speak more plainly than one may when representing a large committee, embracing many shades of opinion.

In the spring and early summer, as you may remember, the American Committee on War Finance put two propositions before Congress† and the country. They were (1) that the expense of the war should be borne mainly by those who can do so without hardship—that is, by rich people and great corporations that are making money out of the war—and (2) that we should, so far as possible, “pay-as-we-go” so as not to pile a huge burden of bonded debt on our children’s and grandchildren’s shoulders.

Endorsements of our propositions came in from all parts of the country, both in personal communications and resolutions at the rate of about five hundred thousand a week. We succeeded, I think, in arousing considerable public discussion. Of course, there was a good deal of criticism of our work. Some said we were pro-German sympathizers; others that we were interfering with the government at a time

*Since this letter was written some of the men who were shown as members of the Council of National Defense are no longer actively identified with the work of that body.

†Up to May 1, 1918, Congress had done nothing worth mentioning to curb the profiteers and that body had done absolutely nothing to subject them (the profiteers) to equitable taxation nor even given any indication of having any intention of doing so. The chief activities of Congress in this connection have been along the line of criticising and trying to ridicule men of the National Administration who really want to give the people relief in this intolerable situation.
when it ought to be given full power to decide everything connected with the war.  *  *  *

As you may recall, we pointed out that the war's cost would be heavy. It appears now that we will probably have to spend $19,000,-000,000 or more this year. We called attention to the fact that the average American, whether wage earner, farmer or small business man, could not pay additional taxes without great hardship. We collected and sent to Congress the most recent and reliable reports, showing to what an alarming extent the rise in the cost of living had outstripped the increase in wages and incomes of ordinary people since the war began.

**Profits and Sacrifices**

We went personally before the Ways and Means and Finance Committees and begged these gentlemen to remember, in framing the revenue bill, that, while rich men and large corporations are making immense, in fact quite unparalleled profits out of the war, the rank and file of the American people, who must do the fighting and produce the vast quantities of supplies which, at this time, are at least as necessary as armies, are not making anything out of the war. In fact, they are growing steadily poorer on account of runaway prices extending to almost every article that the average family has to buy. And finally, we tried and tried again to make our wise and experienced legislators realize what one might suppose would be plain enough to any sane adult, whose mind was not twisted by self interest—that it is against human nature for a man to fight cheerfully, if he sees the cause, for which he is giving his life's blood, used by other men (yes, by our "best people," by the most wealthy, powerful and patriotic-spoken citizens in the land) for sordid and unpatriotic purposes.

**Patriotism and Profiteers**

Personally, as you know, I was against going into the war. I did all I could to keep the country out of it.  *  *  *  But, whether or not a man thinks we ought to have entered the war, we are certainly in it now. The war is no longer something that can be prevented; it has become an actual fact which we have got to accept. Moreover, we are unquestionably going on with the war; at least until we can agree with our enemy on reasonable peace terms. And in the meantime, as it seems to me, it is up to every real American citizen to see to it that the war is conducted honorably, and not degraded into a golden business opportunity for a small minority of unpatriotic persons.

**Democracy and Plutocracy**

Neither the United States nor any other country can carry on a war which will make the world safe for democracy and for plutocracy at the same time. If the war is to serve God, it cannot serve Mammon. And any man who tries to make it do both is not merely attempting the impossible; he is fighting his own country in the most effective way. As St. Paul says, "There is a natural body and there is a spiritual body." All the natural resources of the country, all the armies, navies, ammunition, food and other physical assets we can muster, will not make the war a success, unless there is also a sound spiritual body of popular
faith, to carry the nation through these times of unparalleled suffering and sacrifice. It is this spiritual side of the situation which is being very unfortunately and needlessly weakened, because Congress is refusing to protect the war from the swarm of hungry profiteers, who are daily tearing at it.

The Council of National Defense

But what makes it more serious, and this is the condition to which I want to call your attention, is that some of our principal financiers and captains of industry, who have been called by the government to serve upon the Council of National Defense, are the main offenders in the unpatriotic business of discrediting the war by commercializing it. In close co-operation with the government, in daily conference with our highest executive officers, these men are combining two irreconcilable functions. They are sitting in the morning as foremost patriots, actively directing the mobilization of America's resources, and they are spending their afternoons in taking advantage of the necessity of the people and the government by making legalized, but none the less destructive, financial raids upon them—raids so profitable as to make us look back, almost with gratitude, at the comparative moderation of American profiteers during the Civil War.

I append a list* of some members of the Council of National Defense, who also sit as officers or directors of corporations which are making money out of the war. The corporations mentioned are only a very small minority of the great number of war-profiting concerns, over which these and other gentlemen on the Council of National Defense preside and of which they are, in many instances, the largest owners. Yet the figures which accompany the list show that, in the year 1916, these forty-eight companies, a mere drop in the bucket compared with the total list, netted over $900,000,000 out of the American public, the government and the Allies. This is roughly $640,000,000 more than their average annual net earnings during the pre-war period of 1911 to 1913. In other words, the net earnings of these companies, applicable to dividends, in 1916 is more than three times the average net earnings, similarly applicable, in the pre-war period. Moreover, although it does not appear from the table of figures which I have made up for you, these companies have, for the most part, not only made out of the war the gigantic profits appearing in their annual reports (100, 200, 300, 400, and even as high as 1,200 per cent. above their normal profits) but they have also paid as they went along for the extensions in their plants that have been constructed since the European war began; thus bringing up their actual earnings to still higher levels.

Corporation's Loot Greatest in History

While the figures for 1917 are not generally available, yet such official reports as we have for the first half of the year indicate that the war profits will be very much greater this year than last. For instance, in 1916, the Central Leather Company netted $15,489,201. It is estimated that in 1917 it will net over $24,000,000. In 1916, the Republic
**33 MEMBERS of the COUNCIL of NATIONAL DEFENSE**

**and**

The Net Income (amount applicable to dividends on stock) of a few of the Companies of which these Gentlemen are Officers or Directors

**NOTE—**These Figures are Official, being those Published in the Companies’ Own Annual Reports

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<tr>
<th>Company Name</th>
<th>Directors</th>
<th>Net Income 1911</th>
<th>Net Income 1912</th>
<th>Net Income 1913</th>
<th>Pre-war average 1911, 12, '13</th>
<th>Pre-war average 1914</th>
<th>Pre-war average 1915</th>
<th>Pre-war average 1916</th>
<th>Excess of 1916 net income over pre-war avg.</th>
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<td>JULIUS ROSENWALD, Advisory Commission</td>
<td>E. R. Sears, Rock &amp; Co.</td>
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<tr>
<td>Utah Copper Co.</td>
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<tr>
<td><em>Kay Consolidated Copper Co.</em></td>
<td>Tonic</td>
<td>295,740</td>
<td>1,929,262</td>
<td>2,675,190</td>
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<td><em>Chino Copper Co.</em></td>
<td>Tonic</td>
<td>118,478</td>
<td>2,176,904</td>
<td>3,071,887</td>
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<td>Nevada Consolidated Copper</td>
<td>Tonic</td>
<td>3,702,870</td>
<td>4,342,352</td>
<td>2,880,651</td>
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<tr>
<td>E. L. H. GARY, Co-op. Com. on Steel and Steel Prod.</td>
<td></td>
<td>55,300,097</td>
<td>54,324,049</td>
<td>81,216,986</td>
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<tr>
<td><em>U. S. Steel Corp.</em></td>
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<tr>
<td>E. A. S. CLARKE, Co-op. Com. on Steel and Steel Prod.</td>
<td></td>
<td>82,803</td>
<td>1,008,812</td>
<td>2,755,883</td>
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<tr>
<td>Lackawanna Steel Co.</td>
<td>Tonic</td>
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<tr>
<td>AMBROSE MONELL, Co-operative Committee on Nickel</td>
<td></td>
<td>3,602,018</td>
<td>8,000,120</td>
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<tr>
<td>International Nickel</td>
<td>Tonic</td>
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<tr>
<td>MURR Y GUGGENHEIM, Co-operative Com. on Copper</td>
<td></td>
<td>11,471,113</td>
<td>11,754,244</td>
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<tr>
<td>American Smelting and Refining</td>
<td>Tonic</td>
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<td>THOS. F. MANVILLE, Co-op. Com. on Asb. Nag. &amp; R'ing</td>
<td></td>
<td>730,178</td>
<td>915,193</td>
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<td><em>H. W. Johns-Manville Co.</em></td>
<td>Tonic</td>
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<tr>
<td>CHAS. M. SCHWAB, Co-op. Com. on Steel and Steel Prod.</td>
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<td>2,009,097</td>
<td>2,083,641</td>
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<td><em>Bethlehem Steel Corp.</em></td>
<td>Tonic</td>
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<tr>
<td>CHAS. A. BAKER, Co-operative Committee on Zinc</td>
<td></td>
<td>185,70</td>
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<tr>
<td>American Zinc, Lead and Smelting</td>
<td>Tonic</td>
<td>290,063</td>
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<tr>
<td>N. BRUCE MackELVIE, Co-operative Committee on Zinc</td>
<td></td>
<td>534,900</td>
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<tr>
<td><em>Zinc Nevada Inc</em> and Coal*</td>
<td>Tonic</td>
<td>457,498</td>
<td>635,472</td>
<td>542,590</td>
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<tr>
<td>CHAS. F. BROOKHER, Co-operative Committee on Brass</td>
<td></td>
<td>2,274,738</td>
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<td>American Brass Co.</td>
<td>Tonic</td>
<td>1,917,665</td>
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<td>R. L. AGASSIZ, Co-operative Committee on Copper</td>
<td></td>
<td>220,240</td>
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<td>Ahmek Mining Co.</td>
<td>Tonic</td>
<td>847,679</td>
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<tr>
<td>E. C. LUKIN, Co-operative Committee on Oil</td>
<td></td>
<td>462,644</td>
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<td><em>Texas Company</em></td>
<td>Tonic</td>
<td>2,203,882</td>
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<tr>
<td>P. A. S. FRANKLIN, Committee on Shipping</td>
<td></td>
<td>6,682,123</td>
<td>3,856,667</td>
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<td><em>International Mercantile Marine Co.</em></td>
<td>Tonic</td>
<td>6,185,974</td>
<td>6,393,327</td>
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<td>M. L. SHUTTLEWORTH, Co-op. Com. on Woolen Mills</td>
<td></td>
<td>811,675</td>
<td></td>
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<tr>
<td>American Woolen Co.</td>
<td>Tonic</td>
<td>1,754,746</td>
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<td>2,788,602</td>
<td>4,086,685</td>
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\[216,562,728 = 265,116,231 + 259,770,927 + 208,306,935 + 412,348,503 + 900,301,596 + 640,683,669\]
Iron and Steel Company netted $14,789,163. This year it will net over $22,000,000. In 1916 the United States Steel Corporation netted $271,581,750. It will probably net over $550,000,000 this year. In 1916 the Granby Consolidated Mining, Smelting and Power Company netted $3,819,295. In 1917 it will net about $5,000,000. In 1916, the Ray Consolidated Copper Company netted $12,084,166. In 1917 it will probably net $14,500,000. In 1916 the Chino Copper Company netted $12,527,948. In 1917 it will net about $13,600,000. In 1916 the Lackawanna Steel Company netted $12,218,234. In 1917 it will probably net $24,000,000. In 1916 the Atchison, Topeka & Santa Fe Railway netted $32,579,735. In 1917 it is estimated it will net $40,751,417. There is every indication, therefore, that 1917 will be a bumper year, in which America’s profiteers, whether on the Council of National Defense or not, will accumulate from the war sums of money that will be unparalleled in financial history.

Fifty-eight Corporations Glean $1,200,000,000

The excess war profits in 1916 of the fifty-eight corporations mentioned (that is their net profits above the average for the pre-war period) were, as I have said, according to their own figures, about $640,000,000. In 1917 the excess profits of these same companies will be as high as $1,200,000,000. For, considering only the eight companies whose 1917 figures are mentioned above, they show an estimated excess in 1917 over 1916 of more than $318,000,000. If these eight companies were the only ones in the whole list whose 1917 war profits proved greater than those of 1916, it would bring the 1917 total of excess profits to over $958,000,000; so that an estimate of $1,200,000,000 excess war profits for 1917 for the whole list does not seem excessive.

A series of interesting inquiries are suggested by the above citations of war profits:

1. I have mentioned only thirty-three members of the Council of National Defense, and only a few of the war profiting corporations of which they are officers, directors and stockholders. Many of them are officers, directors and owners of a dozen or more war profiting concerns. Now, if the forty-eight corporations I have mentioned will make $1,200,000,000 in excess profits in 1917, how much will be made by the total number over which these gentlemen preside?

2. The Council of National Defense consists of over 280 men; 170 or more are connected with corporations doing war profiting business. If the thirty-three gentlemen I have mentioned represent companies which are making $1,200,000,000 in war profits this year, what will be the war profits of all the companies in which all the members of the Council of National Defense are represented as officers or directors?

3. Again, if forty-eight companies are making $1,200,000,000 in war profits this year, how much will all of the large war profiting companies in the country make? They certainly will make double what the forty-eight are making, perhaps three or four times as much. Supposing they only make double as much. This would be $2,400,000,000. Supposing they make three times as much (and this is a conservative
estimate); it will come to $3,600,000,000, or a sum a little larger than the total money cost of the Civil War.

The Monument of Congress and the Council

$3,600,000,000 in excess profits in the war’s first year—an inconceivable sum, wrung from the labor of our fighting and producing classes, and from the necessity of our Allies. This will be the enduring monument of the Sixty-fifth Congress that declared war, and of the Council of National Defense, called, in the hour of the people’s need, to help carry on the war and protect the public interest.

* * * *

Cannot Serve Two Masters

The gentlemen of the Council of National Defense were placed in positions of immense influence and power. They were not placed there for the purpose of exploiting the public and the government. On the contrary, they were appointed to save the public and the government from exploitation. The members of the Council of National Defense cannot serve the United States and the pockets of the corporations of which they are officers or directors at the same time, at least not in the way they have so far chosen. It is clearly up to them to decide which they are going to serve, and this decision cannot be delayed, if the war is to have the confidence of the country. Either they should go to their fellow-stockholders and fellow-directors, and persuade them to furnish the necessaries of life and war at reasonable prices, postponing usurious depredations until the conflict is over; or else they should resign from their positions as officers and directors, and devote their time to single-minded co-operation with the government. Or, failing in both of the above courses, they should yield their places on the Council of National Defense to men whose presence there cannot be used as an indictment of the war. It ought not to take a profound statesman or a professor of logic to understand this. * * * *

Can’t Hide Economic Warfare

Nothing that the Council of National Defense can do will change this situation, until its members change their practices. It will be useless for them to try to hide their assaults upon the people and the government under a cloud of patriotic utterances, or by denouncing everybody else as disloyal. There is only one way for them to save the war from legitimate criticism, and that is by ceasing to carry on economic warfare against their own country, and concentrating their efforts on fighting Germany. If they will not do this voluntarily, it ought not to be hard to make them. It is within the power of Congress to make a law requiring every man who serves upon the Council of National Defense to file, with the clerk of the House or Senate, a statement of his connection with war-profitting corporations and of the earnings, gross and net, which these corporations have made since the war and in the pre-war period; also a statement of the stocks owned by them in any corporation, whether standing in their own names or in the names of others in their behalf. For their own protection, as well as that of the public, they should be likewise required to file a statement of all their
purchases or sales of stocks of any of the corporations which, through
the action of the Council, may become the recipients of government
contracts; such statements to be public property and obtainable upon
the application of any citizen. Public opinion will probably soon do the
rest. But if this fails, a congressional inquiry is in order.

School of Human Sharks

I am aware that, if our great metropolitan papers should learn of
the publication of the figures I have quoted above, and especially if they
should read the august names of our distinguished captains of finance
in connection with them, they would be righteously indignant. They
would probably go so far as to denounce this letter as pro-German propa-
ganda or as a "thinly veiled" attack upon the country in time of war.
Well, there is nothing thinly veiled about the actions of our profiteers,
unless you would call the onslaught of a hungry school of sharks upon a
whale a thinly veiled proceeding. The only difference, as far as I can
see, is that the sharks are a little franker about it than the profiteers.
They do not tear the whale until they are full of whale meat to the gills;
then sheer off for a while and circle around him, scowling at all the little
fishes and telling then to love dear old Uncle Whale and never criticize
him. Nor do they occasionally appease public opinion by vomiting up a
little whale meat (recently an integral part of their beloved whale) for
the benefit of the Red Cross hospital fish, whose duty is to take care of
Uncle Whale, should he get into a fight and be wounded by some wicked
alien enemy. Decidedly, the sea-going sharks have points of distinct
moral superiority, even if their less developed brains have not yet mas-
tered the delightful subtleties of up-to-date business patriotism.* * *

Making the War Unpopular

I say this deliberately and, I think, with sufficient sense of the seri-
ousness of my words. Our Congress and our Administration, by allow-
ing members of the Council of National Defense to exploit the war,
while they direct our industrial mobilization; and by generally permit-
ting great corporations, which supply the fighting and producing classes
with the necessities of life, and the government with the necessities of
military operations, to retain gigantic war profits practically immune
from taxation, is doing more in a day to make the war unpopular among
the rank and file of the people than all the anarchists, anti-war agitators
and pro-German propagandists will accomplish in the war's entire term,
though it should last five years or even a decade.

Can American Business Pay War Taxes?

It will not satisfy the public for Congressmen to point out that Eng-
land advanced her taxation of profits and incomes gradually, and to
argue from this that America must be careful not to kill business by
levying heavy taxes in the first year of our war. * * * In reality,
our corporations are far better able to pay an 80 per cent. war profits
tax today than the English corporations are, from the very fact that the
former have had immunity from war taxation in two enormously profita-
ble years, 1915 and 1916, during which they have paid large dividends,
increased their plants, paid off most of the cost of such increase and
rolled up immense surpluses.
When we remember, in connection with this, that the 1917 war profits will be so great that, after the 31 per cent. tax proposed by the Senate is deducted, the corporations will still be able to distribute to their stockholders over twice as much as during the pre-war period, we see why newspapers, like the Journal of Commerce and the Evening Sun and a host of others, have come out in favor of the Senate finance bill. They feel that such a tax upon business is highly satisfactory; and editorially, they admonish the rich not to complain about the proposed levy, lest a further analysis of it should disclose the dimensions of the war profits which it assures to the exploiters.

What 80 Per Cent. War Profit Tax Would Mean

England levies a flat 80 per cent. tax on war profits. Let us see what such a tax would mean to our more prosperous corporations, remembering, meanwhile, that it is, quite rightly, agreed by all factions in Congress that corporations which have made small excess profits shall be taxed very little or entirely exempted. Again using the Steel Corporation as an example, its average profits for 1911, 1912 and 1913 were $63,500,000. Its net profits for 1917 will, as estimated, be over $550,000,000; deducting $63,500,000 from $550,000,000—to get the amount taxable as war profits under the English plan—we get $486,500,000. Now suppose, as is proposed by the liberals in Congress, our government follows England and takes 80 per cent. of this by a war profits tax and allows the corporation to retain the remaining 20 per cent. This would give the government $389,200,000 and allow the Steel Corporation to retain $97,300,000—a sum larger than it ever made in any year from its organization up to 1915 inclusive, plus the $63,500,000 of “pre-war profits” not subject to the war profits tax under the English plan. Thus we have $160,800,000 to be retained and distributed by the corporation among its stockholders. This is much more than double the average earnings of the corporation during the most prosperous three years’ period in its history. It would seem to an outsider that it should be enough to keep the officers, directors and stockholders from feeling they are being victimized by a hostile Congress, quitting their jobs and leaving the government in the lurch. But apparently that is not the way they look at it. Not at all. Anyone who suggests even half as big a tax is looked upon as an assassin of business; he is denounced as a plotter against American enterprise and a traitor to the war. And yet this tidy little sum of $160,800,000, which seems inadequate to keep the patriotism of Big Business in working order, would enable the corporation to pay its bond interest, 7 per cent. on the $360,000,000 preferred stock and 26.6 per cent. on its $508,000,000 common stock. In Heaven’s name, what do these gentlemen want?

Can the Nation Bear the Load?

Our expenses for this fiscal year will be at least $9,000,000,000 (nine billion dollars) above receipts, on the basis of present laws. That means that we must raise $9,000,000,000 by taxes and bonds. Besides this, Congress has already authorized loans of about $3,000,000,000 to other governments. If we go on at this rate we will lend an additional $4,000,000,000 to the allies before the fiscal year’s end. Since the
latter part of April, and up to less than a month ago, we have advanced money to them at the rate of about $20,000,000 a day. But considering only the $9,000,000,000 deficit, this ought to be a big enough financial burden for the people to bear. They are not unjustified in feeling it is enough for them to fight against the greatest military power the world has ever seen, for the men to be shipped abroad and die on foreign soil, for the women and children to stay at home in sorrow and experience the pinch of poverty, and for the farmers and wage earners to produce the extraordinary wealth that the war demands, without the additional load of enriching, beyond all dreams, a small privileged class that has not humanity enough to delay its internal attacks upon a war-burdened country until after the crisis is over.

It is constantly argued that, if they are heavily taxed, the wealthy will not have money enough to buy large quantities of government war bonds. The obvious answer to this is, that money raised by taxation need not be raised by bond issues. If the government gets the money by taxation, it will not have to ask people to loan it; nor will it have to pay it back again with interest.

Another phase of the situation which should, but apparently does not, commend itself to Congress, is that as well as generally undermining the war’s moral and physical strength, an unwise revenue bill, such as is being framed by Congress, invites national disorganization. For, by leaving untaxed the bulk of the immense wealth accumulated in war profits, it obviously invites every farmer to hold his product back for higher prices, and every workman to strike for higher wages. If the rich, who do not particularly need the money, are going to make a killing out of the war, why should not ordinary people make a good living during it? The farmer has not made money out of the war, in spite of the high prices we pay for his products. He, too, has been the victim of the high cost of living, of the trust, the manipulator, the food pirate. He has sold his crops at fair prices and then watched the gamblers hold them back. The farmer is willing to do his share in the war; he is willing to work from dawn to dark, but he is not encouraged in patriotic sacrifice by the knowledge that he is being robbed while he works by some of the very people who are sitting in places of authority, fixing the price of his products and advising him to get up a little earlier, go to bed later—and eat less for the war’s sake.

The Bisbee Outrage

As for the workingman, take the case of Phelps, Dodge & Co. in Arizona. Their mines were the scene of the activities of the I. W. W., who in Bisbee urged the employes to strike. The net earnings of Phelps, Dodge & Co. in the pre-war period averaged $7,442,339 a year. In 1916 the net earnings were $21,974,263. God knows what they will be this year. Does any intelligent man suppose that, if Phelps, Dodge & Co., instead of taking the $14,000,000 above average earnings out of the people and the government, had sold copper at a reasonable price or paid their employes a fair share of their abnormal profits, there would have been any labor troubles in their district? If they had done this, instead of acting the unpatriotic part of greedy war profiteers, neither the I. W. W. nor any other labor organization in the world could have persuaded the
men to make trouble for their employers. * * * If somebody had to be deported on account of the strike it should have been those who were truly responsible for it—and they were not at Bisbee.

Again, suppose the wage earner is an employe of the U. S. Steel Corporation. His employer is netting about $550,000,000 this year as against the pre-war average of $68,500,000. This, too, is an invitation to strike for more pay. If the employes do so, however, they are denounced by the press as undesirable citizens under the influence of the Kaiser's money. The government and Mr. Gompers descend on the plant at the lunch hour and say, "Boys, be patriotic, don't strike. We are at war; this is no time for discord. Capital and labor must fight hand in hand. You and your employers must have only one thought till the war is over, and that thought is to make the world safe for democracy, irrespective of sordid personal gain."

To an outsider, neither in the labor nor the capitalist camp, it would seem more helpful to the country if those in authority descended on the directors' meeting instead of on the employes, and said to our Mr. G Garys, Mr. Ryans, Mr. DuPonts, and Mr. Armours, "Boys, be patriotic; don't rob the public. Remember we are at war. This is no time to exploit either your country or your employes. Lower your prices; raise your wages; declare no record dividends. You are dividing class against class by your price and wage policy. You are hurting the war; you are giving it a bad name. Wait till after it's all over, if you want to make big money. Don't assume that your stockholders are hogs. America has her load to carry now. The people are poor; don't make them poorer; they need food to fight on, to work on. Be patriotic, if you want your country to be successful. Play the game like good sports. You were Americans before you were directors. Be Americans now."

High Prices Due to Price Fixing

As the New York World points out, the aprotic earnings of the U. S. Steel Corporation are not due to enormous production either. They are due to deliberate jacking up of prices to an artificial level. In 1913 the price of billets at Pittsburgh was $26.50, in 1916 $42, and in the middle of this year $190. In 1913 plates were $33.69, in 1916 they were $73, and in 1917 $200.

Nor is it labor charges that have caused these rises, for from 1913 to 1916 total labor charges of this company went up from $207,000,000 to $263,000,000, or 27 per cent; while the price of billets went up over 50 per cent, and the price of plates over 117 per cent. The labor charge figures for 1917 are not available. Putting it in another way, for every dollar of the corporation's earnings that went to the employes in 1913, the amount that went to the employes in 1916 was $1.27. But for every dollar that went to the stockholders in 1913 for dividends and surplus the amount that went to the stockholders in 1916 was $3.34. It has been the swift taking advantage of the war and of the public necessity caused by it that has swollen the profits of this corporation and scores of other great industrial combinations, whose earnings have been still more excessive. Within eleven weeks from America's declaration of war, our patriotic steel producers advanced the price of billets by $25, an amount
about equal to the total price of billets four years ago. If this is not a bid for labor troubles, I would like to know what is.

Of course, the public need not be reminded that to advance the price of steel or iron, or any such basic necessity of civilization, is to advance the cost of living. It makes farming, building, transportation, manufacturing and all branches of industry more expensive. It is as effective, though less direct, a way, of rendering it harder for the average family to live in war times as it would be for J. P. Morgan & Co., Mr. Gary and Mr. Schwab to corner the supply of every necessity of existence and arbitrarily raise the prices. If it would be unpatriotic for them to raise the cost of living in war times by direct and visible action of this kind, is it patriotic for them to accomplish the same thing by less direct, less visible, but equally effective action?

**The War's Psychology in High Places**

But we must not be impatient with our friends who are fighting high war taxes. Let us rather see if we can understand their point of view. They argue that war taxes on incomes and excess profits must be kept low for the benefit of business. And I think they are sincere about it, too. Constantly in the New York Times we have read communications from the dignified pen of Mr. Otto H. Kahn, warning us against high income taxes. He says business will skip to Canada if heavily levied upon in the United States. Here are his words of warning:

"Capital would go into hiding. It might even take wings to other countries, for instance, to the country at our very door, Canada, where there is no Federal income tax at all, and hardly any State income tax."

And again he says:

"There can be little question that, if our income taxation is fixed at unduly and unnecessarily high rates, while Canada has no or only a very moderate income tax, men of enterprise will seek that country and there will be a large outflow to it of capital—a development which cannot be without effect upon our own prosperity, resources, and economic power."

Now, although I do not share Mr. Kahn's exceedingly low opinion of the patriotism of American business men, I do not doubt his own patriotism. Notwithstanding the fact that it is only a few years ago since he proposed to renounce his American citizenship and become a British subject, and even went so far as to get nominated and actually start running for Parliament, I do not doubt Mr. Kahn's loyalty. But that is neither here nor there (as, indeed, one might have remarked of Mr. Kahn's citizenship at that time). Mr. Kahn is earnest, and so, no doubt, is Senator Simmons; but their minds work along business rather than human lines; and they cannot pull themselves out of their old rut of thought long enough to realize that a war, in which a million or two Americans may perish and the vast majority of the population suffer economic distress, is a big human problem—big enough to even warrant us in asking business to work for something short of usurious interest; big enough also, to make decent business men entirely willing to do so.

**Specimen of Profiteers**

More effectively than any other prominent member of the business fraternity, Mr. Kahn has written against large war taxes, but there is
in his reasoning (as in that of many rich men, some of them Senators and Congressmen) always an isolation from the human values of the situation. Let us illustrate. Since the war began, Mr. Kahn has built himself an enormous Fifth Avenue palace, costing several millions, and, on Long Island, he has constructed for his use perhaps the most magnificent country place in America, a subject of very just pride to the architect.

Certainly there is nothing wrong or illegal about building Eighteenth Century palaces with 150 rooms and 30 bath rooms. Although the ladies' auxiliary defense committees might possibly be justified in sending notices to the rich asking them not to build palaces at the same time that they send bulletins to the poor telling them not to overeat. But I do not believe any man could do this who felt what the war meant to the people. No doubt, it gives work to thousands, though work unproductive of the things we need in war. Yet the fact that thousands of school children a few miles away in New York are unable to maintain their grades on account of malnutrition, the fact that the cost of living has gone up 80 per cent. since the war began, while the wages have risen less than 20 per cent., and the further fact that a people, already attacked by the advance guard of war-misery, must feed themselves while they fight Germany; these things, I say, make it evident that one must have a certain degree of detachment from the realities of the case, in order to choose this as the appropriate moment to fight war taxes on wealth, and at the same time introduce into the United States a scale of luxurious living unequalled since pre-revolutionary days in France.

Bankers and Potato Skin Economy

As another instance of this curious point of view common to wealth in war time (a point of view which assumes that great wealth for the few and grinding poverty for the many is the right and inevitable order of things, against which it is folly to protest) we have the war advertising of the American Bankers' Association, which consists of sixteen hundred representatives of important banking houses. Not long ago these gentlemen bought space in daily papers, and told the poor how to get on during the war. Their advertisement was headed in great black type, "God Bless the Household That Boils Potatoes With the Skins on." This, impossible as it may seem, was not a joke; our friends, the bankers, were, in their way, far too patriotic to indulge in levity. If you doubt it, look up the files of the New York American for June 14th. With quite an astounding complacency, these gentlemen, to most of whom the war has brought only additional competence, sit back in their easy chairs and advise the poor to eat potato skins and crusts, both for their own good and that democracy may not perish.

The following are some of their suggestions to their less fortunate countrymen:

"There is no more careless, thoughtless, happy-go-lucky, wasteful, prodigal and responsibility-evading nature than yours. * * * If your dear ones starve, if there are black want and bitter suffering throughout the nation, your big heart will break with grief.

"Isn't it better to put your big muscles at work now—to keep suffering and grief away? There is no more keen, efficient
and productive mind than yours, once it is AWAKE and knows it MUST WORK.

"WAKE UP! THINK! ACT! GET BUSY! PROTECT YOUR OWN—PROTECT US ALL—IF YOU WANT US ALL TO PROTECT YOU AND YOURS.

(Capitalized as printed in advertisement). * * *

"We must send them (the Allies) millions of tons of food, and we will. There will be less for you. Wake up to it. You will have less to eat.

"But you need less. You waste enough to supply the difference. Stop it. Every time you have potatoes for dinner, you waste enough in the peelings to keep a starving Ally alive for a day. Stop it! Don't peel new potatoes. Buy a five-cent brush and BRUSH the thin skin off, saving ALL the potato. Boil old potatoes with the skins on. When done the skins can be peeled off without waste.

"Make bread pudding from your bread crusts. It's good. We loved it twenty years ago," etc., etc.

There is column after column of this slush to be read by anybody whose stomach will stand it. And, after all, there is something to be gained by reading it; for, whether the reader goes forth to purchase a five-cent brush or not, he will at all events have got a little glimpse at our "best people's" psychology in war time. I notice, by the way, that at one of the luncheon clubs frequented by members of the American Bankers' Association, they have not yet reached the five-cent brush stage. However, we must give them credit for doing their banker's bit. On the bill of fare we find a marginal note to the effect that, in order to conserve the nation's livestock supply during the war, baby lamb and suckling pig will no longer be served!

No doubt, some of the things I have called to your attention might properly be classed as "delicate matters." I expect that there are many good citizens who will feel that it would be a good deal better not to speak of them at all, in fact, the government itself has rather inclined to the view that, during the period of the war, the common people should not think or say very much about anything. But I do not believe that a democracy gets on well that way either in war or peace. The exploitation of the public and the discrediting of the war itself by profiteers is not a matter that can be concealed. It is a city, by no means a beautiful city, that is set on a hill. It cannot be hid, but it can easily be torn down by public opinion, if the people and the government will co-operate courageously in doing so. * * *

What would we think of a labor leader, who, in a conflict between union and employer, was entrusted with purchasing supplies for the strikers in a mining district, and took advantage of his trust in order to charge them two or three prices for food and other necessaries of existence? Possibly clever brains can draw differences between such a case and that of the men who serve on the Council of National Defense, and also sit on boards of corporations and sell things at exorbitant prices from themselves to the government. But I do not believe that these differences will ever be accepted by the great body of citizens who are watching their operations.

* * * If it is understood, once and for all, that the United States will not stand for having its fighting and producing classes robbed and
impoverished in war time, the whole atmosphere will change. There will be a simplification of our domestic war problems which are becoming increasingly complex.

I need not remind you that not only the government, but numerous private associations, are trying to stamp out public criticism of the war. The Department of Justice is organizing raids upon speakers, political organizations and labor groups. Judges and police magistrates are imposing heavy sentences for alleged disloyalty. A few days ago, a New York police magistrate stated, as a reason for sentencing a street speaker to a term in the workhouse, the fact that he was guilty of speaking disrespectfully of the part our great corporations are playing in the war. Conventions even are being held by nervous patriots to emphasize loyalty, unity, belief in the war; and prominent individuals like Mr. Elihu Root are going about the country advising the government to incarcerate its critics, or string them to lamp posts that democracy may live; while in editorial rooms the dictionaries are being thumbed for fresh adjectives with which to denounce our objectors and iconoclasts.

How superficial are the activities of these various departments, organizations and individuals, most thoughtful men realize, or will realize soon. For, while they try to suppress with force the objectionable streams of criticism, they leave quite untouched, in fact, they carefully close their eyes to the existence of their main sources. Indeed, we might as well try to dam the flow of Niagara with dry leaves, as to prevent public discontent with the war, as long as the government allows men in quasi-governmental positions to make immense sums out of it, while the people themselves, daily growing poorer, are urged to make every conceivable sacrifice for it.

And these vast accumulations of wealth which, through the action of the majority in Congress and the Council of National Defense, have found and will apparently go on finding their way into the hands of the privileged classes, do not come out of the air, either. They are produced by the labor of the hands of the men and women of this nation, a nation just entering upon a life and death struggle with the world's most formidable antagonist.

I know that some of the members of your committee have seen this situation; that a minority, unfortunately small in both houses of Congress, has patriotically, and at the risk of their political lives, tried to stem the tide of folly, that demands for wealth immunity from real war sacrifice, while it asks so much from the public. I know, too, that you appreciate that the work of the American Committee on War Finance has had the same motive as this minority—that is to rectify an unfortunate and destructive situation. But there is another side to the question that is still more grave.

Money Power Controls Press

Money means power. Vast accumulations of wealth in the hands of a privileged class, mean vast accumulations of power in that class. This power is manifested in control of the press, of education, of schools, colleges and universities, of the stage, the pulpit. Take the press alone. To some extent, at least, the statement that this is a government by newspapers is warranted. And, that this newspaper government does not rep-
resent the public’s will is quite inevitable, since most of our important journals are owned by wealthy men whose aims are not, generally speaking, parallel with the people’s. And yet it is this class press which forms, to a large degree, the opinion of the rank and file of American law makers. This, too, is inevitable. For, at a time not far subsequent to election, our average legislator begins imperceptibly to lose touch with home. His modest local paper commences to pall upon him, and the great metropolitan sheets, with their enormous circulation, brilliant editorials, strong cartoons and news columns, often times as purposeful as the editorials themselves, capture his interest; and the process has begun whereby the political machinery of the country becomes irresponsive to the majority.

Economic Bondage or Revolution?

Intelligent people all over the world understand this. They know that a nation may have all of the up-to-date political machinery of democracy, and not, in fact, be a democracy, but an oligarchy, if the economic power is narrowly concentrated in a minority of the people. What is most to be feared, in the domestic changes now being brought about by the war is, that the drift of wealth from the people to the exploiters will, if unchecked, leave the former in an extremely unfortunate position. If they are not careful, they may well emerge from this war for democracy themselves economically impotent; their future mortgaged to the wealthy classes, and with the two undesirable alternatives of bondage and revolution staring them in the face.

The above considerations, together with those I have mentioned on preceding pages, would seem to be argument enough for protecting the body and the spirit of the war from the assault of its enemies—not alien. It is not too late. The Council of National Defense may easily be made to realize its responsibilities toward the country. It is the duty of the public, through its elected representatives, to see that this is done. As for the revenue bill, if Congress takes final action upon it before it appreciates what the reaction of the country will be; there is, at least, another session coming. I believe that by that time there will be a good many Senators and Congressmen injured in the scramble to get on the band wagon of just taxation to pay for the war. If this does not happen then, it will in the elections next fall. Many will be on hand, repeating the blind man’s creed, “Whereas I was blind, now I see.”
"A Nation With No Idle Rich"

A System of Production and Distribution Under Which Master Class Oppression Is Impossible

(Editorial from the November 1st, 1917, Issue of the Brotherhood of Locomotive Firemen and Enginemen's Magazine.)

We trust that every member will read carefully and consider thoroughly the story of "The British Co-operative Movement," by Harry W. Laidler, which, through the courtesy of Pearson's Magazine, we are reproducing in this issue.

To the people of the United States and Canada, schooled as they are to the capitalistic profiteering system—the co-operative plan being practically unknown in either country—the history of the British movement must read almost like fiction.

But it is a recital of wonderful facts from the time the twenty-eight pioneers opened their little store in Toad Lane, Rochdale; with one hundred and forty dollars capital and four members as employes in 1843 down to the year 1914 when the capital had grown to over three hundred million dollars and the number of employes had increased to 150,000, and on into the war years during which because of its honest dealing the movement has not only continued to prosper, but to make its advantages felt more than ever.

And these millions of dollars have been doing their work in the production and distribution of life's necessities for all these people without one single dollar going to help build up a fortune for any private individual.

Yes, it is a story of marvelous development—how the one little shack in Toad Lane grew into a chain of co-operative stores, despite the derision and opposition of competing business interests, until its members were freed from dependence on exploiting merchants and the enslavement of the credit system; how the retail stores developed a wholesale system that freed them from the greed and discrimination of capitalistic wholesalers; how the retail and the wholesale combination freed itself from the industrial plundering of manufacturers by buying, building and operating its own factories; how the enlarged co-operative system disengaged itself from the clutches of the money-changers by establishing its own banking system; how it developed its own extensive insurance system; and how its activities spread to shipping, brokerage, operation in foreign fields, ownership and development of land at home and abroad, and became a power in the industrial and social education of its members, who now number between one-fourth and one-fifth of Great Britain's population. How the Rochdale Co-Operative System grew to such wonderful proportions and came to embrace such a variety
of interdependent activities is a tale of achievement that has no parallel in this modern so-called civilization.

Mr. Laidler goes interestingly into every phase of this development. His article opens a vast storehouse of "food for reflection." Truly he shows that this co-operative system of the British workers well merits the depiction by which it was long ago designated, viz.: "a State within a State," "a nation with no idle rich."

The benefits this co-operative system has bestowed on the public of Great Britain in times of peace have been multiplied since the war started.

Refused to Traffic in Blood

While the people of the North American continent are being crushed under the heel of the profiteers who are making the most of the war emergency that has opened to their blood-sucking species the pathway to fabulous wealth, and our over-burdened wage-earners have vainly protested against this systematic robbery, war time prices in Great Britain are not nearly as high as on this side of the Atlantic. In fact flour and bread made from wheat shipped to that country from the United States and Canada sell there at a materially lower figure than in the latter countries, and so it is with other commodities. Labor and Socialist papers in the United States and Canada have repeatedly and emphatically called attention to these conditions and people wonder why it is and imagine that governmental restrictions on "business" in Great Britain are more severe than in the United States. Governmental concern for the welfare of the common people does not find much practical expression under ANY "business" controlled—any capitalistic government.

Hence to another and entirely different factor are these more favorable price conditions in Great Britain due—a social, industrial and economic factor—a factor that means control by the working class of its own economic affairs and that stands as a monument to the success of working class effort in handling the production and distribution of the workers' necessities. That factor is the Rochdale Co-Operative System.

When the present European slaughter began, when battlefields became drenched in blood, when the world was seized with the hysteria and insanity of fear, hate, rage and lust, and the demons of mammon, like the demons of war, began their ruthless raid on humanity, the British co-operative society steadfastly adhered to its pre-war code of honor. It would not traffic in blood. When the private business houses began to lay their plans on the old "business" theory "there's money in it," the co-operative system's stores absolutely refused to take advantage of the panicky conditions produced by the war to charge exorbitant prices. They positively declined to enter into any monopolistic agreement and refused to raise prices above a certain level—a level that was no higher than was demanded by the exigencies of existing conditions. And they were so potent that private concerns were forced to forego a large share of war plunder, and thus this co-operative system is saving from extortion millions of consumers in addition to its own members, and as the war continues the co-operatives are becoming more and more powerful, and more and more firmly established in the confidence and good will of the general public. Since 1914 their membership has grown by hundreds
of thousands and their business has increased more than a hundred million of dollars.

**Social and Intellectual Centers for Working Class**

The social and intellectual education of its members has been a potent factor in the development of the Rochdale system. In many British cities the co-operative store is the social and intellectual center for the working class. The co-ops (as the co-operative stores have come to be known) have won their success largely by education. The co-operative congress has established scores of libraries and reading rooms; has conducted thousands of courses on co-operative and civic problems and laid plans for a great co-operative college, and they have exerted pressure on political bodies to preserve the rights of the co-operatives from invasion.

Brothers, why not use our own business patronage to build up a constructive movement like this? Something MUST be done. On that all are agreed. Existing conditions cannot be endured and governments will give no relief. To protect the people from the piracy of the profiteers might “disturb business” and capitalistic governments are not much disposed to “disturb business” and wage increases are more than absorbed by increasing living cost as soon as they are secured. The British Rochdale system is a living example of what the workers of the United States and Canada can accomplish if they will but take practical steps to do likewise. It will avail nothing to marvel at the achievements of the British workers along this line and wonder why they have succeeded. Practical and immediate steps must be taken to adopt a similar plan.

**Put an End to Master Class Despotism**

It doesn't lift an ounce of the wage-earners' burden, it doesn't put back a penny of the profiteers' plunder when the victim of the profit system merely asks WHY something cannot be done to give relief. He knows the conditions that exist and he knows he must have relief or surrender the remnant of his liberties to the money power—that power which through the profit system is ever on the increase and now fast approaching the stage of absolutism.

Before it is too late to make a start the workers of North America should organize a movement to follow the way to economic freedom that has been blazed by the British toilers. With their splendid industrial organizations, unsurpassed in numbers, wealth and compactness by any on earth, it seems that the wage-earners of North America could with facility establish a co-operative system similar to that which has proven such a wonderful success in Great Britain, and the sooner a concerted movement is started with a view to that end the better.

The universal adoption of the co-operative principle and its application to all lines of human activity through public ownership of public utilities, of coal mines, etc., etc., would put an end to the tyranny of the middleman, to Chambers of Commerce, to master-class despotism and to the corruption of government by profiteering “interests;” for profit—graft—is the sole incentive that actuates the said privilege-seeking “interests” to control governments, corrupt courts, debauch legislative bodies and to contaminate and poison politics.
Under a universal Rochdale co-operative system a Morgan, Rockefeller, Gould, Carnegie, Armour or Astor would be unknown—a millionaire would be impossible. It would drag the money-changers from the back of the producer and establish a financial—a banking system that would properly fulfill its mission and prove a blessing instead of a curse to humanity. It would eliminate the evils attending the insurance business—would save the worker the enormous and unnecessary “selling” expense of every kind of insurance, and above all, in this, as well as in the banking connection, it would divert from the hands of private corporations and individuals the vast sums of the people’s money that are now being used as a power for their exploitation and for the enslavement of the workers. It could own and operate a people’s press.

And in the industrial and commercial activities just think of the millions of dollars’ worth of goods bought and sold and what it would mean to humanity if none of this money should accumulate in the coffers of private individuals, for remember, of all of the billions of money that has changed hands in the buying and selling of goods in the Rochdale co-operative system NOT ONE DOLLAR has gone in profit to build up a private fortune. Even if it did nothing else than to prevent the accumulation of vast wealth in plutocratic hands and their acquirement of the power it brings, such a system would indeed be a blessing, for probably the greatest evil with which society is cursed today is the profit-absorbing class—the parasite element.

Labor Officials Should Take Action

Under a co-operative system the perpetuation of such a class would be out of the question. Its possibilities for the conservation of production and distribution by the workers themselves are unlimited. Under such a system the useful element of society (and in its ultimate development, all society would have to become useful) would secure life’s necessities direct from mother earth at a cost that would mean only the fair and legitimate expense of production and distribution and entirely free from the tax of the middleman’s profit and graft.

The officials of the labor movement in North America could not devote themselves to a more effectively constructive or a more truly patriotic effort than to lead the workers out of their economic bondage by the route opened by the toilers of Great Britain, and somehow we feel that unless the said leaders take the initiative the workers will lead themselves to economic liberty and industrial freedom, for the present conditions cannot much longer be tolerated.

If the principle of co-operation were universally operative “the boast of heraldry and the pomp of power” could be found throughout the coming years in the museums of history only, and with the incentive of profit dead, war would forever cease. Brothers, isn’t it an ideal condition worth educating ourselves up to and striving for?

Brothers, it seems at this time to be the only hope—the only feasible plan—the only way entirely within the workers’ reach whereby we can bring about the establishment of a real Industrial Democracy!
The British Co-operative Movement

A System of Production and Distribution that Yields No Profits to Parasites

How the Workers of Great Britain With True Class Loyalty Stood By Their Irish Brethren in Distress and Saved Them From Being Starved Into Submission

By HARRY W. LADDLE, in Pearson's Magazine

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It was a Sunday afternoon in November, 1843. The place was Rochdale, England, a growing industrial town hard by capitalism's birthplace, the city of Manchester. The times were dark with misery for the nation's workers. They seemed that afternoon especially dark to Rochdale's flannel weavers, who had just emerged from an unsuccessful strike. Twenty-eight of them were gathered together in the Chartists' reading room to discuss what could be done.

Some of the twenty-eight were Chartists who had been fighting with might and main for the political rights of the workers. Some were Owenite Socialists whose vision was a co-operative brotherhood. Some were just plain, unphilosophical weavers chained hand and foot by the credit system of the "truck" store and by the wage system—then at its worst.

Many were the remedial schemes proposed. One found favor. It was to start, as soon as capital permitted, a co-operative store of the workers, by the workers, for the workers, which immediately might free its members from dependence on exploiting merchants and from the enslavement of the credit system; which ultimately might lead to the abolition of the wage system, and "so arrange the powers of production, distribution, education and government as to create a self-supporting home colony."

"Good Horse Sense and Bulldog Resolution"

Their dream seemed indeed Utopian. The dreamers were poor. They were unschooled. And who had ever heard of the working class controlling its own industrial affairs? But these dreamers not only had vision, they also had their share of good horse sense and bulldog resolution.

Two pence a week this little band resolved to put aside for the venture. The two pence gradually grew to $140, and with that a dilapidated old store in a back street known as Toad Lane, Rochdale, was hired. The Rochdale Pioneers, as they were called, bought a few packages of flour, sugar, butter and oatmeal with which to supply the store, and finally got
up sufficient courage to fling open the doors amid the jeers of surrounding store keepers and the cat calls of street urchins. Monday and Saturday nights the store was kept open. Its first week’s sale amounted to the munificent sum of $10. One member acted as salesman, one as cashier, another as secretary and the fourth as treasurer. Tenderly the members coaxed along their small establishment. Many a conference was held over its probable demise.

Marvelous Development.

It did not die, however. To the surprise and wrath of merchants and the joy of the few faithful, it actually grew.

In 1914, seventy years after, if the original Pioneers had been still alive, they would have found that their dream had grown in England and Scotland into no less than 1,400 retail stores; into two enormous wholesale societies which supplied the retail “co-ops” with almost every conceivable article of common use, and which was in turn supplied from over a half hundred factories owned by them. They would have found annual sales for the factories, wholesale and retail stores of no less than $650,000,000 and a membership of over 3,000,000—comprising, with the families of the members, between one-fourth and one-fifth of the population of Great Britain!

They would have discovered that the little capital of $140 had grown into one of over $300,000,000; that the four employees had increased to nearly 150,000, and that the surplus divided at the end of the year to the workers who purchased their supplies from the “co-ops” had jumped from a few paltry dollars to more than $71,000,000!

Incidentally they would have learned that the co-operative movement was among the largest single buyers of produce from England on the New York Produce Exchange and the largest shipper of butter from Ireland; that it possessed the greatest tea warehouse and the most extensive shoe factory in the United Kingdom; that it had its buyers in every part of the world; that it owned thousands of acres of farm land; that it chartered its own ships, possessed tea estates in Ceylon and factories in Australia and had its agents in dozens of countries all over the world; that it was spending thousands of dollars annually for educational purposes, was growing five or six times faster than the British population, and that it was proving such a thorn in the flesh of the British merchant class that, at a recent convention in Glasgow, it was described by them as “the devil let loose upon trade.”

Nothing, perhaps, indicates more vividly, not only the wonderful growth and efficiency of this “industrial republic” of working class consumers, but also its power for usefulness to the workers in their struggle for higher wage, than does the part played by the co-operative movement in the strike of the Irish dockers of Dublin in 1913.

True Class Loyalty

The unskilled workers of that city, 30,000 of them, had entered upon a long-drawn-out struggle for better conditions. They were holding out bravely, but were sorely in need of food. At the instigation of Larkin, the Parliamentary Committee of the British Trade Union Congress investigated conditions and decided to give $25,000 toward food for their Irish
brethren. They tried to obtain a loan for that amount on a promissory note from respected English bankers, but were promptly refused aid.

"Will you supply 30,000 starving Irish workers with food on the guarantee of our note?" This question they then put up to the English Wholesale Co-Operative Society in Manchester a few hours later on the afternoon of Wednesday, Septembr 24th. The reply this time was a prompt affirmative.

"Within 48 hours," the manager declared, "60,000 packages of food-stuffs will be on board your chartered steamship in the harbor."

Presto! The order was executed. Thirty thousand packages, each containing two pounds of jams and as much of sugar, one pound of canned fish and quantities of butter and tea, and an additional thirty thousand packages of potatoes weighing some 10 pounds, were on the good ship Hare ready for the trip by Friday night.

Thus through the wonderful organization which the working class of Great Britain had slowly and painfully built up, the unskilled workers of Ireland, engaged in their most extensive labor struggle of the century, were able to give valiant resistance to the oppression of capital. Before the end of the strike, the Co-Operative Wholesale Society sent no less than 17 specially chartered vessels to the relief of the strikers, besides additional consignments through the more ordinary channels. Among the enormous quantities of supplies furnished by this society to their fellow workers were: 1,797,699 loaves of bread; 689,166 bags of potatoes; 477,966 packets of margarin; 480,306 packets of tea; 461,530 packets of sugar (2 pounds each); more than 85,000 tins of fish, nearly 75,000 jars of jam and many thousands of packets of split peas and beans, cheese and condensed milk.

Wonderful Monuments to Working Class Perseverance

In addition to this, the employes of the Wholesale gave as a Christmas gift to the Irishmen nearly 900 tons of coal and many hundredweight of biscuit, beef, onions, oranges and sweets.

No wonder that, on his present visit to America, Jim Larkin has been persistently preaching the gospel of co-operation as part and parcel of his agitation for the coming of a genuine industrial democracy!

The co-operative movement of consumers in Great Britain is divided territorially into two parts—the English and the Scottish Co-operatives. These have distinct organizations, although they unite their forces for common ventures.

In each country there are two branches of consumers' co-operatives—the retail and the wholesale. The retail societies, as stated before, number 1,400. About six-sevenths of these organizations have, as societies, joined the wholesales in their respective countries, and purchase from the wholesales about three-fourths of their supplies. Two of the largest and most complete business buildings in Manchester and Glasgow are used respectively as the headquarters of the English and Scottish Wholesales—wonderful monuments, they appear to the visitor, of the ability and perseverance of the English working class.

The retail movement has its greatest strength, not in the great centers of population, such as London, Liverpool or Birmingham, but rather
in the smaller mining and industrial cities and villages between the Humber and the Tweed in Northern England and between the Clyde and the Forth in Scotland. In many of these cities one finds the co-operative store looming up as the most imposing edifice in town and as the intellectual and social center for the working class. A half dozen of the stores have a membership of more than 30,000 souls and employ between 1,000 and 2,600 employees. Literally hundreds possess a yearly trade of more than $500,000 and contain a membership exceeding 6,000. One whole country—Clackmannan—has a larger co-operative membership than it has households. The city of Leeds, England, boasts of the most extensive membership of any society in the United Kingdom, and Edinburgh, Scotland, of the most extensive trade.

In many cities the "co-op" store is the one great fact in the economic life of the citizens. In the village of Desborough, in Northamptonshire, for instance, the co-operative not only sells the necessities of life to the great majority of the population, but also conducts many other activities left, in other cities, absolutely in the hands of private enterprise.

Goes Direct to Mother Earth for Its Products

"This society, which has accumulated a capital of $350,000, and does an annual trade of $220,000," declares the Fabian Research Bureau, "has become not merely the lord of the manor and the proprietor of the site of Desborough itself, but has also recently purchased the adjoining village of Harrington, its landed estate now extending to 4,000 acres. Besides the typical co-operative business of selling groceries and clothing, and making, repairing and retailing furniture, the society distributes coal to its members; produces milk, meat, poultry, fruit and vegetables on its own farm; and has carried out successful housing and allotment schemes. Not satisfied with production for use, the society has even gone into production for exchange and has undertaken iron ore mining and bricklaying for the open market."

Thousands of semi-detached houses for workers, on tree-lined avenues, surrounded by pretty gardens, scattered throughout England, are also evidences of the enterprise of many of the co-operative societies. By 1907, over 400 "co-ops" had expended nearly $50,000,000 in building or acquiring something like 50,000 dwelling houses, most of them to pass ultimately into the ownership of the individual members. A number of building organizations, formed by co-operators, have also aided in this direction.

Comrade Circles and Propaganda Clubs

An indication of the way in which the retail store at times may provide the rallying place for the social and intellectual activities of the neighborhood is seen in the case of the Edmonton Society. Organized in connection with this store are numerous men's, women's and junior guilds, "Comrade Circles," and dozens of propaganda clubs, in fact, no less than fifty organizations, each with its councils, lecturers, socials. Every night the attractive meeting rooms are filled with the animated faces, young and old, of the loyal co-operators of this old English town. On the other hand, it must be admitted, that there are some societies in which the chief thought of the members seems to be devoted to one over-shadowing
question: "How large a 'dividend' will be divided next quarter among the members?"

**How Co-Operative Stores Are Run**

How are these thousands of retail co-operative stores run? In what way do they differ from capitalistic enterprises? These are questions of vital interest and importance.

Any member of either sex can, at any time, join a co-operative by purchasing, in most societies, a $5 share of its stock. As a general rule membership begins just as soon as the first twenty-five cents of the $5 is remitted. The remainder of the share is usually paid for out of the dividends which would naturally accrue to the member from purchases at the store. The prices charged to the members for goods purchased are approximately the same as those of private merchants. A special effort is made, however, at all times, to sell pure, unadulterated goods and to give full measure. Practically no credit is extended to the members of the store—cash transactions are well-nigh universal.

At the end of the quarter the surplus earned by the society is divided among the members in proportion to their purchases. The sums distributed range for different stores and periods from $0.37 to $0.62 on every $5 worth of goods purchased, or between 7 per cent. and 12 per cent. This amount is called the "dividend." This term, however, is somewhat of a misnomer, and has led to the constant accusation that the co-operative differs not at all from a private venture. But the distinction is marked. The dividend in the private firm is paid to an inactive stockholder on capital loaned and increases in proportion to the prosperity of the enterprise. The "dividend" of the co-operative is paid to a member-purchaser in proportion to purchases made. It bears no relation to the amount of shares owned. In fact, the return to shareholders on capital invested is likely to become less in co-operative stores in proportion to their increasing prosperity.

**How the Co-Operative Stores Are Managed**

Members may also purchase shares to the extent of 200 from most of the co-operatives. An average of 5 per cent. is paid on these shares. All members are privileged to attend the quarterly meetings of the society and to vote on all issues. Each member has one vote and one vote only, irrespective of the number of shares owned. The membership elects the committee of store management, generally twenty-eight in number. In most societies employes are excluded from holding office. Officers must possess a certain minimum of shares. This democratically elected committee on management appoints the store manager and has charge of the affairs of the society. The members of the co-operative stores are overwhelmingly working class in their character—miners, weavers, artisans—and the management committees are also very largely composed of the manual working class. In many of the suburbs the professional and clerical groups exert, however, a considerable influence.

Two devices adopted at the formation of the co-operative movement, universally adhered to, have been responsible, to no small degree, in keeping the British co-operative movement a truly democratic republic of consumers. The first device has been the distribution of dividends.
according to purchases, not according to capital invested. The second has been that of one man, one vote.

In a private concern, or even in a self-governing workshop, where surplus is divided according to capital invested, the inevitable tendency is to restrict the number of shares—after a minimum of capital is obtained—in order to augment the return to each shareholder. The greater the number of shares obtained by one individual, moreover, the greater the control of that individual over the industry, because the greater is his voting capacity.

In the British co-operatives, however, this condition does not obtain. The larger the number of members, the larger the amount of goods purchased and the less the average cost of distribution. The inevitable result is the larger dividend to each individual—providing, of course, the prices remain stationary. This increased dividend gives to each member an incentive to increase the number of members of the society and to have the co-operative include an ever larger proportion of the population.

For Use—Not for Profit—Shares Non-Speculative

The British retail co-operative stores differ then from the capitalistic enterprises by virtue of the fact that they are organized for use and not for profit; that they give returns primarily according to purchases made, not according to shares owned; that they provide to each member an incentive to obtain an ever larger membership for the stores; and that they give to all an equal voice in the management of the stores, irrespective of the amount of shares owned—that is, ensuring democratic control by a working class constituency. The shares of the stores are, furthermore, absolutely non-speculative. They are bought at par and sold at par.

"The poorest, youngest, humblest adult of either sex, who yesterday made his first purchase, if he pays up a single pound for his share," declares the Fabian Bureau, "is equally governor and controller of the whole colossal enterprise, and has an equal vote and voice in the decisions of its most momentous issues with the man who has been a member since its establishment."

The retail stores, however, constitute but one part of the whole co-operative machine. As soon as retail co-operatives began to be organized in various parts of the nation, they were, in many instances, discriminated against by the wholesalers who wished to discourage co-operative enterprise. They were often able to purchase but a comparatively few commodities at a time and this made buying relatively expensive. To eliminate these and other disadvantages, numerous demands were made for the establishment of wholesale stores.

In 1863, nearly twenty years after the birth of the Rochdale Co-operative Store, a central warehouse was established in Manchester by the representatives of a number of retails. The headquarters appeared first like "a gaunt spectre haunting certain rooms in Cooper street and starving upon quarter rations." The wholesale, however, soon "caught on."

At first it confined itself to the purchase and display of a few groceries. Soon a boot and shoe department appeared; then, in succession,
drapery, furnishing, tea, architectural, printing and other departments quickly followed.

Branches began to appear in London, Newcastle and various other cities with extensive and attractive sales rooms filled with exhibits for buyers of retail stores. Following these came great warehouses for tea and other commodities throughout the United Kingdom.

Still the co-operators were not satisfied. Still they felt that they must get nearer to the producer. So they became their own brokers and sent their purchasing agents to all parts of the world. To Greece their representative went every year, and bought dried fruits direct from the farms at Patras—in some instances having them conveyed to England in the vessels owned and run by the co-operative movement. They established purchasing depots in Cork, New York, Hamburg, Copenhagen, Gothenburg, Ceylon, Denia, a city in Spain, Montreal, and at various other points of strategic importance.

“We have now demonstrated that we can run successfully our own retail and wholesale business and have supplanted in many instances the private broker, purchasing agent, warehouseman,” they began to argue. “Why cannot we become our own producers, especially of those working class necessities for which there is a steady demand?”

Without their own factories, they discovered, they could not ensure the quality of their goods, and they would, furthermore, be forced to pay rent, profit and interest to other manufacturers. The result was the organization of a long series of factories. Works were started for the preparation of bread, flour, corn, cocoa, chocolate, lard and butter, jam and tobacco and many foodstuffs. Great factories appeared for the making of boots, shoes and clothing. These proved successful and still more articles were produced. In 1874 the manufacture of soap was begun. By 1909 no less than 800 tons of this household necessity were sold weekly by the co-operators. Cabinet and tallow, brush and drug, iron, tin, bucket, fender and paint works were also entered into, and by 1912 the English Wholesale boasted no less than forty such factories, while the Scottish housed in Glasgow no less than a dozen.

Back to the Land

A cry of “Back to the Land” was then raised by many of the co-operative societies. The ideal of co-operation, it was argued, would not be reached until the movement possessed some part of the soil and grew its own raw materials therefrom. So after much discussion—and no step was taken by the co-operators without thorough discussion—the movement decided, in 1896, to purchase an extensive estate of between 700 and 800 acres in the western part of England, near the city of Shrewsbury, at a cost of $150,000. Soon thousands of bushes and trees loaded with fruit were in evidence, and immense glass houses, in their collective lengths no less than a mile, were nourishing tomatoes, cucumbers and other vegetables. A fine convalescent home for sick members was built on the estate.

Eight years afterward another estate near Hereford was added to the co-operators’ possession, containing some 22,000 plum beds, 4,500 apple trees, and over 100,000 gooseberry bushes. Purchasing depart-
ments were established in rural England a few years later, and in 1912 and 1913 extensive farms for the raising of vegetables and for cattle grazing became the property of the Wholesale. The total area of the society land is now about 2,500 acres, excluding large tracts owned by retail stores.

Nor did the co-operators stop in their acquisition of land when the shores of England were reached. They had developed, during many years, a remarkable tea trade—which, of course, is not at all remarkable when one considers the English thirst for tea. In 1913, in fact, the English and Scottish Wholesales boasted a sale of 27,219,767 pounds of that beverage. It was but natural, therefore, that the enterprising co-operators should try to trace the tea to its source and control the product from its very beginnings. So, in 1902, it purchased three large estates in Ceylon, and in 1907 and 1913 further increased its holdings, possessing, at the end of that year, no less than 2,899 acres of ground, including a factory and adequate machinery.

How They Became Their Own Bankers

There is one line of business which the average worker has been led to believe is so intricate and difficult to handle that it should be left wholly in the hands of the intellectual elite, and that this intellectual elite should, with justice, secure huge sums of money therefrom for condescending to tackle the business of banking. It was with perhaps some misgivings that the English Wholesale, in 1872, began its career as banker, opening, for this purpose, a deposit and loan department. This department finally changed to the banking department of the C. W. S., permitted retail stores to deposit money and loaned money to them in time of need. It was not long before its worth was realized, and during the last generation hundreds of thousands of dollars have been saved to the co-operators, which would otherwise have been diverted into the coffers of the bankers. In the year 1913 the deposits and withdrawals of this department amounted to the enormous sum of $850,000,000! Over 1,000 of the retail societies are now keeping their accounts with this institution, having been weaned away, by proof of greater advantages, from private banks.*

Co-Operative Insurance Department

Another incursion into the domain of private business, and one which, as in the case of banking, deals with the more intangible wealth,

*The C. W. S. Banking Department has, it may be said in passing, a somewhat unusual system of exacting a fixed commission both on deposits and withdrawals, sufficient to cover the expenses of the department. However, a small amount of interest, 2½ per cent., is returned on all balances, and 4½ per cent. exacted on all overdrafts. The net surplus, averaging about $255,000 a year, is divided among all customers at the rate of 1 per cent. on deposits or withdrawals (½ per cent. to non-members). Besides the retail co-operatives, trade unions have been permitted to keep their accounts with the department, as non-members, and no less than 124 unions have thus far availed themselves of the opportunity afforded. More lately the Wholesale has allowed individual members of the stores to deposit money with them through the retail, and has loaned money to individuals for the purpose of building or purchasing their own homes. No less than 2,000 members have thus been accommodated with about $2,000,000. The Scottish Wholesale has not gone into this business so extensively as has its brother society, but does receive deposits from individuals and societies, the deposits of a year or so aggregating about $12,500,000. This amount has been invested with public authorities or with societies on security of land and buildings.
was made by the Wholesale with the establishment of the Insurance Department. Four years after the formation of the Wholesale, the society took charge of its own fire insurance. It was not long before the members began to feel that the insurance of human beings was, perhaps, worth consideration. At first, a distinct organization was formed for the purpose of conducting this important branch for the co-operatives, but in 1911 the Scottish and English societies took over the Insurance Co-Operative Society bodily. Now practically every imaginable kind of insurance is conducted by the Insurance Department—fire, accident, death, workingman's compensation, employer's liability, burglary and fidelity guarantee.

If an English co-operator wishes to insure his house, worth $500, against fire, he pays $0.50 a year; if against burglary, $0.82. About one-half of the entire industrial insurance business of Great Britain is now in the hands of the co-operative!

Collective Insurance Scheme

The greatest achievement of the Co-Operative Insurance Department, however, and one which indicates most vividly the exceeding waste involved in our present private insurance schemes as compared with the possible automatic governmental insurance, is the so-called "Collective Insurance Scheme," recently adopted by the Wholesale. By this plan it is possible for retail co-operative stores to insure as a society. The retail gives to the Wholesale Insurance Department two cents a year for each $5 of purchases made by members. Through this single exchange, all of the members of the retail are automatically insured. There are no expensive collections by insurance agents, no costly offices to be maintained in each town, no lapses for non-payment on the part of the individual worker. Insurance money is paid to the member, wife or husband on the basis of the average annual purchase made by the members during the three years prior to death.

At the end of 1913 some 406 co-operative societies had taken advantage of the scheme, insuring thereby over 800,000. Premiums from this source had reached $500,000 a year and nearly 13,000 claims had already been paid. * * *

For every $0.25 paid into the industrial company, $0.11 went for expenses. For every $0.25 paid under the collective scheme, about $0.01 was needed to cover expenses!

The co-operative movement, it is true, has dealt primarily in dollars and cents. It has, however, since its very inception, proved a great forum for the thrashing out of big ideas of value to the working class. Many of the retail societies have for years laid aside each year 2½ per cent. for educational purposes and hundreds of thousands of dollars have been expended for that purpose.

In their desire to keep alive general educational propaganda, the co-operators formed, nine years after the C. W. S. was established, a Co-operative Union to look after this end of the work. Each society contributes to this association. For many years, through its annual Co-operative Congress, the Union has exerted a big influence on the
general movement. It has published many hundreds of tracts interpreting the work of the Co-operative; has established scores of libraries and reading rooms; has conducted thousands of courses on co-operation and civic problems; has exerted considerable pressure on political bodies to ensure that rights of co-operatives were not invaded; has organized lectures and entertainments; has given sage advice to struggling stores; has acted as arbitrator in time of dispute; has lessened the evil of overlapping among the retail stores; has issued plans for a great Co-operative College, and has, in a thousand and one ways, helped to solidify the forces of co-operation.

The women also of late have been proving a more and more effective force in holding aloft the banner of co-operative brotherhood.

In many instances the co-operators are found on the amusement side of life. The Scottish Societies have a camp for the members on Loch Riddon, one of the beautiful Scottish lakes, and walking and camping parties are constantly being planned directly and indirectly by the retail and wholesale "co-ops."

Summing up the industrial activities of the English Wholesale, Percy Redfern, the editor of the Wheat Sheaf, the co-operators' journal of a half million circulation, says:

"It may be questioned if there exists (in England) any employer of a more varied body of workers. C. W. S. employes are to be found on land and sea in all parts of England and abroad, attached to warehouses, factories and farms.

A State Within a State

"The co-operative movement was described long ago as a State within a State. This, perhaps, was flattery, yet merely that part of it which is the C. W. S., as an aggregation of workers, certainly resembles a nation in miniature—a nation with no idle rich."

The Co-operative Wholesale Societies are managed in the same democratic manner as are the retails. Of the 1,400 retail co-operative stores in Great Britain, 1,200 belong to the English and Scottish Wholesale. Each retail, on joining, gives to the Wholesale shares to the value of $5 for every member it has enrolled. In England each society has one vote in the Wholesale for every 500 members it contains; in Scotland voting power is proportionate to purchases from the Wholesale. Twice a year meetings are held at which financial reports are rendered and discussed. Twice a year the general affairs of the societies are thoroughly aired.

The management of the English Wholesale is in the hands of 32 directors elected by delegates of the retail societies to hold office for two years. These 32 directors give their entire time to the business of this great industrial plant at the magnificent salary of $1,750 a year! The management of millions of dollars of business and its successful and honest management at a salary less than that of many a junior clerk in a small American business concern! Money is the only incentive to ability? Not here!

Twelve directors are appointed by the Scottish Society at a similar salary. Practically all of these directors are members of the working class.
Proves Workers' Capacity for Industrial Self-Government

"These two committees," declares the Fabian Bureau, in discussing the management committees of the two wholesale societies, "directing in unison and sometimes actually in partnership, manufacturing, importing and distributing enterprises with an aggregate annual turnover exceeding $200,000,000, and nearly 30,000 employes, are a standing proof of the capacity of the British workmen for industrial self-government. For not only all the committee-men, but with one or two exceptions also all the officers of the wholesale societies belong to the manual working class by birth, by training and by sympathy."

Throughout the existence of the co-operative movement, special attention has been paid to the conditions of the employes of the wholesale and retail societies. The movement is not a co-operative of producers, but a co-operative of consumers. It cannot claim, therefore, to have inaugurated, in its retail, wholesale or productive departments, the status of a self-governing workshop. The employes do not directly, as employes, elect their own managers.

Questions Discussed From Standpoint of Producer

The successful self-governing co-operative work shops in England, where full democracy in the management of the individual shop has prevailed, have been few and far between. Out of the thousands established during the last century, one strictly self-governing factory, the Nelson Self-Help Manufacturing Society, with a capital of some $20,000, and with 116 employes, has, through twenty-five years, breathed the storm of capitalistic opposition, and has sustained life as a thoroughly democratic concern, where workers are practically all part owners and where they elect their own managers and run the industry directly. A few other democratic work shops in the boot industry have also survived. Their success is a good omen. However, the obstacles to that success have been great.

The employes of the co-operative, while not directly controlling their own shop, are, on the average, considerably better off than those in capitalistic concerns. And this, despite the fact that the co-operatives are in constant competition with the private stores and cannot afford to charge higher prices than these establishments. The workers may have an equal voice in the management of the stores with any other member, the mere requirement being that they join a co-operative retail society. Generally when a trade union exists in the trade represented by the worker, the employe is encouraged to join and sometimes is required so to do. Through the union, of course, the employe secures a degree of control over his conditions. Moreover, practically the entire management of wholesale and retail co-operatives is in the hands of the working class members and every question is discussed by most of the constituent stores largely from the standpoint of the producer.

It is not surprising, therefore, that the co-operative worker, in trades represented by trade unions, invariably receives the full trade union rates, usually for shorter days; that the holidays in the co-operative movement are more frequent; that a minimum wage is enforced for male and female workers; that the attitude toward labor in time of sickness, etc., is in
marked contrast with that found in many capitalistic concerns; and that the health conditions in the factories are superior.

In the great Crumpsall biscuit works, for instance, where more biscuit packets are turned out than in any other factory in the country, one finds that the space allotted to the workers is four or five times as great as that required by law. A lighter, brighter place could hardly be imagined. This is the one biscuit factory in the country, moreover, which has adopted the eight-hour day, trade union wages being paid. Capacious dining rooms for employees where good, substantial meals can be obtained for 8 cents each; lounging rooms with piano, gramophone, a well-selected library, and the representative magazines and newspapers are available, while extensive athletic grounds for tennis, cricket, nine pins, are there for the enjoyment of the workers. Free summer camps, dances and entertainments are among the other features which take care of the social side of things.

The Scottish Wholesale also gives a certain bonus to the workers in proportion to its profits. For many years there has been an agitation for the establishment of the same plan in the English society, and for some years this plan was actually entered upon. However, it was found that, "as products were not sold on the markets, but were transferred to other departments at arbitrary valuation, no profits could be ascertained with any exactitude." The surplus of the factories, furthermore, depended "on the chances of the market, unconnected with the zeal or the efficiency of the operator."

No Fabulous Salaries

While the conditions of the manual proletariat of the co-operatives are superior to those found in most capitalistic industries in Great Britain, the great salaries given in private industries to many of the brain workers are not evidenced here. The highest salary received by the manager of a co-operative concern in England and Scotland—and this is an exceptional case—is $6,000. None of the thirty-two directors in the great English Wholesale, as was stated before, obtain more than $1,750. The salaries of the managers of the factories vary from $2,000 to $4,000, approximately the same gradation as that which exists in the big retail co-operatives with annual trade extending to $2,500,000. The general manager of the average retail, on the other hand, receives from $20 to $25 a week.

What keeps these workers in the co-operative movement, you ask. "The attractiveness of comradeship in a great popular organization; the consideration they enjoy as the public administrators and leaders of a widespread democracy; and the consciousness of social service."

Finally, what have the members of the co-operative gained through these long years of struggle? Has their effort been worth the while?

The co-operatives have saved to their working class membership millions of dollars which would otherwise have been distributed among countless middlemen and merchants. They have freed the workers from the bondage of the credit system; have provided an easy method of saving; have insured pure, honest goods—and an honest measure.

More important have been, however, the educational results. Co-operation in England has given to tens of thousands of workers an invalu-
able training in the conduct of industry and in the art of working together with one another to achieve big results. It has inspired them with a confidence in the possibilities of the working class controlling a still greater share of its own industrial life. The refusal of co-operatives to enter into monopolistic agreements and to raise prices above a certain level has, in many instances, prevented a rise in the price of a commodity manufactured by a private concern. This steadying of prices was particularly noticeable in August, 1914.*

To society as a whole the co-operative movement has given some indication of the enormous waste that may be eliminated by the abolition of an archaic competitive system.

Finally, what hope is there for a co-operative movement in this country? With the high cost of living jumping higher every year, many thousands of Americans are turning to this field for relief. Before co-operation succeeds in this country, however, many obstacles, not known abroad, must be overcome. The competition of the immense chain, department and mail order stores, with capitalization of millions of dollars, must be faced—this development had not taken place in England at the beginning of the co-operative movement. The organized discrimination of the private wholesale and retail dealers against co-operatives must be dealt with. The belief on the part of many American workmen that the only kind of collective effort which it pays them to make is that made through their trade unions for an increase of wages, etc., must be uprooted. Counter-attractations must be provided to the wives of the workers to whom “shopping” and “bargain hunting” have proved such fascinations. Finally, co-operators in America must perform the difficult task of welding together for common co-operative effort many heterogeneous groups of workers, descendants of widely separated nations and races.

However, in spite of these difficulties, there are undoubtedly great possibilities for co-operation in this country—providing it is rightly handled.

How should co-operative enterprises be organized? First, according to the successful English co-operators, the store should be started in a working class community where practically the same standard of living prevails for large numbers of the population, and where the demand for certain definite commodities is likely to be steady. A community in which the inhabitants have shown an ability to work together and in which the wage-earners are reasonably well paid is preferred. For the co-operators in England have found that their trade is among the very poor nor among the well-to-do, but chiefly among those workers to whom the quarterly dividend is a positive inducement, and who are not compelled to live from hand to mouth.

*The co-operative movement has shown a remarkable progress during the war. The fact that the “co-ops” refused to take advantage of the panic conditions produced by the war to charge exorbitant prices, as did private houses, led to a great influx of membership and business. Over 176,000 members were added to the societies in 1914 as compared with 70,000 in the previous year. The sales of 1914 increased over 1913 by $42,000,000. The business of the Co-operative Wholesale Society in 1915 leaped ahead of that of 1914 by $40,000,000. During 1916 the Scottish Wholesale reports an increase of net sales over 1915 of 25 per cent. All of these increases have been greatly in excess of pre-war progress.
When the place is selected and stocked with staple commodities, or, perhaps, prior thereto, the co-operators should proceed to permanent organization.

The "don'ts" and "do's" suggested by the movement abroad at this juncture are many and various.

Select the workers carefully. Make them missionaries of the co-operative idea; secure for them reasonable hours and wages and "a feeling that their welfare is one of the chief concerns of those for whom the service is rendered." And, finally, make the store one in which it is a pleasure to enter.