

## Principle 5 Study notes

### The Elimination of Profits

#### These notes are extracts from

Workers Education Association booklet  
'Co-operation: Problems and Possibilities'  
by A. Honora Enfield. published in 1928

You might remember that the front cover of our first edition of the Sheffield Co-operator included a message from Honora Enfield (taken from the first edition of the original Sheffield Co-operator in 1922). Honora Enfield succeeded Margaret Llewelyn Davies as General Secretary of the Women's Co-operative Guild (1921 - 1925).

The following extracts from this booklet show how radical the Co-operative system was.

The text in blue is my own notes.

#### The Co-operative Dividend

They concentrated on the success of their store which was to provide its members with articles of good quality at a just price and **eliminate the profits of the middleman.**

But the new feature they introduced was the **method of sharing the profits.** This question had given rise to considerable difficulty in some of the earlier societies. Some had followed Owen's scheme of letting the profits accumulate

in a common fund, only to find that success was frustrated by disagreement as to how these profits should be utilised.

Charles Howarth, who drew up the constitution of the Pioneers' Society, devised the system of the "dividend on purchase." By this system the goods were to be sold at the market price, and after all expenses, including a fixed interest on shares, had been met and provision had been made for a reserve fund, the remaining profits were to be refunded to the members in proportion to the amount which each had spent on purchases from the Society. That is to say what each member had paid over and above the cost of the article and the expenses of conducting the business was returned to them.

Co-operative members, in other words, had 'profit' on their purchases returned to them. In this way, 'profit' was eliminated from the business of the co-operative.

The financial basis of the Society became much more stable, and this in its turn inclined members more and more to leave their dividends to accumulate as savings in the Society. Thus the mere fact that members were at liberty either to withdraw or to leave their "dividends on purchase" helped the building up of capital for development purposes. **And encouraging members to save for when they needed extra money.**

For when the profits are given back to the purchaser from whom they come they cease to exist; in the Rochdale system there is no such thing as profit or profit-making. Trade and manufacture are carried on with their original single purpose of satisfying the needs of the consumer. Thus a further all-important effect of the "dividend on purchase" was to reveal

Co-operation as a Consumers' Movement, based on the needs and controlled by the wishes of consumers. This recognition of the importance of the consumers opened the way too for the married women in the home to take their place in modern industrial organisation. Receiving no money payment for their arduous work they could not join in the producers' trade unions, based on the common interest of wage-earning. But their essential function of wage-spending made their support the foundation of the Consumers Co-operative Movement, and through this movement they can make a valuable contribution to the building up of a new industrial system.

All these consequences of their method were by no means realised by the Pioneers themselves; still less did they understand the profound effects which the automatic elimination of profits might have on the whole economic system, effects which are only now coming to be fully recognised. The significance of the method only became apparent gradually as consumers' societies spread from town to town, from land to land, and extended the application of their principles from distribution to production. But these developments were very rapid. Members soon flocked to the Rochdale Pioneers' Society and the fame of its success spread fast. In 1863 fifty-four societies representing 18,337 individual members federated in the Co-operative Wholesale Society. By the end of the century the consumers' movement had established itself in almost every European country.

Co-operation – a system in which profits are eliminated and distribution and production are for use, and not for the private wealth accumulation of individuals i.e. profit.