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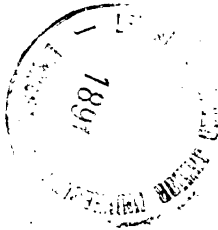
Stanford, Leland

Co-operation of labor. 1887.

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CO-OPERATION OF LABOR.



VIEWS

—OF—

Senator Leland Stanford

—OF—

CALIFORNIA.

P. 480

AN INTERVIEW

THE FOLLOWING REPORT OF AN INTERVIEW WITH
SENATOR STANFORD ON THE SUBJECT OF
CO-OPERATION, APPEARED IN THE
NEW YORK TRIBUNE,

MAY 4th, 1887.
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LABOR AND CAPITAL.

Senator Stanford's Views upon Co-Operation.

Practical Suggestions Concerning the Formation of Co-operative Societies.

CO-OPERATION AND ITS INFLUENCE ON CIVILIZED LIFE.

What the Introduction of this Principle into Industrial Systems Means.

In conversation with a representative of the *New York Tribune* in San Francisco, Senator Stanford explained the objects to be attained by the bill recently introduced by himself in the Senate of the United States, with

reference to the formation of co-operative associations, substantially as follows:

"The great advantage

TO LABOR

Arising out of co-operative effort has been apparent to me for many years. From my earliest acquaintance with the science of political economy, it has been evident to my mind that capital was the product of labor, and that therefore, in its best analysis there could be no natural conflict between capital and labor, because there could be no antagonism between cause and effect—between effort and the result of effort; and, since capital is the product of labor, there could be no conflict between labor and its product. Keeping this fundamental principle in view, it is obvious that the seeming antagonism between capital and

labor is the result of deceptive appearance. I have always been fully persuaded that, through co-operation, labor could become its own employer. The investment and employment of capital is dependent entirely upon the product of the labor employed by it. All active capital is merely

CAPITAL EMPLOYING LABOR.

It is out of the product of labor so employed that capital is rewarded. Capital, invested in a manner not to require the employment of labor is dead or idle capital. Money invested in land where the land is not cultivated, or in buildings which are untenanted, is as idle as if the gold and silver invested in them had never been mined; but all capital employed in manufactures, in agriculture, in commerce, in arts, in transportation, is active capital, and it is sustained and supported in activity wholly out of the result of the labor it employs. Labor and capital thus associated, then, create all the reward which inures to them.

"All things have value in proportion to their susceptibility of becoming valuable by the addition of labor. The ore in the mine has value only because of its capability of its being converted by the

APPLICATION OF LABOR,

Under the direction of enterprise, into things useful to man. Land is valuable only in proportion as it is capable of yielding to the labor expended upon it a return in the way of products adapted to supply human wants. The value of everything in the way of raw or unwrought material depends entirely upon its susceptibility of being converted into property, and the conversion of the original raw materials into property, in the way of wares, merchandise, fabrics, or works of art, resides wholly in their capability, under the manipulation of labor, of being so converted.

"Thus again we find the wealth of the world to be in the product of labor.

LABOR IS THE CREATOR OF CAPITAL,

And capital is in the nature of a stored up force. It is like the

balance wheel of an engine, which has no motion that has not been imparted to it, but is a reservoir of force which will perpetuate the motion of the machinery after the propelling power has ceased. A man takes a few thousand dollars of capital, builds a workshop, buys raw material advantageously, and engages a hundred workmen to manufacture boots and shoes. This is the foundation of enterprise. The employer of labor is a benefactor. The great majority of mankind do not originate employments for themselves. They either have not the disposition, or the ability to so originate and direct their own employment. Whatever may be the fault, it is true that the majority of mankind are

EMPLOYED BY THE MINORITY.

Capital directed by intelligent enterprise is a vast benefactor to man. The man who through others makes to grow two blades of grass where but one grew before is a benefactor to mankind in the largest sense; but suppose that each of the one hundred workmen employed produce in excess of his wages the value of one dollar a day. One dollar a day for each aggregated gives one hundred dollars per day to the employer. The profit to the employer then is one hundred dollars per day. In the aggregate the one hundred men employed, by associating their effort and their credit, and possibly their capital, could command a sufficiency of that reserve force which we call capital to build the shop and purchase the material with which to start business. If they do not possess the capital in the aggregate, I am fully persuaded that one hundred

INDUSTRIOUS, SOBER,

Skillful mechanics, agreeing to combine their labor, industry and intelligence, would possess sufficient credit to command the capital necessary to lay the foundation of enterprise. As between this outline of co-operation and the old system of permitting labor to be hired and directed by one who in the prosecution of beneficial enterprise originates employment for these one hundred men, there is

a difference in favor of co-operation of one hundred dollars a day, that amount being the premium which the one hundred men used in this illustration would pay to some one else for originating their employment and directing their skill.

"It should be borne in mind that the labor employed not only creates its own wages, but creates the premium which the enterprising proprietor receives for originating the employment. Viewed from this standpoint there is a sense in which the labor so co-operating is hiring an employer—that is, it is paying a premium to enterprise to originate and direct its employment.

CAPITAL IS PARAMOUNT,

And labor subordinate only because labor consents, to that form of organization in our industries which produces that result. The value of co-operative effort has had many practical illustrations, some of which have come under my observation. In the early history of mining in California some of the largest and most profitable mining enterprises were projected and carried on by association alone. A large number of men possessed of productive capacity, but without capital, combined into co-operative relation an energy and ability equal to the accomplishment of the work in hand. The work to be done required so many days of labor. By their association they contributed to a common fund, as it were, a laboring capacity equal to the work to be accomplished. If these enterprises had been projected by a single capitalist, the first step would have been to engage an amount of labor necessary to the accomplishment of the work—that is,

TO PURCHASE THE LABOR.

Instead, therefore, of selling the labor to a single far-sighted and enterprising employer, these men contributed by subscription the amount of labor required to be performed. The work accomplished in this way gave all the result attained to the labor expended upon it.

"Undertakings of great magnitude are

more profitable than the more inconsiderable enterprises, because the greater undertakings require greater aggregations of capital, and the possession of large capital is enjoyed but by few. There is no undertaking open to capital, however great the amount involved, that is not accessible to a certain amount of labor voluntarily associated and intelligently directing its own effort. When an individual employs one hundred or one thousand men in the manufacture of wares, in the construction of buildings, or in the prosecution of any kind of enterprise, he has in fact formed an association of labor. The efforts of the men employed are associated in the accomplishment of any desired result, and it is out of the result of such effort that all the wages and all the premium to the employer are to be produced.

THE EMPLOYERS OF LABOR

Are the greatest benefactors to mankind. They promote industry; they foster a spirit of enterprise; they conceive all the great plans to which the possibilities of civilization invite them; and the association of laboring men into co-operative relation, which in a large measure can take the place of the employer class, must therefore of necessity be ennobling.

"There is a mischievous belief among laboring people that enterprises with large backing of capital offer a better guaranty of employment. This is not true. The only guaranty of employment is its profitability. Capital cannot afford continued employment to labor at loss. Unless the product of the labor yields a sufficient return out of which wages may be paid, and the enterprise and skill of the employer properly rewarded, and the use of the capital also rewarded, the enterprise will of necessity be abandoned. In short,

CO-OPERATIVE ASSOCIATION

For the prosecution of any undertaking stand in exactly the same relation—possess precisely the same chances of success, if the effort is as intelligently directed, as do the same kind of enterprises projected by individuals, and sustained by

capital. As between the two great plans, the co-operation of labor, or the employment of labor by itself, and the hiring of labor for wages, or employment of labor by enterprise, intelligence and capital, the latter has no advantage over the former in the way of a guaranty as against loss. The product of labor alone insures its employment, because employment of labor cannot continue beyond the point at which it is profitable. In the aggregate, labor produces all the money paid back to it in wages, and all the margin of profit which inures to the employer. It is pre-eminently right and just that the employers of labor and capital employed in producing activity should be rewarded. Labor owes a continuing debt of gratitude to the enterprise and intelligence of the employer class. The thought, attention, intelligence and skill necessary to

ORIGINATE PROFITABLE LABOR,

Is in fact a separate department of human activity. In past times, when labor was less intelligent than now, when the opportunities for education among workingmen were more restricted and limited than at present, an intelligent employer class originating and directing labor was indispensable. What I believe is, the time has come when the laboring men can perform for themselves the office of becoming their own employers; that the employer class is less indispensable in the modern organization of industries because the laboring men themselves possess sufficient intelligence to organize into co-operative relation and enjoy the entire benefits of their own labor. Whenever labor is sufficiently intelligent to do this, it should not wait patiently for its own employment by capital and enterprise, because whoever is competent to furnish himself employment, and therefore receive the full result of his own effort and hires out his time, is thereby rendering a voluntary servitude to capital, and every man possessed of industrial capacity is in possession of capital, for it is out of that industrial capacity that capital is sustained in activity.

SUFFICIENT PRODUCTIVE CAPACITY

May be associated for the prosecution of almost any enterprise, however great its magnitude, because, as we have already seen, the employment of labor by capital is in a sense a form of associating labor in the prosecution of undertakings, the difference being that voluntary association of labor into co-operative relation secures to itself both the wages and the premium which, under the other form of industrial organization would be paid to the enterprise directing it and to the capital giving it employment. Capital appears to have an ascendancy over labor, and so long as our industries are organized upon the divisions of employer and employee, so long will capital retain that relation, but associated labor would at once become its own master.

THE POLITICAL ECONOMISTS

And the communists have much to say concerning the distribution of wealth. They are constantly declaring that while our country presents the spectacle of a government wherein there is an equal distribution of political power, there is a great disparity of condition with reference to the possession of wealth. Many writers upon the science of political economy have declared that it is the duty of a nation first to encourage the creation of wealth; and second, to direct and control its distribution. All such theories are delusive. The production of wealth is the result of agreement between labor and capital, between employer and employee. Its distribution, therefore, will follow the law of its creation, or great injustice will be done. The individual who comes to you claiming that because you have more than himself you should divide a part of it with him, is claiming a percentage in your manhood, a share in your productive capacity. He is denying to you the right to produce, either with your own labor, as you have a right to do or through the employment of the labor of others, which you have an equal right to do, more than a bare subsistence

for yourself. The only distribution of wealth which is

THE PRODUCT OF LABOR,

Which will be honest, will come through a more equal distribution of the productive capacity of men, and the co-operative principle leads directly to this consummation.

"All legislative experiments in the way of making forcible distribution of the wealth produced in any country have failed. Their first effect has been to destroy wealth, to destroy productive industries, to paralyze enterprise, and to inflict upon labor the greatest calamities it has ever encountered. So long as labor, which is sufficiently intelligent to originate its own employment, consents to a voluntary servitude of paying a premium to those who do originate its employments, so long will the many remain comparatively poor. As at present organized, the industries of the world are under the direction of employers. A man may possess industry and productive capacity and skill, but he must first make an agreement with an employer before he can make these qualities valuable to himself. When the

LORD OF THE VINEYARD

At the eleventh hour of the day found the idlers in the market-place, and questioned them concerning the reason of their idleness, the reply was: 'Because no man hath hired us.' They were waiting, just as a very large percentage of the laboring world has waited, for some one else to open avenues of employment. But aggregated into co-operative relation, intelligent, educated labor possesses the capacity for the accomplishment of any undertaking or enterprise, and need not wait for an individual called an employer to associate its effort, and direct and control the industry out of which it earns wages and pays premium to capital. Under the present organization of our industrial system, it is idle to say that the men in the market-place could have found something to do. It is equally idle to say that there was a conflict between their interest

and those of the Lord of the Vineyard who gave them employment. He was in that instance their benefactor. But intelligent labor need not wait until some man has hired it.

IT CAN BY CO-OPERATION EMPLOY ITSELF.

There are mills and factories and workshops employing large numbers of skilled hands, wherein the capital employed is far less than the aggregate of money owned and controlled by the operatives, and yet the operatives by their own voluntary consent are dependent for employment entirely upon the thought, the intelligence and the enterprise of an employer. It cannot be denied that they receive a rate of wages calculated upon the basis of a productive industry which will create the wages paid to them, and also create a profit to the capital and enterprise employing them. There is no natural conflict between capital and labor even in this relation. There is no conflict between the capital invested in the plant of a manufactory, and the raw material upon which the labor is expended, on the one side, and the labor itself on the other, because the plant and the material are themselves the product of labor. The real conflict, if any exists, is

BETWEEN TWO INDUSTRIAL SYSTEMS.

Labor desires that the premium paid for its employment shall be small. If it could succeed in eliminating that premium altogether, it will leave no encouragement to the employer class, and, as we have already seen, under the present system the employer class is not only indispensable, but is a great benefactor. If, however, there were no profit whatever to the employer class, then practical co-operation would be realized.

"When, therefore, men ask for higher wages, and demand that the margin of profit to the employer shall be less, they are really demanding a nearer approach to the realization of co-operation. The country blacksmith who employs no journeyman is never conscious of any conflict between the capital invested in his anvil, hammer

and bellows, and the labor he performs with them, because in fact, there is none. If he takes in a partner, and the two join their labor into co-operative relation, there is still no point at which a conflict may arise between the money invested in the tools and the labor which is performed with them; and if, further in pursuance of the principal of co-operation, he takes in five or six partners, there is still complete absence of all conflict between labor and capital. But if he,

BEING A SINGLE PROPRIETOR,

Employs three or four journeymen, and out of the product of their labor pays them wages, and, as a reward for giving them employment and directing their labor, retains to himself the premium, which they, in fact, also create and which justly belongs to him, the line of difference between the wages and the premium may become a disputed one; but it should be clearly perceived that the dispute is not between capital and labor, but between the partial and actual realization of co-operation. The partnership relation was an actual realization of co-operation; the employed relation is a partial realization of co-operative effort. As intelligence has increased and been more widely diffused among men, greater discontent has been observable, and men say the conflict between capital and labor is intensifying, when the real truth is, that by the increase of intelligence men are becoming more nearly capable of co-operation. In a still higher state of intelligence this premium will be eliminated altogether, because labor can and will become its own employer through co-operative association.

In addition to the many

ADVANTAGES WHICH CO OPERATION CONFERS

Upon the material prosperity of the laboring classes, there are great and significant benefits to ensue to the character of men. The employe is regarded by the employer merely in the light of his value as an operative. His productive capacity alone is taken into ac-

count. His character for honesty, truthfulness, good moral habits, are disregarded unless they interfere with the extent and quality of his services. But when men are about to enter partnership in the way of co-operation, the whole range of character comes under careful scrutiny. Each individual member of a co-operative society being the employer of his own labor, works with that interest which is inseparable from the new position he enjoys. Each has an interest in the other; each is interested in the other's health, in his sobriety, in his intelligence, in his general competency, and each is a guard upon the other's conduct. There would be

NO IDLING IN A CO OPERATIVE WORKSHOP.

Each workman being an employer, has a spur to his own industry, and also has a pecuniary reason for being watchful of the industry of his fellow workmen. The character of men invariably arises with the assumption of higher responsibilities, and with the accession of men to the higher plane of becoming their own employers, there is to be a corresponding accession of more ambitious and interested activity and higher character. The bill I have introduced in the Senate of the United States, if it should become a law, in addition to the opportunity it would afford for the formation of co-operative societies, would do much to attract attention to the value of the co-operative principle upon which our industrial systems should be founded. It will be a governmental attestation of the value of the co-operative principle, which alone can eliminate what has been called the conflict between capital and labor."

"There are still higher considerations connecting themselves with this great subject," said the Senator thoughtfully, "take, for instance, the influence of

CO-OPERATION UPON THE RATE OF WAGES

To the employed class. In a co-operative association conducting a business, and dividing the entire proceeds of the business, the dividends so created would exceed the ordinary rate of wages. The best mechanics and the best

laborers would, therefore, seek to acquire a position in a co-operative association. The reward of labor being greater by co-operation, the employer would have to offer additional inducement to labor to remain in its employ, because the superior attractiveness of the co-operative plan would incite them to form societies of this character, and employ their own labor. It would, therefore, have a direct tendency to raise the rate of wages for all labor—or, in other words, to narrow the margin between the amount paid for labor and its gross product. Its effects expand in various directions by contemplation. There would be a

GREATER CONSUMPTION OF LABOR,

Because of the greater prosperity of men in co-operative relation. All men labor to gratify their wants. Civilization means simply multiplicity of want, and the wants of men are limited only by their intellectual capacity to perceive them. As the mind grows and expands it perceives new and varied wants. You cannot have failed to notice that in proportion as men are able to gratify the higher tastes their dwellings begin to show the improvement in their condition. They have better carpets, musical instruments, pictures and books; comforts and even elegancies appear with the ability of men to purchase them. All these things are the result of labor. If there are more men able to own and enjoy them, there is a greater demand for labor in their production. So the demand for labor increases continually with the growth of civilized conceptions. Every improvement in the method of production brings some article of comfort or elegance within the reach of a larger number of people, and makes a greater demand for labor in its production, and at this point the interdependence of all men comes into view. A man may own a piece of land, but he is

DEPENDENT UPON THE LABOR OF OTHERS

For the instruments with which to till it. The owner of a piece of land who has nothing but his hands with which to cultivate

the soil is powerless to make it productive. Take the most primitive agricultural implement, a spade. When his hands are supplemented, and aided by a spade, he may stir the ground and plant something. This he could not do were his hands not supplemented with tools, and these tools, you will observe, are the product of the labor of others. A spade is a very simple garden implement, but its history would be the history of civilization—a history of all the progress that has been made in the mechanical arts. From the mining of the ore through its melting, its conversion into steel, its manufacture into the form of an agricultural implement, there are many processes, and these processes represent the advancement of thought and skill in the mechanical world. But the man I have supposed to own the land is powerless without the assistance of others. He cannot make a movement in the way of tilling his land without setting some one else to work to manufacture implements with which that tillage shall be done.

IN EVERY BRANCH OF HUMAN THOUGHT,

Every other department of activity and industry is called into requisition. The musician who composes music must express it upon a musical instrument—a piano or violin—and the instrument is the result of mechanical skill. As that skill advances, new expressions become possible, and hence the science of music is constantly promoted by reason of the improvement in the mechanical construction of musical instruments. The astronomer must use mathematical instruments. The observatory of the astronomer is called into requisition, and with it all the mechanical arts made use of in its construction, from the lense of the telescope to the stone in the foundation of the building. Taken, as a whole, society is a grand co-operative association. As a whole, it is a unit, and this unit is divided into departments or branches of mechanical activity and scientific inquiry, and these are mutually dependent upon each other. The demand

for the product of labor is unlimited. There can be

NO SUCH THING AS OVER-PRODUCTION,

So long as there remains a single human being with wants to supply. I say the demand for labor is unlimited, because the capacity of the human mind to conceive new wants is unlimited. With every advancement in civilization there is a corresponding enlargement of the range of wants. Every year introduces something into the wants of man which requires activity in a new field of labor to supply. The earth, the source from which all wants are supplied, is an inexhaustible mine. We have, then, the unlimited advancement and extension and multiplicity of human want, and we have an unlimited source from which those wants may be supplied. The condition of labor rises with the advancement of civilization, because with multiplicity of wants the demand for labor increases, and wants advance in proportion as they may be supplied. The human mind ceases to demand things that are impossible of gratification. But with the possibility of supplying wants they come into existence, and with them

NEW FIELDS OF ACTIVITY

For human labor are opened. It is for this reason that labor-aiding machinery is a continued blessing to labor. In fact, the difference between the civilized and uncivilized man is a difference of the extent to which the hand of man has been supplemented by tools and implements. The Indian on the plains of Nevada, with his unaided hand, presents no evidence of civilized capacity or productive power. With him the primitive problem of sustaining existence has not been solved. His hand is not supplemented by tools and implements, and his unaided hand finds constant employment in obtaining the mere necessities of physical existence. It is therefore impossible for him to enter any higher realm. The use of tools and implements which eventually expand and broaden and multiply into the most complex labor-

aiding machinery, is the point of departure between barbarism and civilization. As soon as uncivilized man perceives the value of an ax with which to cut down the trees of the forests, he finds eventually the value of a saw. He learns to propel this saw with steam or water power, and thus his hand is aided. He can now do something more than sustain

MERE PHYSICAL EXISTENCE.

Some of the intellectual wants of his nature may now be supplied, and with the intellectual activity necessary to the manufacture of an ax or a saw or a spade, he has acquired more intellectual force and power, and this is inseparable from the acquirement of diversified wants. His capacity to perceive new wants has been enlarged, and as soon as a want is perceived or felt, effort will be made to supply it. The uncivilized man, like the Indian of the plains, has never felt higher wants. When his physical wants are gratified, he falls into a condition of sloth and indolence, if indeed he has time for indolence, for in a barbarous condition, with the hands unaided by implements, it requires constant effort, diligence and industry to obtain the means of supporting mere physical existence. It therefore follows that every discovery in economic science which makes the production of things useful to man cheaper, and every new want that is felt by man in his progress toward higher civilization, enlarges the field of labor.

"CO-OPERATION WILL ADD

New energy to civilized life, because it will increase the prosperity of laboring men, and enlarge in every respect the scope of their lives. The capacity to perceive a diversity of wants, the power of the mind to feel and acquire new wants, being unlimited, and the things, necessary to their gratification, being produced alone by labor, the demand for labor is limitless, and that demand will increase in the proportion as men have capacity to perceive a greater diversity of want. The untaught bar-

barian, notwithstanding the effort required of him to maintain physical existence, consumes but little labor. Civilized man is a vast consumer of labor. Every article of furniture in his house, the house itself, the garden, the grounds, the books, the papers and the musical instruments, are all the result of labor, and each civilized man is therefore consuming in his lifetime the result of a labor equal to the productive capacity of many hundreds of men, whose hands are unaided by labor-aiding machinery.

"THE INTRODUCTION OF THE CO-OPERATIVE Principle into the industrial systems of our country means a general advance in the conditions of all classes. It means the awakening in the minds of a greater number of people of the complex wants of civilization, and will bring within the reach of all increased means of their gratification."

At this point the reporter directed the Senator's attention to the theory advanced by certain writers on the science of Political economy concerning the increase of poverty with the advancement of civilization. The question was propounded in the following general form:

"It has been contended, Senator, that the multiplicity of civilized wants places a strain upon certain classes among civilized men who have not sufficient intellectual capacity to keep pace with the civilization which surrounds them, and that they are therefore relegated to a condition of poverty which gives great emphasis to the disparity of condition between the rich and the poor, that in short, civilization presents the strong lights and shadows of great luxury and abject poverty."

To this the Senator replies substantially as follows:

"That conclusion grows out of our lack of observation of the same phenomena among uncivilized men. In a state of barbarism there is an utter absence of all unselfish helpfulness.

THE STRONG PREY UPON THE WEAK.

There is a greater disparity of

condition between the hunter who is able to pursue the chase, and the indigent, aged and infirm, than between the rich and the poor in civilized life, and for reasons which have already been alluded to; that is we have found that the point of departure, the very line of separation which leaves barbarism on one side and introduces civilization on the other, is at that point where the hand of man is supplemented by labor aiding machinery, tools and implements. We have found that with the introduction of labor aiding machinery life is enlarged, its possibilities widened and expanded. The primitive problem of maintaining physical existence being solved, the intellectual and spiritual wants of man may be ministered unto. When man, through the assistance of labor aiding machinery, may be able to produce in his life time an amount sufficient to maintain the physical existence of a hundred men, then he has a margin of capacity to supply his intellectual esthetic and spiritual wants in excess of the demand made upon him to maintain his physical existence equal to that which would maintain the physical existence of ninety-nine men.

OUT OF THIS SURPLUS

He is at liberty to conceive new wants, because the means to gratify them are within his reach. Now, among the natural wants of man is the desire to see those around him happy. In a state of barbarism the demand made upon the energy of one whose hand is not supplemented by implements is such as to confine him to the solution of the problem of his own existence. He has no surplus capacity which he may generously devote to the assistance of others. His own existence is at all times precarious. He does not add to the productive capacity of the soil by tillage. He subsists, for example, upon roots and berries which are allowed to grow, and his method of treating this natural food is such as to reduce its production year by year. For meat he subsists upon the animals of the forest, chiefly animals of the cervine species, and it is a

fact of universal observation that the barbarian slays the game at such time as to reduce their numbers. Barbarism, then, adopts and pursues methods of subsistence which constantly diminish the capacity of the earth to sustain human life. Civilized methods constantly increase the capacity of the earth to produce things necessary to man.

IMPROVED METHODS OF CULTIVATION

May render a single acre capable of producing an amount of human food equal to that produced by twenty acres in the past. The Malthusian theory of population, with which every student of Political Economy is familiar, predicted a limitation upon the numbers of the race by assuming a ratio of increase between the food product and the increase of population. It contended that population increased in a geometrical ratio, while the food product increased only in an Arithmetical ratio, and that therefore the capacity of the earth to produce food would not keep pace with the increase of population. This theory of population advanced by Malthus failed because he did not make allowance for the great progress which has been made in inventions, nor for the improved methods of cultivation which civilization has introduced. The real truth is that the capacity of the people of the earth to produce food is much greater in proportion to their numbers than during the time of Malthus. Take an example which is very near at home.

THE AGRICULTURAL POPULATION

Of California does not exceed one hundred thousand people. There are not in excess of 20,000 adults engaged in agricultural pursuits in California, and yet these 20,000 men produce an annual export surplus equal to from one million to twelve and thirteen hundred thousand tons per annum. One million tons of wheat per annum will furnish breadstuff for ten millions of people. Here then in California twenty thousand people, by the assistance of labor-aiding machinery,

are producing in a single year bread sufficient to feed ten millions of people a whole year. Right under our own observation, then, 20,000 men produce in a single year bread enough to feed five hundred times their own number. In a state of barbarism, or even in the more primitive stages of civilization, this result would have been impossible. In fact, in a state of barbarism, the individual with his bare hands and possibly a few rude implements of agriculture or hunting equipments, is barely able to support himself, and minister to his own physical wants. Conditions in a state of barbarism may appear to be more nearly equalized to the superficial observation, because all are on the dead level of abject poverty, below the line of which there is submergence or actual starvation.

I have already said that

THE WANTS OF MEN ARE LIMITED

Only by their intellectual capacity to perceive them. Let me add to that a most obvious fact: with the capacity to perceive wants, the power to find the means of their gratification is also very greatly increased. In low conditions of civilization the wants are few and the productive capacity correspondingly low. In a high civilization wants are multiplied, and become more complex, and the capacity of man to supply them is augmented even in a much greater ratio than the capacity to perceive them. In stages of civilized development where the wants are very few, and the habits of life very simple, the use of labor-aiding machinery is also very limited; but with the expansion of the mind under civilizing influence, the inventive genius rises, and while new wants have birth in the mind, still greater capacities for producing the things required to gratify these wants are also engendered.

When you meet with a man who is poorly clad, poorly fed, living in a state of poverty, you are always beset with the painful reflection that he

UNUSED PORTIONS OF THE EARTH,

Would offer a broad field for the

application of that man's productive capacity which would yield him and his family an abundance. When you see a man without employment, and reflect that but a small area of the earth from which all the wants of man are supplied, is under cultivation, and therefore but a very small proportion of the earth yielding its abundance to supply the wants of men, the contemplation is necessarily saddening. The fault is with the organization of our industrial systems. The individual so circumstanced belongs to the class of people who wait the action of an employer, instead of originating employments for themselves. Now, the employer class originates employments only for the gratification of its own wants. The hire of labor uses other men in the employed relation only to the extent that his own wants demand.

Those, therefore, who having productive capacity,

REMAIN IN POVERTY,

Belong to the class who constitute the surplus over and above the numbers required to satisfy by the product of their labor the wants of the employer class. The numbers belonging to this surplus class would be constantly diminished, and would eventually disappear under the operation of the co-operative principle. In the first place co-operation would so improve the condition of the working men engaged in it that their own wants would be multiplied, and a greater demand for labor would ensue; and in the second place, too much importance cannot be attached to the fact that no man can do anything unless he has first received a preparatory education. This is just as indispensable in an employer of labor as it is in any other department of human activity. The number of employers of men will necessarily be limited to the number who have the capacity to accomplish profitable results through others. Co-operation would be a preparatory school qualifying men, not only to direct their own energies, but to direct the labor and skill of others. Let us illustrate this plainly

and simply. Suppose that to-day for every one hundred men

ENGAGED IN MANUAL LABOR

There is but one employer who is originating employment for the other ninety-nine. This one individual, it may safely be presumed, is the only one among the one hundred who is qualified to successfully direct to a profitable issue the productive capacity the skill and the industry of the others. Now, suppose that twenty out of these one hundred form a co-operative association, and thereby become the employers of their own labor. Each begins by first directing his own. Having mastered this problem each is now prepared to take the next step, and to become the employer of others.

HERE, THEN, A CO-OPERATIVE

Association becomes a school in which employers are educated, and eventually, instead of one man in one hundred having the requisite capacity to direct the employment of others you have twenty-one, because the co-operative association has qualified twenty new men for the high and beneficial office of originating employments and directing successfully the productive energy of their fellow men. With the increase in the number of these qualified to profitably direct the employments of their fellows, there is to be a corresponding increase in the numbers demanded by the proprietor or the employer classes, and with the increase of the number of employers there is necessarily a corresponding intensity of competition between them in the field of originating employment. This competitive relation alone would raise the reward of labor. Increase the number of those who have sufficient capacity to originate employment, and derive a profit out of directing the energies and industries of their fellow men, and you necessarily increase the demand for employes. Thus co-operation will increase the number of those qualified to originate employments, and thus import into the industrial system a competition among the employer class a condition highly favorable to the employed.

If I have been so fortunate as to make myself clearly understood, you will perceive that the underlying difference between an industrial system conforming to the principles of co-operation and one dependent upon perpetuating the relation between employer and employe, is one which addresses itself directly to the distribution of wealth. In the employed relation, the number of men an individual can employ is limited only to his skill and capacity as an employer and to the amount of profitable and productive employment he is able to offer. There are individuals and associations of a small number of individuals, who are employing large numbers of men.

I HAVE NO STATISTICS

At hand which would enable me to state with accuracy the highest number employed by a single individual, but I assume that there are those who employ in the enterprises projected and carried forward by themselves as high as 20,000 men, women and children. There is a single stationer in the city of London who employs in a single building in printing, engraving and lithographing 3,600 men, women and children, and the same individual employs fully as many more in the manufacture of paper, envelopes, etc. Here is a joint effort having two distinct departments. On the part of the employer, the problem to be solved is the purchase of material, economic direction of labor, and the sale of manufactured goods. Subsidiary to these, it is the office of the employer to discern clearly the tastes and demands of the public, and not only to supply a demand already existing, but to promote or create additional demand. The

MANUFACTURER WHO HAS NO REGARD

For merchandise is liable to operate at a disadvantage. The merchandizing side of the effort therefore becomes an incident of successful manufacture. Moreover, the problem of success requires skill in the purchase of material, which, as we have seen, is merely a form of labor not performed, under his direction, and also the

promotion of skill, industry and diligence among his employes. The profitable employment of so large a number of men, and the successful solution of all the problems involved is a very high office requiring a broad range of faculty, great breadth of view, vast executive capacity, systematic economy in the various departments, and tireless commercial activity. The financial success of such a man in the natural order of things will be greater than that of any single individual employed by him. A small profit arising upon the production of each of several thousand persons in his employ, when aggregated, will make in the course of a business career a large accumulation in his hands, and proportionately to the number employed the proprietor class will necessarily accumulate comparatively large fortunes as compared with the laboring class. Likewise, the

MERCHANT WHO IS A DISTRIBUTOR

Of the product of labor, and stands between the producer and the consumer, devotes his thought, his time and his energy to the accumulation of profits arising out of production due to the labor of others. The office of the merchant is a beneficent one. He performs the very necessary function in the commercial organization of distributing economically the product of labor.

The division of human labor into separate departments of activity has in all time been recognized as highly advantageous. The object of all production is the exchange of labor in these separate departments. The shoemaker devotes himself to the manufacture of shoes and boots, and thereby acquires great facility in the trade, but his own necessities are varied, and a great variety of trades and callings are brought into requisition to supply his wants. The wares he produces must be exchanged and the merchant is the medium of this exchange. If the office he performs is conducted strictly in accordance with true, mercantile principles, it is an indispensable one to the profitable exchange of the varied products of the

various departments of human activity. All these various offices to be successfully and advantageously filled require special preparatory education and experience.

SUCCESSFUL MERCHANDIZING

Is as much the result of trained faculties, broad and enlightened intelligence and skill as the making of a good watch. Underlying every occupation and indispensable to success, there are certain fundamental principles which must be clearly comprehended and completely mastered, and the possession of the knowledge of these principles and of their application to business is in each instance a profession or calling, or, as we may say, a trained occupation. The producer of things useful to men lives in what we may term for the purpose of illustration, the world of production. The employer class and the distributing class may be said to live in a realm of accumulation. Co-operative efforts associates these two great departments, and combines them in one and the same body of men. Co-operation being a method by which an individual employs his own labor, and thereby accumulates the premium which under the opposite system of industry enures to the benefit of the employer, it becomes at the same time a more effective method of accumulation.

PRACTICAL SUGGESTIONS.

The advantage of co-operation being established, the question naturally arises, how it can be effected. The bill I have introduced into the Senate of the United States is designed to be the practical instrument of co-operative organization. It will give legal definition and status to co-operative institutions. It is designed to define clearly the relative rights, duties and obligations of individuals in a co-operative relation, and also the legal relations of such institutions to individuals, corporations and other co-operative institutions.

At the very threshold of co-operative effort we find that the co-operative association must perform for itself the offices that have been performed by the employer, by the

purchaser of materials, by the director of labor and by the merchant.

CO-OPERATION IS NOT ITSELF

Designed to eliminate, and could not eliminate if it was so designed, these offices from human activity. What is designed is that labor shall perform these functions for itself; unless they are performed with the same executive qualifications necessary to success under the opposite system they will result in failure. The first thing necessary, then, is a plain recognition on the part of those intending to unite their labor into co-operative relation of the necessity for an intelligent direction equal to that which directs labor in the employed relation, for equal executive ability in the purchase of materials, the distribution of labor, the direction of skill and the sale of wares.

SUCCESS IN ALL THESE DEPARTMENTS

Of activity are as much dependent upon capacity and preparatory education as mechanical skill or professional acquirement. The first step, therefore, will be for those engaged in a calling or craft to associate a chosen number who, availing themselves of the provisions of the Bill, enter into a legal organization wherein their duties and obligations are defined by law. The second step is to select from their number executive officers who, by reason of their experience and special fitness, are qualified to perform the higher offices of directing to an intelligent issue the co-operative effort. This enforces a clear recognition of several things, chief among which is that productive labor, however intelligent or skillful in the realm of its special production, requires intelligent direction to reach successful results. Due regard must be had for the special department of labor in which the co-operation is undertaken.

THOUGHT MUST BE BESTOWED

Upon the quality and character of the wares and merchandize produced. Judgment must be exercised in the apportionment of labor to those most skilled in its separate branches. Executive ability must be employed in the financial department

of such an undertaking. Thus, executive ability, financiering skill, clerical accomplishment, and in short, the exercise of all the varied qualifications which combined guarantee to the employed relation all the success it has ever achieved, and necessary to a co-operative institution.

I think I have observed a reluctance on the part of men whose lives have been spent in productive labor, to recognize clearly and fully the difference of capacity among men. Co-operation will be a failure without such recognition. Co-operation is not designed to be the

HAVEN OF INCOMPETENCY,

But to combine the full force of united strength working as a unit for a common benefit.

When a method of industrial organization is sought, the underlying principle of which is to give to labor the full reward of its toil, any attempt to merge the capacities of those co-operating, whereby a general average will be struck between competency and incompetency, diligence and sloth, intelligence and ignorance, will be at once in contravention of the great underlying principles of co-operation. Further than this, it is not the design to divorce labor from its intelligent direction, but rather to associate the intelligence as well as the productive skill and capacity of workmen into co-operative relation.

Under the provisions of the Bill it will be possible for those proposing to form a co-operative society to so formulate their articles of association that the incompetent, indolent and immoral, should any such become members, can be divested of their membership. This can be accomplished by providing the means by which an appraisal of the value of an interest may be had, and if the association shall be so unfortunate as to find among their number one addicted to drunkenness, to immoral practices, to habits of indolence or insubordination, or possessed of a violent and intractable temper, such member's interest in the association may upon demand of two-thirds of the membership be appraised, and upon payment to him of

the value of his interest, the member himself can be expelled, thus rooting out all those whose habits or disposition would make their membership a continued menace to the success of the society. A co-operative association may also provide that each member shall receive wages or salary, and while being invested with membership, will, during the time he is employed, act in the capacity of workman under the direction of the president or general director. In this employed relation the officer over him should not be denied that degree of authority which will enable him to enforce all the discipline of industry, all the requirements of good workmanship, skill and diligence, which will be found to be indispensable to success.

All these contingencies may be provided for in the articles of association, which each member should be required to sign, and which would constitute a code of rules and regulations forming the basis of the agreement between the members. In this sense a co-operative society would be the employer of its own members. It would pay wages, and if the aggregate product of the labor performed yielded a profit in excess of the wages paid, then out of such profit a dividend to the members should be declared, and the dividend should be paid to the membership in proportion to the labor performed by each. If in the prosecution of any enterprise the association should find it profitable to employ persons who are not members of the association, such employment would not be inconsistent with the objects of the association. Such association should in all respects remain voluntary, and a co-operative society should be at liberty to admit additional membership, if profitable employment can be found for an additional number of members, or to employ in emergencies the time of workmen, the same as labor is employed by individuals or corporations.

All that organization implies is the existence of a unified body having organs with separate functions.

CO-OPERATIVE ORGANIZATION

Must necessarily conform to this law of being. In the prosecution of any enterprise there are natural departments of activity. These varied departments call for capacity in the performance of their functions. It will become speedily apparent that a single head, to be called perhaps a manager or director, must be chosen, and this head must be invested with that degree of power necessary to the accomplishment of definite and successful results. The highest test of fitness to enter into the co-operative relation will be the intelligent perception of the necessity of obedience. Every undertaking is amenable to certain inexorable laws which may be termed the law of its success. Co-operative organizations must be brought under subjection to these laws. To this end capacity in each natural subdivision or department of activity must not be denied that degree of authority necessary to make its functions effective for the good of the whole. Otherwise the

REWARD OF INDUSTRY

Will be defeated by the incompetency of its management and direction, by waste in the purchases and sales, by ignorance of the relation of demand and supply, and by all other vicissitudes and attributes, which confer upon the commercial and manufacturing activity surrounding us the changing kaleidoscope of success and failure. There is no royal road to great achievements in any department of human thought, or human activity. Co-operation will not therefore abolish the law of commercial success and failure. However great the advantages to labor of the co-operative principles, co-operation itself will be amenable to the great law that the success of all effort is ultimately dependent upon its intelligent direction.

INTELLIGENT CONCURRENCE

In the proper direction of effort is equal in dignity to the intelligence which directs. By far too little importance has been attached to this great truth. However high the intelligence which directs, its measure of success is forever

dependent upon the concurrence of the association. Co-operative organization will, therefore, find itself amenable to these laws of intelligent direction and intelligent concurrence. They will find it necessary to define the functions of office, and to commit the discharge of these functions to those best qualified to perform them. Thus organized, co-operative association is equipped with the full round of competency. In such relation the members enter a new and

HIGHER REALM OF ACTIVITY.

It is by their concurrence that they are directed, and thus concurrence becomes itself the directing force. There are large numbers of men whose services may be secured, already well qualified to fill the necessary offices of such an organization, and thus entering upon an employed relation founded in concurrence, each associate becomes in a sense the director of his own labor, and each member begins at the very outset to acquire competency in a higher and broader realm. Each co-operative institution will, therefore, become a school of business in which each member will acquire a knowledge of the laws of trade and commerce, pertaining to his business, and thus to their mechanical skill each will be adding a stock of that knowledge so necessary to success in the realm of accumulation.

The value of all this to the character of citizenship should be apparent, without illustration. To comprehend it in all its breadth, however, let us assume that in all time all labor had been thus self directing. If instead of the proposition before us to change the industrial system from the employed relation, and place it under self direction, the co-operative form of industrial organization had existed from all time, and we were now for the first time proposing to reorganize the employment of labor, and place it under non-concurrent direction. I apprehend the proposer of such a change would be regarded in the light of an enslaver of his race. He would be amenable to the charge that his effort was in the direction

of reducing the laboring men to an automaton, and that vague apprehension with which all untried experiments are beset would leave but small distinction in the minds of workingmen between the

SUBMISSION OF ALL LABOR

To the uncontrolled direction of an employer and actual slavery. We may safely assume that such a change would be impossible—that men are not likely to voluntarily surrender the independence of character which co-operation would establish for any lower degree of servitude. I would not by this illustration be understood as claiming that any useful employment is lacking in dignity. All labor is honorable, all industry noble, and under the operation of our free institutions and our free educational systems, the masses of working men have become constantly more intelligent and more worthy. In fact co-operation is merely an extension to the industrial life of our people; of our great political system of self-government. That government itself is founded upon the great doctrine of the consent of the governed, and has its corner stone in the memorable principle that men are endowed with inalienable rights. This great principle has a clearly defined place in co-operative organization. The right of each individual in any relation to secure to himself the full benefits of his intelligence, his capacity, his industry and skill are among the inalienable inheritances of humanity.

To resume, however, the practical phases of this question, I can see no reason why co-operation may not be extended into various branches. As a people we are engaged in a varied agriculture, as well as in a variety of manufactures and a varied commerce. A co-operative association designed to furnish labor for farming oper-

ations is clearly within the realm of practical achievement. A varied agriculture demands labor at different seasons of the year. An association of industrious, intelligent and sober agricultural laborers, comprising men qualified to perform intelligently the varied requirements of agriculture and horticulture, would be of inestimable benefit in our labor system. They could organize for the purpose of furnishing labor as the vicissitudes of the season may require. There are various seasons for the various products; therefore co-operation would insure to the farm laborer annual employment arising out of the variety of the production of a neighborhood.

THERE IS THE SEASON OF PLOWING,

Of planting, of pruning, of harvesting, of the vintage,—and these seasons are not coincident. An organized body of laborers responsible as an organization for the faithful performance of the duties of its members would find a large premium enuring to them growing out of the facilities thus afforded to employ from a single labor exchange a sufficient number of workmen for the accomplishment of these varied operations in their appropriate seasons. Finally it will be found that in co-operation, as in every other department of human activity success will depend upon the adjustment of men to their various duties according to their highest fitness. Let the man best fitted to direct be chosen for that office. Then let intelligent concurrence supplement his effort, and honesty and intelligence will accomplish all the rest.

The Bill under consideration was introduced in the hope that it would prove an instrument for the accomplishment of these great results.

IN THE SENATE OF THE UNITED STATES.

December 20th, 1886.

Mr. Stanford introduced the Following Bill; which was Read Twice and Ordered to Lie on the Table.

A BILL

To encourage co-operation and to provide for the formation of associations in the District of Columbia for the purpose of conducting any lawful business and dividing the profits among the members thereof.

Whereas the right of association for any lawful purpose is a natural right; and

Whereas the exercise of this right enables persons of small means or whose only capital is labor to combine such means or labor in a common enterprise and bring to it the strength of the whole, and the intelligence of all; and

Whereas the passage of liberal laws relating to the mode and manner by which co-operative associations may be formed, and defining the rights and duties of the members thereof will encourage the formation of such associations, and give the incentive to industry which comes from a knowledge that its fruits will be secured to the worker: Therefore,

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any two or more persons may associate themselves together in the manner prescribed by this act for the purpose of conducting any lawful business, trade, or occupation, or for any purpose for which individuals may lawfully associate themselves.

SEC. 2. That any two or more persons desiring to associate themselves together for the purpose aforesaid shall prepare articles of association, which articles shall set forth—

First. The name of the association.

Second. The purpose for which it is formed.

Third. The place where its principle business is to be transacted.

Fourth. The term for which it is to exist, not exceeding ninety-nine years.

Fifth. The number of the managers thereof, and the names and residences of those who are appointed for the first year.

Sixth. The amount of moneyed capital, if any, and the number of shares into which that capital is divided.

Seventh. If there is no moneyed capital, then the amount and kind of property which the association devote to the enterprise, and the interest of each therein.

Eighth. If there is neither a moneyed capital nor other property devoted, but the labor alone of the associates is in the first instance combined, then the amount of labor to be performed by each, the terms upon which it will be performed, and what percentage of the net proceeds of such labor shall be reserved to the association as capital for future operations.

Ninth. If moneyed capital and other property is combined, then the amount thereof and the kind of property, and the share or interest of each therein.

Tenth. If labor is combined with either moneyed capital or other property, or both, then the share or interest of each therein, the amount of labor to be performed by each, the terms upon which it will be performed, and what percentage of the net proceeds of such labor shall be reserved to the association as capital for future operations.

SEC. 3. That the articles of association hereinbefore provided for must be subscribed by the original associates and acknowledged by each before any officer of or in any State or Territory of the United States having a seal and authorized by the laws of such State or Territory to take and certify acknowledgments of conveyances of real property.

SEC. 4. That the articles of association so subscribed and acknowledged must be filed for record and recorded in the office of the recorder of deeds for the District of

Columbia, which officer must, upon the filing, make and deliver to the associates, or their agents, a certified copy thereof noting on the same the day and hour of its issuance, from which time the association shall be complete and it shall have and exercise all the power for which it was formed.

SEC. 5. That a copy of any articles of association filed in pursuance of this act and certified by said recorder of deeds shall be received in all courts and other places as prima facie evidence of the facts therein stated.

SEC. 6. That every association formed under this act must, within ninety days after filing the articles of association, adopt a code of by-laws for the government of the association, not inconsistent with the Constitution and laws of the United States. The ascent of members representing a majority of the capital stock or property subscribed, if there be a capital stock or property subscribed, or a majority of the associates, if there be no capital stock or property subscribed, shall be necessary to adopt by-laws.

SEC. 7. That any such association may, by its code of by-laws provide for—

First. The time, place, and manner of calling and conducting its meetings.

Second. The number of members of the association which shall constitute a quorum.

Third. Voting by proxy if it is so desired, and the mode and manner thereof.

Fourth. The number of managers, the time of their election, their term of office, the mode and manner of their removal, and the power and authority thereof.

Fifth. The compensation, if any, of the managers.

Sixth. The number of officers, if any other than the managers and their tenure of office.

Seventh. The mode and manner of the transfer of shares, and the succession in membership.

Eighth. The restriction, if any, upon the transfer of shares, membership, and rights in the association, and the limitations as to

the amount of interest to be held by any one or more of the associates.

Ninth. The mode and manner of conducting business.

Tenth. The mode and manner of conducting elections.

Eleventh. For assessments upon the moneyed capital subscribed, if any, or for the installments to be paid at stated periods, or for work to be done; the mode and manner of enforcing the payment of such assessments or installments, or doing work, or for forfeiting or selling the shares or interest of any member of the association delinquent for such assessments, or installments, or work.

Twelfth. Such other things as may be proper to carry out the purpose for which the association was formed.

SEC. 8. That the by-laws adopted must be signed by majority of the associates and recorded in a book to be kept in the office of the association, and a copy of such record, duly authenticated by the seal of the association, if any, and signed by the keeper of such record, must be filed in the office of the recorder of deeds of said District. The by-laws may be repealed or new by-laws may be adopted, at any meeting of the associates, by a vote of members representing two-thirds of the capital stock, if any, or two-thirds of the property devoted to the enterprise, if any, or if labor alone is devoted to the enterprise, then by two-thirds of the persons composing such a association; and the amendments, revisions, and new by-laws shall be recorded and filed in the manner provided for recording and filing the original.

SEC. 9. That every association formed under this act shall have power—

First. Of succession by its associate name for the period of ninety-nine years.

Second. To in such name sue and be sued in any court.

Third. To make and use a common seal and alter the same at pleasure.

Fourth. To purchase, hold, and convey real and personal property, as the purposes of the association may require.

Fifth. To appoint such subordinate

officers or agents as the business may require, and to allow them suitable compensation.

Sixth. To admit associates, and to sell or forfeit their interest in the association for the purpose of paying assessments on or in default of installments or of work or labor required.

Seventh. To enter into any obligations or contracts essential to the transaction of its affairs, or for the purpose for which it was formed; but such association shall not have power to issue bills, notes, or other evidences of debt, upon loans or otherwise for circulation as money.

Eighth. To do all other things proper to be done for the purpose of carrying into effect the objects for which the association is formed.

SEC. 10. That two or more associations formed and existing under the provisions of this act may be consolidated one with the other, upon such terms as may be agreed upon in writing by members representing two-thirds of the capital stock, if any, of each association, or two-thirds of the property, if any, of each association or if neither capital, stock nor property then two-thirds of the members of each association, in which case articles of consolidation shall be prepared and filed in the same manner and form as the original articles of association and with like effect; and from and after the filing of such articles the association comprising the component parts of the consolidated association shall cease to exist and the consolidated association shall succeed to all the rights, duties, and powers of the component associations, and be possessed of all the rights, duties, and powers prescribed in the articles of the consolidated association, and shall be subject to all the liabilities and obligations of the associations component parts thereof.

SEC. 11. That all associations formed and existing under this act are required to keep a record of all their business transactions, which records shall be subject to inspection by any of the members thereof, and a copy thereof shall be prima facie evidence of the facts therein stated in all

courts and other places when offered in evidence.

SEC. 12. That in addition to such records full books of account must be kept, showing the names of the members of the association, the amount of the capital stock, if any, the property, if any, belonging to the association, and all other things proper to show the condition in every respect of the affairs of the association.

SEC. 13. That no member of the association shall be individually or personally liable for any of its debts or liabilities except in case he has subscribed to the association moneyed capital, and in that event he shall be liable on such debts and liabilities for the amount of the unpaid portions, if any, of such subscriptions; and all the property of the association and all unpaid subscriptions, if any, shall, in case of the failure of such association to meet any of its obligations, be liable—

First. To the payment of all debts due to persons not members of the association.

Second. After the payment of all debts not due to the members of the association, then for any balance to the members of such association. And the property of such association may be taken in satisfaction of any judgment obtained against it in the same manner as the property of an individual. The interest of any member in such association may be levied upon and taken in satisfaction of any judgment against him in the same manner as the share of a partner in a partnership may be taken, and the purchaser at any sale made under such levy shall succeed to the interest of the associate against whom the process ran, subject, however, to such limitations as may by the by-laws of said association have been provided for in relation to succession.

SEC. 14. That the right of any association claiming to be organized under this act to do business may be inquired into by quo warranto, at the suit of the Attorney-General of the United States; but the right of an association claiming in good faith to be organized under this act, and doing business as such association, shall not be

inquired into in any collateral proceeding, nor shall its right and authority to do business as such be questioned except by the aforesaid proceedings, in the nature of quo warranto, at the suit of the Attorney-General of the United States.

SEC. 15. This act having been passed to promote the association of individuals, and to induce them to combine their capital or labor for their mutual welfare and

the public good, therefore the rule of the common law that statutes in derogation thereof shall be strictly construed shall have no application to this act, but its provisions must at all times be liberally construed, with a view to effect its object and to promote its purposes.

SEC. 16. That this act shall be in force and effect from and after its passage.

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