

# Laying the Groundwork for Effective Economic Citizenship

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Only as boys and girls actually "live through" the relationships involved in democratic communities can they understand the problems involved. Skokie School in Winnetka, Illinois, has been developing a program of political and economic self-government for a number of years. Donald G. Cawelti, principal, here describes some of the economic enterprises the eleven- through fourteen-year-old students of the school own and operate to provide the goods and services they have found necessary to make their community one in which there is "high-grade living" and political and economic understanding.

OUR COUNTRY'S FOUNDERS realized that government by the people could function only if universal education were instituted so that all children might be prepared to meet their responsibilities as citizens and masters of the State. To this end our public schools are supported by taxation and attendance is compulsory.

The local, national, and international scene, however, gives scant indication

that education has been successful in its primary purpose of producing effective citizens. Emphasis in most places is upon education to prepare for more education and on education for greater earning power. Frequently this has obscured the real purpose of free public schools. But scattered here and there over the country attempts are being made to develop a program of education that will prepare well-adjusted,



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well-informed citizens—individuals dedicated to advancing the common good and experienced in the techniques and machinery of democratic controls. On such a program of education democracy bases its hopes for survival, improvement, and extension.

### Laboratory for Community Living

To serve as the inner defense of our democratic way of life, education should provide guided experience, according to ability, in the management and control of the political and economic institutions of the times. Through this concept of education the school becomes a community which, like the larger community of which it is a part, includes institutions that have been developed to provide the goods and services needed by its citizens. In all of them the form and spirit of representative self-government operate. In all of them children meet the same sort of problems of government and business that their parents and other adults are meeting in the country and world at large.

In a world where geographical frontiers and boundaries are fast becoming meaningless and interdependence is an important reality, corporate enterprise, whether it be political, economic, or social, is becoming increasingly important as the method by which mankind accomplishes the things that need doing. *The ability to cooperate with others, the disposition to place service to others above selfish interest, the opportunity to develop mutual respect and confidence through understanding, the skill to use democratic procedures for group action, the courage to invent new procedures where old ones fail* are im-

portant objectives which education must meet if corporate action by the people is to succeed in building a peaceful world with security and abundance for all.

In the area of political democracy, citizens need to develop competency and creativeness in using the machinery of representative government. Practical experience in representative student self-government has become a part of many school programs and the movement away from the old teacher authoritarianism is well under way.

### Competency Through Experience

In the area of economic democracy, citizens need also to develop the ability and inventiveness to make representative government serve and advance their welfare. Like states under our constitution, corporations and labor unions, under laws enacted to regulate their form of organization, follow the theory of government for and by the people. But schools have done little to advance this theory through practical educational experience. What little has been attempted has been done mainly by book and preachment or by disappointing make-believe.

The experience of Skokie School in developing corporations and labor unions to meet the *present* economic needs of providing goods and services for its citizens is described here briefly. These corporations serve as activities which, integrated with the rest of the curriculum, lay the foundation for effective economic citizenship in the *future*. All of them are chartered by the school Council, the central representative governing body of Skokie, which has enacted laws governing the

organization and operation of economic enterprises:

1. The School Council shall encourage corporations which have educational value and meet real needs.
2. Every corporation must have a teacher as sponsor.
3. All new enterprises must have permission to begin organizing and must make written application to Council for permission to carry on their business in the school. The written application shall give information on the following points:
  - a. Name, purpose, place of business, type of corporation—profit or non-profit, private or public. (Here details of membership fees, invested capital, maximum returns on invested capital, withdrawal, etc., are listed for inclusion in the application.)
  - b. Are buying and selling to be on a cash basis?
  - c. What is the governing body of the corporation called? Who may vote in the election of this body? Is voting by membership on a one man-one vote basis or according to the amount of capital invested?
  - d. Does the governing body (board of directors) or the membership decide how much of the yearly earnings are to be set aside for depreciation, emergencies, and expansion? How much, if any, is to be returned to members as dividends on invested capital? How much, if any, is to be returned to members according to the amount of their patronage?
  - e. What is the wage policy?
  - f. What is the price policy?
4. By a two-thirds majority the school Council, with the approval of the principal, may revoke a charter if the organization is found to be harmful or of insufficient value to share school time with classes and other organizations.
5. No non-voting stock is to be issued. Stock may be purchased from the corporation only, and is transferable only to the corporation. Only members of



- Skokie School may become members of Skokie business organizations and they cease to be members when they leave. They vote in person, not by proxy.
6. All business organizations must keep complete records.
  7. All accounting and handling of money shall be under the supervision of the Supervisor of Accounts.
  8. Corporations may amend their constitution by a two-thirds vote of the members.
  9. Semi-annual reports describing operation and showing a complete financial accounting shall be filed with the school Council.

#### How Are Earnings Distributed?

Under this law a number of corporations have come into existence as students felt the need for them. The Skokie Livestock Corporation, a private-profit type of corporation, developed from the interest a group of students had in raising pets. Its purpose, as stated in its constitution, is (a) to provide educational experience

in organizing and conducting a business and in raising animals, and (b) to raise and sell animals as a means of profit to the members.

The purchase of a twenty-five-cent share of stock makes one a member of the corporation. Members meet two or three times a year to discuss operation and decide on policy and to elect a board of directors to carry out their wishes in managing the company.

Since it was chartered, the corporation has met and solved numerous problems. There is always the question of what animals to raise. The past year the company found raising and selling hamsters was profitable. But another year disaster struck the business when dogs broke into the pens and killed all the rabbits. Substitution of day-old chicks which sold profitably at the Easter season saved the company from bankruptcy.

The most significant problem educationally with which this corporation has dealt concerns the perplexing capital versus labor issue. Originally the company, preoccupied in the fun of raising animals, did not give much attention to the matter of earnings and their distribution. Since many of the members were workers as well as investors, it was agreeable to distribute the earnings as dividends on investment. Their complacency was severely jolted one year, however, when a heavy investor, who didn't join in on the work, walked off with a good share of the earnings when dividends were declared.

"That's not fair!" was their immediate reaction and subsequent discussions centered about what could be considered a fair return on invested capital and whether those who have

only labor to invest should not receive an equitable share in the earnings of the company.

It is encouraging to read in their last half-year report that the members had decided to return not more than ten percent of the earnings to *investors of capital* and the rest, after taxes, rent, expenses and reserve were deducted, to *investors of labor* in proportion to work done.

These youngsters have, in their experience with a knotty problem, gone a long way in getting the spirit and developing the method of cooperative, considerate capital-labor relations. The chairman of their board of directors says, "Our corporation has many educational values as it teaches its members the fundamentals of business; how to buy and sell; how to keep accounts; and how to cooperate with other people. Besides we have a lot of fun raising animals."

#### What About a Loan?

It is well to have other types of corporations operating along side the private-profit type just described—corporations owned by the public, and producer and consumer cooperatives. The Skokie BBB's (Biology Bureau of Bees) is a public corporation owned by all the citizens. A group of students appointed as directors by the school Council and a faculty sponsor operate a small apiary of five outdoor hives and an observation hive. The chairman of the board of directors is a member of the Council and is directly responsible for keeping it informed on the condition and operation of the business. The directors, by authority of the Council, take full charge of caring for the bees.



purchasing needed equipment, and selling the honey. Earnings above cost of operation revert to the public treasury.

During the past year, the necessity of moving the hives to a new location involved a careful study of business procedures. The new location called for the purchase of a protective fence costing \$200. Some reserve had been built up from previous earnings, but not enough to pay this amount. The Council asked the directors to recommend a plan. Eventually, after long deliberation, they recommended that:

- a. We kill off our bees rather than winter them. This will make it possible for us to harvest 200 additional pounds of honey which, if sold at 50 cents a pound, will give us \$100. (The 200 pounds of honey would otherwise have been left in the hives for winter food for the bees.)
- b. We buy new colonies of bees in the spring. New colonies for five hives will cost us \$30, leaving \$70 to apply toward the new fence.
- c. We borrow the rest of the money to purchase the fence, paying it back from earnings during the next four years.

They were distressed about destroying their bees, but decided that the difficulty of moving live hives and financing a new fence made it necessary to do so. The citizens of the school, after discussion of the problem in social studies classes, authorized their representatives in the Council to approve the plan as recommended. Now the fence has been built and new colonies of bees are busily producing next year's harvest of honey.

"We were afraid," said the young chairman of the board, "that we might have to go out of business when we found out we had to move. It's a good thing the price of honey was high this year so we made a lot on our sales. I hope we have a good harvest next year, too, so we can meet the payment on our loan."

Another enterprise, the Skokie Conservation Authority, is owned by the government and managed by a Council-appointed board of directors. The Authority has developed a thriving nursery business, raising evergreen trees and shrubs, which are sold to townspeople.

The conservation of natural resources and the significance of governmental projects such as the TVA take on a new meaning in the light of the experience these children are having with their own little undertaking.

#### **How Do Cooperatives Work?**

The cooperative type of business enterprise is particularly adapted to education in democratic economics within the school because of its form and purpose of organization. Cooperative principles—open membership; one vote per member, regardless of the number of shares owned; limited interest on invested capital; cash sales at market prices; patronage refunds on purchases; continuous education of members; no discrimination because of race, creed, or color—highlight the values which must be sought economically if the greatest good for the greatest number is to become a reality. Familiarity on the part of all with the distinctive characteristics of cooperatives and the world cooperative movement along with knowledge of the peculiar characteristics of other kinds of corporations, profit or non-profit, public or private, might well encourage adaptations within each, resulting in greater efficiency and economic benefit.

The Skokie Co-op is a consumer's cooperative. It operates a store which makes school supplies of good quality available at fair market prices. Earnings are returned to members in proportion to the amount of their purchases, and dividends are limited to four percent on invested capital. One of the members in a recent story writes: "We feel that by working in the Skokie Co-op we

learn much about buying and selling merchandise and about how the cooperative kind of corporation works. The members who buy from our store benefit by being able to get their supplies at school and by having the savings that result from the patronage refunds."

#### **To Meet the Needs of All**

Space does not permit a description of the Skokie Mutual Insurance Company, which through cooperative sharing of losses protects members against breakage of dishes in the cafeteria; the Skokie Credit Union, which through cooperative pooling of savings makes available to members a fund from which they may borrow in case of need; the Research and Production Company, a producer's cooperative, which applies its scientific and technical knowledge to the production of goods, such as ink, valve oil for musical instruments, ornamental lapel vases; the Skokie Dishwashers Union, a labor union which provides service to the cafeteria; or the tax program, which supports the school government and helps children learn "why it is necessary to have taxes and how important it is that they be fair and just."

Skokie School is attempting to serve all institutions through laying the groundwork for better political, social, and economic understanding. As children see the necessity for cooperation, inventiveness, and the responsible use of economic power in their smaller school community, they develop a pattern for human relations which prepares them for more effective citizenship in the larger world community.

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