

# Origins

One night in New Orleans recently, while traveling from cooperative to cooperative, I helped organize one. It wasn't much of an organization—just five persons coming together for five hours—but it filled an urgent economic and social need, which is what cooperatives are supposed to do. We came together at the airport, awaiting a Trans-Texas International airplane to Lafayette, Louisiana. It never arrived. "Freezing weather in Houston," a uniformed girl behind a counter kept explaining to would-be passengers. "The next plane leaves tomorrow morning at 5:20."

Most of the customers walked off in search of a few hours' sleep. The five of us stayed, agreeing to pool our resources and rent a car. We had little in common other than our destination. But all the traditional elements that go into the making of a cooperative were present: a chance for economic gain through cooperation (the car-rental cost us \$7 apiece, compared to \$17.50 air fare); disgust with the performance of a private monopoly (*sic* Trans-Texas International); and a craving to control, if not our own destinies, at least our own itineraries.

Today many economically and politically stranded Americans are putting their hopes and their cash into cooperatives—some as a way

into the system, others as a way out. No one can precisely measure the extent of this latest cooperative surge, but it appears to possess both force and depth. The proliferation of cooperative buying clubs in many cities, the modest gains in cooperative housing, the poor people's co-ops, and the young people's communes all suggest a rudimentary tide of mutuality. There has been nothing like it since Depression days.

## ... as Apple Pie

Will the cooperative revival grow until it offers a genuine alternative to our present corporate system, or will it merely flounder and recede, as it did in the '30s? Cooperatism's history in this country has not been encouraging; after more than a century of struggle, cooperatives remain weak, marginal and, in the eyes of many Americans, slightly far-out. Still, the cooperative idea is as American as apple pie, and has been ever since Benjamin Franklin founded a mutual-assistance fire-fighting association in 1736, each of whose members was required to furnish "six leather buckets" and "two stout linen bags." As Tocqueville noted in 1835, "As soon as several of the inhabitants of the United States have taken up an opinion or a feeling which they wish to promote in the world, they look out for mutual as-

sistance; and as soon as they have found another out they combine."

The classic cooperative is a business enterprise owned and controlled by the people who use it. Its main purpose is to generate not corporate profits but member savings. If it is a consumer or purchasing co-op, savings are distributed at year's end to member-owners in proportion to their patronage; if it is a marketing or producing co-op, savings are distributed in ratio to each member's participation in the enterprise. Had I organized a private chauffeur service that night in New Orleans, instead of a co-op, I would have pocketed a chauffeur's fee for a tidy profit, and everyone else would have paid more for the ride. Conversely, if Macy's were a cooperative, its profits would be savings, to be refunded each year to customers in proportion to their patronage.

Because co-ops do not accumulate profits, the myth has persisted that they do not pay taxes. Actually, they are taxed like any other business, but not on refunds. Nor does the consumer pay a tax on his refund, for it is considered in the same category as a saving in household expenses.

In finances, therefore, the big difference between a cooperative and a conventional corporation is not how much money is made but how

much is kept. The politics of cooperatives also contrast with that of almost all other types of corporate entities: Personal rights take precedence over property rights; each member gets a single vote, regardless of how many shares he holds.

## Across the Atlantic

Even cooperatives that operate in slightly different fashion tend to distribute wealth and power more widely and fairly than do standard profit-oriented corporations. And since a great majority of Americans have little money to invest and little power to assert, one might have expected “the cooperative way” to have become the American way. Unfortunately, it has not. The reasons may be found in its history, here and in England, and particularly in cooperatism’s uncertain and often feckless stance toward both capitalism and socialism, the two economic systems that have shaped our Western world.

From the beginning, cooperatives lacked a grand theory, a wide-gauged rationale, that would explain “the system” and their place in it. Cooperatism was less a philosophy than a technique of organizing, and cooperative leaders were less philosophers than doers. They believed neither in the automatic perfection of a free market society nor in the inevitable triumph of the proletariat. In fact, they operated on the assumption that all social arrangements, being the products of men, were alterable by men. They were as impatient with determinism as they were with injustice.

While the elite of Great Britain and America were quoting Adam Smith’s immutable laws of *laissez faire* in expectation of “that universal opulence which extends itself to the lowest ranks of the people,” the poverty-stricken citizens of Hull, England, were building a cooperative flour mill (1795) to protect themselves “from the invasions of covetous and merciless men”—that is, the local elite. So angry were

these cooperative pioneers with the capitalist mill to which their fates had hitherto been tethered that they called their own mill the Hull Anti-Mill Society. It lasted more than a century.

Similarly, while Marx and Engels were laying the theoretical groundwork for their *Communist Manifesto* (“Let the ruling classes tremble at a Communist revolution . . .”), an extraordinary capitalist named Robert Owen was improving labor conditions, preaching cooperatism and attempting to establish cooperative colonies in both England and America. In some respects one sees Owen, who was born in 1771 of poor Welsh parents, as the ideal father of modern cooperatism. He was a self-made millionaire, an incurable optimist, a dreamer of dreams and an organizer of men. But if he was cooperatism’s inspiration, he was not its prime architect. He was too utopian, too given to social fantasies, to suit the pragmatic needs and plans of future cooperators.

Owen started by making his New Lanark textile mill, bought while he was still in his 20s, into a model community. The workers lived in decent houses and the children did not work: They actually went to school. Before long he was being widely acclaimed as the “benevolent Mr. Owen of New Lanark”—a new kind of capitalist millionaire, whose wealth generated light rather than darkness.

Yet when Owen, in 1817, began to promote his scheme for Villages of Cooperation—small, self-sustaining communities of farmers and workers—his following quickly melted away. Typically, he saw his villages as a humane alternative to the squalid, misery-ridden milltowns spawned by industrialism. They were to feature cluster housing, with each cluster forming a parallelogram and offering a combination of private family space and cooperative living space. In short, it was to be a *planned* community, and that is why Owen’s contemporaries hooted it down. Any-

one who had read Adam Smith knew that the road to hell was paved by planners.

In due course Owen went to America, there to create an instant utopian community, New Harmony, Indiana, on the banks of the Wabash. New Harmony was one of America’s first communes—shared property and “shared” marriages were among its featured principles—and it was a disaster for Owen and all concerned. Members shirked their duties, fought with each other and, in some cases, made off with community funds.

Soon after New Harmony disbanded, other utopian communities, all pledged to abolish the evils of industrial competition, appeared in many sections of the country. Brook Farm near Boston, the best known of these experiments, was the brainchild of New England intellectuals—Emerson, Hawthorne, William Henry Channing, and Margaret Fuller, among others. It lasted a scant five years, but its optimistic message still reverberates. Brook Farm is the tinted paradise to which hundreds of today’s youthful communes aspire.

## Rochdale Principles

The main currents of cooperatism, as it turned out, would not flow through Brook Farm or New Harmony; rather they would take the Rochdale route. Rochdale was a town in England, 50 miles west of Hull, where 28 weavers established a *consumer* cooperative in 1844. Ironically, the “benevolent Mr. Owen,” though a friend and benefactor of the Rochdale workers, did not participate in this pioneering venture. The weavers should own a cooperative mill, he said, but not a cooperative store.

Nevertheless, the weavers persisted with their consumer co-op, and in the process they established a litany of guiding principles. These principles included patronage refunds, open membership, constant expansion, continuing education in

the cooperative way and, most important of all, democratic control by the membership. Some of the Rochdale rules are honored today mainly in the breach; but Rochdale has grown to be a sacred symbol, the Mt. Sinai of cooperatism, and rare is the cooperative leader who will openly shatter its commandments.

By mid-19th century, then, most of the big pieces in the cooperative puzzle were firmly in place: the notion of one man, one vote; the incipient differences in views and values between producer co-ops and consumer co-ops; the tendency to organize first and ask questions later, to work from need rather than theory; the frequent reliance on strong individualists like Owen, ready and eager to give their lives and their fortunes to the cause; and the implicit desire among cooperatives for coexistence with the larger economic framework—that is, a willingness to compete with the system on its own terms.

These elements were to shape the cooperative struggle for more than a century; they remain significant even now. And in America, at least, a new component—the state—was also to play a major role. For what American cooperatives have been learning over the years, starting with the post-Civil War farm co-ops, is that the government names the game, makes the rules and umpires the play. No group, be it co-op or corporation, can survive without its blessing; no group can thrive without its help.

At the outset, what cooperatives sought from government was simply legitimacy, the right to exist in a capitalistic world; later they sought equality; and still later, subsidy. In this last goal they differed not at all from their competitors, the private corporations. But corporations were made for the modern state; their policies and personnel interlock at nearly every point and in thousands of mutually beneficial ways. Cooperatives, on the other hand, were made for . . . what? Corporate cap-

italism? Certainly not. Socialism? Not likely. They were made, simple as it may seem, for people—an innocent idea which frequently finds co-ops without friends at court.

## Farmers Unite

After the Civil War the cooperative impulse quickened among American farmers seeking a common front against the railroads, the banks and “the moneychangers of Wall Street.” Grain and dairy cooperative associations like the Grange and the Farmers’ Alliance flared up in dozens of states, to glow brightly for a time and sputter out. These early agricultural co-ops, like so many of their successors, were neither all business nor all ideology, but a pragmatic mixture of each. Their objectives, then as now, were to afford farmers higher prices for produce in the marketplace and to secure lower purchasing prices for supplies and equipment.

Still, populism was in the air—especially the rural air—and to many people “The Cooperative Commonwealth,” as Edward Bellamy called it, seemed just around the corner. “All thoughtful men agree that the present aspect of society is portentous of great changes,” Bellamy wrote in 1888. “The Golden Age lies before us. . . . Our children will surely see it.”

Even Theodore Roosevelt caught the mood. The cooperative idea, he declared while President, was “the best plan of organization wherever men have the right spirit to carry it out. . . .” But he gave that endorsement a decidedly capitalist twist, observing that a cooperative “develops individual responsibility and has a moral as well as a financial value over any other plan.”

Alas, it would take more than Presidential benedictions to save the fragile network of farmers’ co-ops. By the turn of the century, only about 1,200 farm marketing cooperatives—four-fifths of them creameries or cheese factories—remained in business. Thousands had perished

for lack of capital, credit and political influence. In many states co-ops had trouble coaxing charters out of their legislatures. There was a general feeling in state capitals that cooperatives were at once “communistic” and “monopolistic,” and this feeling was carefully encouraged by that tireless defender of laissez faire: the railroad lobby.

Soon, however, cooperatives began to do some lobbying of their own. In 1915, for example, a delegation of North Dakota farmers called on their state representative, one Treadwell Twichell, hoping to enlist his support. Wheat farmers should be permitted to build cooperatively owned grain elevators, argued the delegation, so they could bargain more effectively with the railroads and the big mills in Minneapolis—the urban oligopolies against which farmers had been struggling for decades.

Treadwell Twichell heard them out, and then—so the story goes—advised them to “go home and slop the hogs.” Presumably they did just that. They also organized a new political party, the Non-Partisan League, and finally forced Twichell and many of his colleagues out of public office. From that time on, “Go home and slop the hogs” has been an ironic battle cry among cooperative-minded Midwest farmers.

## Magna Carta

The work that went into organizing the Non-Partisan League and similar politically minded groups began to pay off. It is worth noting how, because many urban cooperatives today face problems identical to those that plagued farm co-ops 50 years ago; namely, a critical shortage of capital and a crippling lack of technical know-how. In addition, farm co-ops at that time often had to battle for their legal lives.

Among those spearheading the cooperative drive was Senator Andrew J. Volstead, the Minnesotan who brought us Prohibition. With Senator Arthur Capper of Kansas

he sponsored a bill giving farmers the right to form cooperatives without fear of violating antitrust laws. The Capper-Volstead Act, passed in 1922, is still hailed as the Magna Carta for American farm cooperatives.

## Federal Assistance

At about the same time the Federal government began to pump technical assistance and credit into the farm cooperatives. It also set up a Division of Cooperative Marketing in 1922, and began to grind out an infinite procession of self-help pamphlets on such subjects as "Producers Cooperative Milk-Distributing Plants," "Legal Phases of Cooperative Associations," and "Development of a Cooperative Citrus Marketing Agency." The division endured several reshufflings and mutations, until in 1953 it became the Farmer Cooperative Service (FCS), a constituent part of the Department of Agriculture. FCS today operates on an annual budget of nearly \$2 million and has a professional staff of 50.

If farmers found technical assistance useful, they found reasonable credit indispensable. During the '20s most of them were unable to obtain anything but short-term loans at usurious rates. Amortization was a luxury few could afford. The farmer simply paid the interest on his loan, and when the loan came due, he went hat in hand to the bank for another short-term extension. Sometimes the bank said Yes; sometimes it said No, preferring to call in the note and seize the farm.

The government changed that by establishing, in fits and starts, a farm credit system that assured farmers a less arbitrary flow of credit at more civilized rates of interest. In 1933, for example, the government put up cash for a network of cooperative banks—a central bank with 12 regional branches—to be owned and operated by farmers. These proved to be a hedge against Depression panic (farmers

were understandably reluctant to foreclose on themselves).

As the farmer began to appreciate the advantages of cooperatism, he looked for new ways to apply it. He needed to look no further than his kitchen, equipped with wood-burning stove, hand-pump and kerosene lamp. Edison had lit up lower Manhattan in 1882, but by the mid-'30s nine out of every ten farms were still without electricity. The reason was that private power companies were charging anywhere from \$2,000-\$3,000 for the installation of lines in sparsely populated areas—this during a period when gross farm income averaged \$1,800 a year.

Accordingly, the New Deal in 1935 established the Rural Electrification Administration (REA), to lend capital at low interest to groups of farmers ready to organize their own electric cooperatives. Today 98 per cent of America's rural homes have electricity, most of them supplied by the nation's 1,000 electric cooperatives.

## Into the Cities

The cooperative idea was also gaining a precarious foothold in the cities. The national credit union movement, launched in 1909 by the Boston department store baron Edward Albert Filene (another cooperative-minded millionaire), appealed to urban workers. The theory behind cooperative credit unions, as Filene pointed out, was very simple: If workers had to borrow in an emergency, they need not be "harassed by loan agents": They could "borrow among the men with whom they are working and who will help them get on their feet and keep steady." By 1940 there were some 9,000 credit unions in the United States, serving close to 3 million members. Assets totaled about \$250 million.

With their strong urban base and their relatively large assets, credit unions have helped other types of urban co-ops to get started. It was a credit union, for instance, which co-sponsored the nation's first hous-

ing cooperative, built in New York City in 1926. And credit union members during the '30s were in part responsible for two of the nation's largest supermarket co-ops—the Greenbelt chain in the Washington, D.C. area, and another in the California Bay region.

As cooperatism spread, its philosophic underpinnings became increasingly shaky. Marquis Childs had a best-seller among liberals in his *Sweden: The Middle Way* (1936), a compelling plea to replace American capitalism with Swedish cooperatism. That same year, in a novel he called *Co-op*, Upton Sinclair conjured up a 20th-century, Western version of Brook Farm—a cooperative community of fruit-growers, canners, carpenters, and tradesmen who shared their property, printed their own cooperative currency and lived happily ever after. Neither Sinclair's folk-utopia nor Childs' vision of a Swedenized America seemed particularly outlandish at the time. But the times themselves were outlandish, full of grandiose schemes and grinding poverty. It was, to be sure, a manic Depression.

Then, without warning, all that cooperative energy, all that momentum, was scattered to the winds. World War II and prosperity, followed in close order by more prosperity and McCarthyism, drove cooperatism out of the political arena and out of most people's minds. Cooperatives had lost their outward appeal, and quite a few had abandoned their inner *raison d'être*, the mystique of "the cooperative way." Farm co-ops grew affluent, forgot their origins and stopped recruiting new members. Big-city consumer co-ops, never very strong, now had to struggle against slick supermarket competition tailor-made for a new, transient populace that had never read Upton Sinclair. American cooperatism, with its history of frantic hopes and false starts, seemed at last to be giving up the ghost.

A few die-hards, though, kept plugging away. Several new health

co-ops and housing co-ops got started during the postwar period; the Cooperative League of the U.S.A., spokesman and clearing-house for many major American co-ops, took comfort in "cooperative stirrings abroad," in places like India and Ethiopia; farmers grown gray and weary continued to preach cooperation as "the salvation of the family farm," while their children ran to Chicago. And Moses M. Coady (1882-1959), Canada's eloquent guru of cooperatism, complained about "the inferiority complex of the masses," which kept them from wresting control of their lives from "the well-to-do."

"We should take a leaf out of the book of wisdom of the smart men who have been running the economic world," Coady urged. "Economics made them. . . . They did not stop with mere rugged individualism! They long ago resorted to group action. While they preached individualism to the common people, they went ahead to form joint stock companies, corporations, and . . . international cartels. This is cooperation with a vengeance!"

## A New Wave

Coady didn't live to see it, but at some point in the '60s people began to heed his advice. Once again we were living through a time "portentous of great changes"; once again there was a motion toward cooperation. What seems now to be taking place is a new wave of cooperative foregathering similar to the one that swept the farm belt at the turn of the century and again during the '20s and '30s.

The difference is that most new co-ops are off the farm. They are clustering in cities, on campuses and, to a lesser degree, among the landless peasantry. In some respects these new co-ops have a leg up on their predecessors. They are viewed as a reasonably respectable way of doing business, so long as they do not get too big or competitive; seldom are they accused of Communist

machinations, or even of Socialist leanings. About 38 million Americans belong to traditionally based cooperatives. According to estimates supplied by the various cooperative trade associations, the approximate membership breakdown, by types of co-ops, is as follows:

Type	Number	Membership
Credit	24,000	22,000,000
Electric	1,000	6,700,000
Farm	7,700	6,400,000
Consumer	900	1,000,000
Student	800	800,000
Telephone	235	650,000
Housing	900	500,000
Memorial	105	325,000
Health	5	250,000
Nursery	1,440	45,000
Fishing	80	9,500

Perhaps several millions more belong to rudimentary co-ops—the buying clubs, the hole-in-the-wall food stores and the communes. The large total suggests that cooperatives are here to stay.

On the other hand, public acceptance is only half the battle. Economic survival is the other half, and starting a new business today, whether a co-op or not, is a far more perilous venture than it was 30 years ago. This is especially true of consumer ventures—a supermarket, say, or a hardware store—where much of the new cooperative impulse seems to be channeled. The marketing process is complex, the margins narrow, the competition rugged.

Each week the Cooperative League receives scores of letters from young co-ops trying to stay afloat. "We are at a loss as to where to turn," writes the manager of a new consumers' natural food co-op in Rhode Island. "We presently sell food only one day a week. . . . What we need . . . is information so that we can educate ourselves."

"We are a co-op of about 3,000 people," writes a man in Vermont. "We should like to buy snowshoes from the Indians in Canada but you

can't bring more than \$250 worth of goods across the border unless you are bonded. . . ."

From Kaneohe, Hawaii: "You may be aware of the relatively high cost of living which prevails in Hawaii. . . . A group of concerned citizens have banded together and are attempting to do something about these conditions. This is a bootstrap effort. . . . It is our plan to establish a cooperative store. . . ."

From Lodge Grass, Montana (a Crow Indian community): "This will be a combination consumer and producer cooperative for marketing Indian arts and crafts. We have issued some membership receipts and have rented a small space for a store and have a small stock of materials and merchandise. We . . . have not incorporated our cooperative. . . . We have no legal talent here. . . ."

## Groping for the Light

So the unequal struggle continues, in many places and among a variety of sufferers: tenants displeased with their dwellings and landlords; patients disenchanted with their doctors and hospitals; consumers trapped by rising prices; poor people in need of humane credit and economic leverage; young people in search of "alternative lifestyles."

It has been the role of cooperatives to restore a measure of free will, to light up for citizens a few possibilities previously concealed in the long, mechanistic night. That is what those plaintive letters to the League are all about; they are groping for the light. These people are doing what the Rochdale weavers did more than a century ago and what American farmers have been doing ever since they invented the Grange—trying to get their combined hands on the capitalistic wheel in hope of making it turn for them. Indeed, anyone who seeks to understand the cooperative idea in America, and to learn whether its time has come, must first understand American farm cooperatives and how they grew.

